

Community Energy Wales are delighted to support and provide our thoughts on how we can support the Welsh Government's ambitious targets for Renewable Energy and in particular the target of 1 Gigawatt of Locally Owned Energy. Please find below our response to the questions put to us by the committee.

1 Recent progress of Community Energy in Wales

Community Energy in Wales has seen significant growth over the last few years. In 2013 there was only 0.7 mW capacity of Community owned energy in Wales. The latest report commissioned by Welsh Government shows that this has increased to 11 mW with around 20 mW still in development. Over £6m million has been raised to support these projects through Community Share offers over the last 3 years demonstrating the growing interest in supporting and investing in Community Energy. However, it is also a very challenging environment with many schemes that have been built benefiting from pre-registration for Feed in Tariffs (FITs) before the changes made in late 2015, when the UK Government announced that there would be an early withdrawal of, and significant changes made to, many of the support incentives and mechanisms within the Levy Control Framework (LCF) that had helped the sector to grow in previous years.¹ This means that many of the schemes in development are struggling to find a route to market and our role in partnership with others such as the Welsh Government funded Local Energy service is to support innovation, efficiency savings and work with the Welsh Government to create opportunities creating a more positive environment for Community Owned energy in Wales.

2 Examples of good practice and innovation in Wales and beyond

2.1 Bethesda – Ynni Lleol

This is an innovative trial that enables energy to be sold locally through an energy local club which is a local co-operative set up between people who want to buy their energy locally and local generators. This can provide local people with cheaper energy bills and enable local generators to make a little more from the energy they sell. This model helps to keep more money in the local economy, reduce electricity bills and creates a direct link between consumers and local generators.²

2.2 Swansea Community Energy and Enterprise Scheme

¹ https://communityenergyengland.org/files/document/51/1499247266_CommunityEnergy-StateoftheSectorReport.pdf

² <https://1010uk.org/energylocal/>

This scheme was developed by Swansea City Council but was set up as a Community Energy scheme that is independently run by a group of local volunteer directors. The project was set up as a community benefit society to support more deprived parts of the city and all the profit from the scheme will go to support local initiatives. The solar panels for the scheme were put on local authority buildings and the local authority buy the energy generated from the community benefit society providing cheaper electricity for the buildings as well as generating over £500,000 of community benefit fund for the local community. This is a great example of a local authority supporting community energy to create long term benefit for a community.³

2.3 Alwens Forest Tender

Community Energy Wales (CEW) partnered with Innogy a large renewable energy developer on a tender to develop an energy park on part of the National Resources Wales (NRW) managed estate. CEW and Innogy put together a tender which if successful would enable up to 15% of the development to be community owned, enabling the benefits of the scheme to be shared more widely in Wales. This could create a template for how more shared ownership opportunities could be developed in Wales in the future.⁴

2.4 Orkneys Surf and Turf

This is a really innovative project in Scotland that is looking at how to best use the electricity that is generated locally. They have developed innovative storage solutions and are also looking at how they can use the electricity to decarbonise transport on the island.⁵

3 Barriers to the development of community energy projects

3.1 Reduction in Feed in Tariffs

Reductions in Feed In Tariffs (FITs) have hit the sector hard with many projects no longer being financially viable. A large number of community energy projects have been adversely affected by these changes, including many respondents to the recent 'State of the Sector' report. Of the 123 generation projects surveyed who used a form of energy subsidy, 88% utilised the FiT, 12% used the Renewable Obligation Certificates (ROC) scheme and 7% used the Renewable Heat Incentive (RHI)²³.

In terms of developing projects, 21 organisations stated that FiT changes were a key reason for their project stalling. A further 36 organisations stated that reinstatement of viable FiT levels or the

³ <https://www.swanseacommunityenergy.org.uk/>

⁴ <https://www.renewableuk-cymru.com/2017/08/a-new-partnership-for-onshore-wind-in-wales/>

⁵ <http://www.surfnturf.org.uk/>

creation of community specific support or subsidies are essential in enabling communities to realise their energy objectives.⁶

3.2 Business Rates – particularly hydro

Business rates are a significant cost to Community Energy schemes and hydros in particular have seen huge increases in Business Rates following the recent revaluation. We have seen the rateable value for some of our members increase by up to 540% with the average being nearly 200%. This has taken many of the projects above the level for small business rate relief, making many of these projects unviable or loss making. (Appendix 1)

3.3 Access to land and buildings

Community groups often do not have access to land or buildings to develop projects on. It is therefore essential for them to identify and work with supportive landowners who can allow access to their land to enable projects to progress. To date the potential of unlocking publically owned or managed land to communities has not been developed with few community projects being developed on publically owned land.

3.4 Procurement Process

The tendering and procurement process to date has not supported Community Owned projects to tender for projects on publically owned land such as the NRW estate. Often the financial requirements of the tender immediately exclude Community Energy groups being eligible. There are also significant costs incurred in the tendering process that communities can simply not afford to take on, unlike a commercial developer meaning it is not an equal playing field.

3.5 Flexible, low cost long term finance

With the reduction of FITs making projects less viable it is becoming increasingly difficult to access finance for projects. Projects need lower cost finance over longer periods in order for them to be viable. Often these can be re-financed through community share offers but the process of raising a share offer is too slow in many circumstances. This is improving through Finance Wales, Robert Owen Community Banking and the Local Energy Service but given the targets for shared ownership the amount available needs to increase and the terms need to be looked at in a more challenging market.

3.6 Complex regulated market

The electricity market is highly regulated and it means that it is often inflexible and makes it challenging to develop new models that enable electricity to be produced and sold locally. There are

⁶ <https://communityenergyengland.org/pages/state-of-the-sector-report>

models such as energy local that have found ways around this but they are bespoke and not always suitable to every community or area.

3.7 Grid constraints

The grid is full in many parts of rural Wales, upgrades are required before more generation can be connected. In Wales community projects have either been constrained or abandoned due to grid constraints. For example the Ynni Anafon hydro scheme had the potential to deliver a capacity of 500kW but was constrained to 270kW. An 18kW scheme in Abernant mid Wales was a small £100,000 scheme and was given a bill of £5.7 million to upgrade 48km of line in Mid Wales.

3.8 Planning

The planning system in Wales has held back a number of schemes with some inconsistent approaches between planning authorities. Cwm Arian in Pembrokeshire had 2 planning applications turned down by the planning authority and was eventually successful following a 2nd appeal to the Welsh Government. Unfortunately this was too late for the project as the changes to the FITs meant the project was no longer financially viable.⁷

4 Views on how Wales' target of generating 1GW from locally owned energy by 2030 can best be achieved

In looking at this question we have focused on areas that the Welsh Government actually has control of and can influence. There are other factors such as the reduction in FITs, the removal of tax relief for community share offers and OFGEM regulations that are not devolved issues and can only be affected by lobbying from the Welsh Government and greater devolution. We would support this approach from the Welsh Government but in the meantime there are areas where Welsh Government could make a difference.

Ultimately our approach is to look at ways to reduce costs and increase the value of the energy that we sell. We also need to increase the amount of access Community Energy projects have to viable sites in Wales.

4.1 Business Rates

We would propose that as in Scotland there should be 100% business rate relief for **all** community energy projects in Wales. (Appendix 1)

We have gathered information on business rates paid by our members and based on this information we believe that 100% rate relief for Community Energy Projects will cost in the region of £110,000 to deliver annually.

⁷ https://www.youtube.com/watch?v=H_4k0maxenM&feature=youtu.be

- All savings made in business rates would be used to deliver the social aims of the Community Energy organisations which focus on developing more community owned energy, relieving fuel poverty, making their communities more resilient, creating jobs and supporting social enterprise in their communities. This would have a huge impact at a local level⁸.
- The community energy sector would become more self-reliant and sustainable as it is more able to support itself, develop more initiatives as well as building our capacity within the sector.
- More Community Energy schemes will be viable in the future and it will encourage a resurgence of growth in the Community Energy sector bringing £millions of investment and significant community benefit to Wales⁹.
- This could stimulate joint ventures between Community Energy groups and Commercial developers as it would make community partners a more attractive proposition.

4.2 Access to Public land and buildings

There is huge potential for more productive use of underutilised land and buildings and community ownership, on a significant scale for community asset development, through renewable energy. This could be achieved through asset transfer and disposal or acquisition of land, as part of a wider Community Right to Buy for Wales, in a similar way to Scotland, through the Scottish Land reform act 2016¹⁰ and Scottish Community empowerment Act 2015¹¹.

We would propose:

- A commitment from public bodies to identify sites suitable for Renewable Energy that is publically available
- Communities have the right to identify assets or sites where Renewable Energy schemes are viable and to submit a proposal to develop the site if no action is being taken by the public body.
- A public body is obligated to respond with a yes or no within a certain amount of time and must justify their reasoning if a proposal is turned down.
- There should be more onus on bodies such as Natural Resources Wales to show how their tender process fits into the Well-being of Future Generations (Wales) Act 2015 criteria.

4.3 More flexible low cost finance

According to a report from Community Reinvest, local government pension funds in the UK invest over £14 billion into fossil fuel companies. Welsh councils specifically invest £739 million of their

⁸ https://communityenergyengland.org/files/document/51/1499247266_CommunityEnergy-StateoftheSectorReport.pdf

⁹ https://communityenergyengland.org/files/document/51/1499247266_CommunityEnergy-StateoftheSectorReport.pdf

¹⁰ <http://www.legislation.gov.uk/asp/2016/18/contents/enacted>

¹¹ <http://www.legislation.gov.uk/asp/2015/6/contents/enacted>

pension funds in fossil fuel companies. That equates to 6.6% of their total investments, higher than in Scotland, England or Northern Ireland. This investment occurs despite the financial, social, technological, environmental and regulatory risks associated with such investments. Furthermore, the Well-being of Future Generations (Wales) Act adds a duty to the public bodies listed in the Act, including local authorities, to consider the long-term implications of their actions.¹²

We would support the following recommendations from the IWA ‘Re-energising Wales’ report:

Welsh Local Government pension funds should significantly reduce their exposure to investment in fossil fuels. All funds should identify and take climate change into account as a key risk. Welsh Local Government Pension funds should consider setting a target of 5% total investment in Welsh renewable energy projects by 2020.

All public sector pension boards in Wales should recruit a suitably experienced renewable energy advisor or employee and increase industry engagement by joining an industry body such as the Institutional Investors Group on Climate Change.

Welsh Government should support the development of a new cooperative, charitable or not for profit body which has a clear brand and supports investment in Welsh renewable energy projects. CEW have started to develop this through YnNi Teg and the joint tender with Innogy for the Alwens Project.

Build on the successful finance offered through finance Wales to look at opportunities for flexible finance where more is available to facilitate shared ownership opportunities, repayment periods are longer and explore the possibility of accessing cheaper finance to enable schemes to become more viable.

4.4 Guaranteed price for community energy

We would like WG and other public bodies to consider being the buyer of choice for community generated energy throughout Wales. The added value of community generated energy is well documented¹³¹⁴ as currently a simple cheaper price approach is being undertaken by public bodies in Wales and they are not recognising the multiplier effect or social benefits of community generated energy. Options for moving to more locally sources currently available include a flex power purchase agreement, sleeving contract and or a larger scale Energy Local agreement.

4.5 Planning

¹² http://www.iwa.wales/wp-content/uploads/2017/04/IWA_ReEnergisingWales-9.pdf

¹³

<http://www.regenwales.org/upload/pdf/071015091201Impact%20of%20Small%20and%20Community%20Hydro%20in%20Wales.pdf>

¹⁴ https://communityenergyengland.org/files/document/51/1499247266_CommunityEnergy-StateoftheSectorReport.pdf

We believe the social and economic benefits of Community Energy schemes should be highlighted and given material weighting in the planning process and this should take into account the long term impacts of these schemes. This is currently too inconsistent in Wales and has in some cases led to expensive appeals where the local planning authorities decision has ultimately been overturned.

We need to look into the use of larger taller turbines to make wind energy viable without subsidies. If there is a greater community stake in these larger projects does that increase the public support. A study should be commissioned to measure Welsh support for renewable energy to give planning authorities and the Welsh government confidence similar to that produced by the UK government which show overwhelming public support for Renewables.¹⁵

All Solar PV on buildings should be permitted development including greater than 50kW schemes. Permitted development could be considered for other technologies as well such as hydro under 30kW.

4.6 Grid

In the short term strategic investment in grid infrastructure is undertaken as a matter of urgency to support continuing low carbon generation in rural Wales. A strategic review should be done to identify where projects can go and where investment should take place. This should include opportunities for locally owned energy.

Support innovation between the District Network Operators and locally owned energy to develop smart grid and storage innovations that support active network management.

4.7 Supporting Innovation

Make Wales a leader in grid network innovation and support the development of trials and pilots in Wales. Ensure Wales is successful in accessing as much of the Ofgem network innovation fund as is possible.¹⁶

Set up a fund in Wales to support communities to develop innovative solutions to delivering energy savings or sustainable energy solutions. The climate challenge fund in Scotland is a fund which encourages community based solutions.¹⁷

¹⁵

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/656549/Wave_23_Summary_Report.pdf

¹⁶ <https://www.ofgem.gov.uk/network-regulation-riio-model/network-innovation>

¹⁷ <https://www.keepsotlandbeautiful.org/sustainability-climate-change/climate-challenge-fund/>

Continue to fund the Local Energy Service and provide grants, development loans and development officer support. The programme may need to take more risk as the route to market is more challenging.

5 Our Views on the support provided by the Welsh Government through its Local Energy Service

This support is highly valued in the Community Energy sector and the relationships between the communities and Development Officers (DO's) are very strong and they provide a great support to many community energy projects.

The support offered has continually improved over the years through the Ynni'r Fro programme and now through the Local Energy Service. It has offered greater flexibility as the programme has developed which has been essential in enabling communities to develop complex projects in an ever changing market. There is a risk that when tendering for an all-encompassing service to support business, local authorities and community owned energy could negatively impact on the support provided to the Community Energy sector. It is essential that this support is not lost or watered down in any tender process and the strong relationships built up with the DO's are not undervalued.

6 In Conclusion

Despite the challenging environment for small scale renewable energy and in particular community owned energy we still believe there are significant opportunities in the future. While Westminster has been less than supportive in this area we feel pleased that the Welsh Government have strong ambitions in this area. We hope that this report provides useful thoughts on what the Welsh Government can deliver to create a more positive and enabling environment for community energy in particular but many of these ideas would also support the target for 1 gW of locally owned energy.

Appendix 1 – Correspondance between Cabinet Secretary for the Finance and Local Government – Mark Drakeford AM and CEW on business rates

(Figures in Appendix 2)



Mr Mark Drakeford AM,
Cabinet Secretary for Finance and Local Government, Welsh Government,
Tŷ Hywel,
Cardiff Bay,
Cardiff,
CF99 1NA

Date: 16/06/17

Business rates revaluation for Community Owned Energy – Hydropower

Dear Mr Drakeford

I am writing to you on behalf of Community Energy Wales. We are a membership organisation representing the Community Energy Sector in Wales and have over 60 members.

I am specifically writing about the recent changes to Business rates that are affecting many of our members in particular those that own hydropower sites. We have seen the rateable value for some of our members increase by up to 540% with the average being nearly 200%. This has taken many of the projects above the level for small business rates relief or to a level where the relief being offered through small business rates relief is significantly less than previously.

For existing schemes in 2016/17 they collectively contributed £17,498 and in 2017/18 they will collectively be looking to pay £90,615. This is a rise of over 400% and one of our members has highlighted that up to 30% of their turnover would go to meeting this tax. I appreciate this does not take into effect the Transitional rate relief they may be entitled to but even with the staggered transitional relief we would see rises in the total amount contributed of 4.46% in Year 1, 109% in Year 2 and 213% in Year 3. We feel that it is not proportionate and it will have a significant impact on many of our members.

There are also a number of schemes in development that have modelled their schemes using the existing Business rates with modest increases in line with inflation. However, with the new valuations at least 2 of these schemes are now in jeopardy and may not go ahead at all. This will

obviously have a negative impact on the communities but will also mean that any potential business rate income would also be lost and that would benefit no one.

It is important to bear in mind that Community Energy schemes are very different from other commercial schemes. Firstly they are run by volunteers and secondly they are set up to re-invest any surplus back into particular social aims that they would make explicit in their Rules, Mem and Arts or Constitution. Each of these schemes will have different legal structures and different social aims but the important fact remains that the income they are losing through the changes to the business rates will now no longer be going towards achieving their social aims but would be diverted to pay the large increase in business rates.

Another important factor to remember is the huge amount of social capital that has gone into these projects. A recent survey we carried out estimated that on average 350 volunteer days had gone into developing Community Energy projects. This is probably an underestimate. These individuals have put huge amounts of their time to develop projects that match the aims of the Wellbeing of Future Generations Act. They are developing clean renewable energy that is locally owned, where any surplus is used for clearly stated social aims and where in many cases ordinary people are able to invest and become an equal member in the scheme through a community share offer. In Wales over the last 3 years more than £5 million has been raised through community share offers. Often these schemes are supporting community services that have been cut over the last few years. They are investing in their communities.

We have advised our members to take the following action initially:

- Ensure they are applying for Small Business Rate Relief if they are eligible.
- Apply for the transitional rate relief that they may be entitled to.
- Appeal against the property valuation
- Contact their local authority to see if they are eligible for the discretionary rate relief available to charities and not for private profit organisations.

However, we believe that there is more that could be done to support the Community Energy Sector in Wales. We would be keen to discuss the following with you.

Amendment to the valuation calculation

There is clearly a basic problem with the valuation calculation for hydro schemes. Would the Welsh Government be willing to work with us to challenge the Valuation Office Agency on how they have calculated the rateable value?

We appreciate that this is out of Welsh Governments control so we would also like to discuss measures that are within Welsh Governments control.

Rate Relief for Community Energy projects in Wales – We propose that a very effective way to overcome the dis-proportionate rate rises and promote the development of Community owned

Energy in Wales would be to offer specific rate relief for Community Energy Projects. In Scotland all Community Energy schemes with a rateable value of less than £145,000 are eligible for 100% rate relief. It also allows up to 100% rate relief for shared ownership schemes where at least 15% of the profits are going to a community organisation¹. If it is above £145,000 then rate relief is available but it depends on the rateable value of the project. Speaking to our colleagues at Community Energy Scotland they have said that this has had a major impact in encouraging the growth in shared ownership schemes and it has enabled new community energy schemes to be developed that would otherwise not have been viable.

We believe that by considering this opportunity then there could be multiple benefits.

- Ensuring that the hard fought surplus that Community Energy schemes generate are able to be utilised for the social aims intended.
- That existing community energy schemes are able to continue to operate and thrive.
- That there is greater opportunity for new wholly owned community energy schemes to be developed
- That shared ownership of energy assets becomes far more common in Wales ensuring that many more of the benefits of larger schemes are retained locally and in Wales.

We believe that all this matches the aims of the Welsh Government and was highlighted when Lesley Griffiths, the Cabinet Secretary for the Environment recently stated an ambition for Wales to be a nation renowned for clean energy² and gave an indication that as well as targets for Renewable Energy there would be specific targets for Community Owned Energy.

For your information I have also sent a copy of this letter to Lesley Griffiths, the Cabinet Secretary for the Environment.

We would be delighted to discuss this further with you and look forward to hearing back from you.
All the best



Robert Proctor

Business Development Manager

Community Energy Wales – Ynni Cymunedol Cymru

¹ <https://www.mygov.scot/business-rates-relief/renewable-energy-generation-relief/>

² <http://gov.wales/newsroom/environmentandcountryside/2016/161206-environment-secretary-sets-out-ambitions-for-wales-to-become-nation-renowned-for-clean-energy/?lang=en>

Mark Drakeford AM/AC
Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol
Cabinet Secretary for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MD/00428/17

Robert Proctor

Deu Mr Proctor,

5 July 2017

Thank you for your letter of 16 June regarding the effects of the non-domestic rates revaluation 2017 on some of your members, particularly those who run hydropower schemes.

I welcome the investment that community energy schemes provide and their contribution towards Wales' decarbonisation agenda. I also appreciate the concerns of your members regarding the impact of the revaluation. However, the Valuation Office Agency (VOA) has responsibility for independently assessing the rateable value of non-domestic properties in Wales and as such, I cannot comment on individual cases of assessment.

I understand that the VOA has worked closely with industry representatives during the revaluation exercise to ensure the new rateable values accurately reflect the current market conditions. In addition to this, the Welsh Ratepayer's Forum, lead by the VOA, has met to engage with stakeholders and industry representatives during the revaluation, and includes representation from the British Hydropower Association.

Whilst I am aware that some hydropower installations and other community energy schemes in Wales are seeing increases in rateable values, many will still benefit from Small Business Rates Relief (SBRR) and will also be supported by the transitional relief I have implemented.

The SBRR scheme which has been extended until 31 March 2018 provides 100% relief to eligible business with a rateable value of up to £6,000 and tapered relief for those valued between £6,001 and £12,000. This scheme provides relief to over 70% of ratepayers in Wales, with over 50% paying no rates at all.

The £10m Transitional Rate Relief scheme, which is fully funded by the Welsh Government, is also assisting businesses whose entitlement to Small Business Rates Relief has been adversely affected by increases in their rateable value following the revaluation. This scheme will assist eligible ratepayers by enabling them to phase in any increases in the amount they have to pay over a three-year period. There is no application process with the relief automatically applied to eligible ratepayers' bills.

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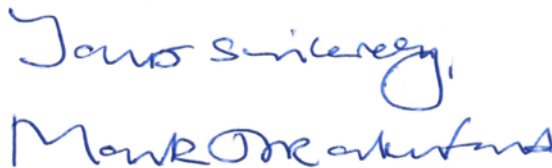
Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

I note the rate relief being provided by the Scottish Government's to support hydropower community schemes. Introducing a new form of non-domestic rates relief could add to the complexity of the system and to the costs of administration for local authorities, as well as impacting on the funding available for vital local services which are part funded via non-domestic rates. As such, these factors need to be taken into careful consideration alongside detailed evidence of the specific impact of the revaluation on community hydropower schemes and the benefits any relief scheme would provide. The information you have provided from your members regarding the impact of the revaluation on their specific schemes is very helpful in supporting these considerations.

I am also aware of the recommendations made by the Hydropower Task and Finish Group, for the Welsh Government to work with the sector to consider how the impact of the non-domestic rates revaluation could be mitigated for new schemes receiving a lower feed-in tariff rate than assumed in the revaluation, and the costs and benefits of any measures. A new permanent Small Business Rates Relief scheme will come into force from 2018 onwards and as part of the development of this scheme the case for specific assistance and support for some projects, including community energy projects will be considered.

With regards to the advice you have already provided to your members, the Business Wales service may also be of assistance. This service provides a range of advice on other support available to businesses and can be contacted on 03000 603000, or via the website below: <https://businesswales.gov.wales>.

The image shows two handwritten signatures in blue ink. The first signature is 'Jonny Smiley' and the second signature is 'Mark Drakeford'.

Mark Drakeford AM/AC

Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol
Cabinet Secretary for Finance and Local Government



Mr Mark Drakeford AM,
Cabinet Secretary for Finance and Local Government, Welsh Government,
Tŷ Hywel,
Cardiff Bay,
Cardiff,
CF99 1NA

Date: 09/08/2017

Business rates revaluation for Community Owned Energy – Hydropower

Dear Mr Drakeford

Thank you for your response to my letter dated the 16/6/17, I do appreciate you taking the time to consider the issue and reply. Unfortunately, your response will not provide much hope for our members affected by these significant rate rises as we had already taken the impacts of the SBRR and Transitional rate relief into account when highlighting the challenges this poses to our members.

We certainly value Small Business Rate Relief (SBRR) and many of our members do benefit from it. Unfortunately as highlighted in our previous letter, due to the significant changes to the way hydro schemes are valued this means that many of them are now above the threshold for SBRR or have moved from 100% relief to significantly less relief.

We also recognise the support from the Transitional Rate Relief scheme. This obviously helps in the initial period but actually due to the nature of these projects and how they are financed this relief merely delays the problem and does not resolve it.

We believe there are particular circumstances which mean that Community Energy schemes should be provided with additional support to overcome the impacts of the business rate hike.

- Community Energy schemes cannot increase productivity. Schemes are reliant on how much rain falls, how windy it is or how much the sun shines. Therefore, our members cannot offset the increase in business rates by looking at ways to increase productivity.
- Community Energy schemes cannot increase the cost of their product. Electricity generation and cost is highly regulated with the aim of keeping costs for consumers low. As community energy schemes are inevitably small they have very little bargaining power when it comes to negotiating price. Therefore, they cannot incorporate the business rates rise into the cost of their product.
- Most Community Energy schemes are financed over a long period of time. Many are financed through community share offers that enable ordinary people to have a direct stake

in the scheme. This means that the repayments are often made over 20 years. It was impossible for them to have predicted the enormous change in their valuation that has recently occurred.

- All these factors combine to having a significant impact on the cashflow of the schemes where they are often put under stress following long dry periods etc.
- All these schemes have invested huge amounts of volunteer time (average 350 days per group) to develop these schemes with the intention that any surplus goes to support a particular social aim. It now appears that Peter is being robbed to pay Paul and the amount of social capital they have put into these schemes to support their local communities is not being recognised. Without this volunteer time these schemes would not have happened, no business rates would be paid, no investment would have happened and no social benefit would occur.
- Feed in tariff (FITs) levels have dropped massively by over 50% for hydro meaning that any new hydro's are struggling to be financially viable in the long term, particularly after these rate changes.

We also know of 3 community energy projects that are likely to have to abandon their projects following the rates increase. These projects have collectively received over £40,000 in WG grants as well as significant time from Ynni Lleol development officers and are involved in the Energy Local pilot which has received £90,000 in funding from the Welsh Government. As they are now unlikely to progress it will mean that:

- over £40,000+ in Welsh Government support will have been wasted,
- the social capital through their volunteer time would be in vain,
- about 500KW of community owned renewable energy will not be developed,
- over £1.5 million pounds of investment would not be made in these communities,
- there would be no social benefit and
- we estimate that over £160,000 would be lost in business rates over the next 20 years.

To highlight these factors I have included a few quotes from our members that sum up the varying challenges for them.

'I can say that the £7500 increase in our rates bill will result in a similar amount being no longer available to grant aid the support of wardens and equipment to the sports clubs in our park. In an average year that is an approximate 30% reduction and in a poor (dry) year as the last winter will result in a net loss or just break even.' Taff Bargoed

'This quarter with the new business rates and low rainfall we made our first loss in nearly 2 years of operation.' Ynni Anafon

'The income will be used to maintain and enhance the local environment (particularly woodland), heritage (the 1847 dam) and provide a resource for community development projects. We are building links with local manufacturing businesses on the site of the Felin which was originally

powered by the dam with the intention of supplying them with competitively priced, renewable, community-generated power. There is sufficient capacity in the scheme to provide power to both local industry and the community through the Energy Local scheme which is piloted in Bethesda. The emerging business model is designed to withstand anticipated reductions in FIT but is imperilled if burdened with business rates of £40k.’ Coetir Mynydd

‘Business tax was part of our business plan but the changes in the valuation means that Ogwen Energy Ltd will pay around £ 10,000 business tax annually. This is 280% more than what we have assumed as a society but also more than anyone had advised us. The primary effect of this unreasonable tax is that Ynni Ogwen Ltd will make no profit to be used in the community for 9 years. Indeed, it was a viable business plan which envisaged a profit of £ 450,000 for community use for the first 20 years of the plan but has been shattered completely.’ Ynni Ogwen

I am afraid that the current relief does not resolve the issue for our members and we urge you to work with us to look at how this issue is resolved before we allow another significant blow to the Community Energy Sector.

What we would propose?

We would propose that as in Scotland there should be 100% business rate relief for **all** community energy projects in Wales.

From conversations with our members we estimate that without taking SBRR or TRR into account community energy schemes would be contributing around £110,000 a year towards business rates. After SBRR is taken into account this is only £80,000.

Therefore, for a relatively small additional cost of around £80,000 a year Welsh Government could offer 100% rate relief to community energy projects. We believe that this would be a great investment by Welsh Government and could have huge benefits to the community energy sector and the communities they serve.

- The savings made in business rates would be used to deliver the social aims of the Community Energy organisations which focus on developing more community owned energy, relieving fuel poverty, making their communities more resilient, creating jobs and supporting social enterprise in their communities. This would have a huge impact at a local level³.
- The community energy sector would become more self-reliant and sustainable as it is more able to support itself, develop our own initiatives as well as building our capacity within the sector.
- The changes to the Feed In Tariff have meant that many community energy schemes are no longer viable. A removal of business rates may enable these projects to be viable in the future

³ https://communityenergyengland.org/files/document/51/1499247266_CommunityEnergy-StateoftheSectorReport.pdf

and encourage a resurgence of growth in the Community Energy sector bringing £millions of investment and significant community benefit to Wales⁴.

- This could stimulate joint ventures between Community Energy groups and Commercial developers as it would make community partners a more attractive proposition. In Scotland they have found this to be the case and it has really encouraged shared ownership schemes.
- It will support the Welsh Governments targets on Renewable Energy and in particular on community owned energy, reduced CO2 emissions, more resilient and vibrant communities and economic regeneration in rural and more deprived areas in Wales.
- It will support the ambition set out in the Environment and Sustainability committees report on 'A smarter energy future for Wales'⁵

We appreciate that incentivising Community Energy in this way would encourage more community energy schemes to be constructed and the amount lost to business rates would increase over time, but this could be reviewed on a 5 yearly basis. We would expect the benefits to outweigh the loss in business rates.

We do not think this requires a significant change to Welsh Government policy on rate relief as you already provide a mandatory 80% rate relief for property occupied by a registered charity and used for charitable purposes and up to 100% relief at the discretion of the Local Authority if the property is occupied by a non-profit making body and used for purposes which are charitable, to do with social welfare etc.

We would be happy to discuss this further with you and your team and will help in whatever way we can to provide additional supporting information. We would encourage you to speak to colleagues in Scotland to see how this has been implemented there and what the impacts have been. We can certainly help to facilitate this conversation if required.

Once again for your information I have also sent a copy of this response to Lesley Griffiths, the Cabinet Secretary for the Environment. We understand that you have been in contact with Ms Griffiths regarding this issue.

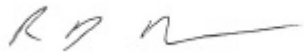
I have also attached the recent 'State of the Sector' report for community energy in England and Wales to highlight the strength and benefits of the community energy sector. I have also attached detailed information from most of our members on their current business rates and how they will be impacted by the changes. I hope this is helpful to demonstrate the impact more clearly.

I hope that you will consider our proposal or work with us to look at other options. Once again I look forward to hearing back from you.

⁴ https://communityenergyengland.org/files/document/51/1499247266_CommunityEnergy-StateoftheSectorReport.pdf

⁵ <http://www.assembly.wales/laid%20documents/cr-ld10610/cr-ld10610-e.pdf>

All the best



Robert Proctor
Business Development Manager
Community Energy Wales – Ynni Cymunedol Cymru

Mark Drakeford AM/AC
Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol
Cabinet Secretary for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MD/00564/17

Robert Proctor

5 September 2017

Dear Mr Proctor

Thank you for your letter of 9 August regarding the effects of the non-domestic rates revaluation on community energy projects in Wales.

As previously stated, the Valuation Office Agency (VOA) has sole responsibility for independently assessing the rateable values of non-domestic properties in Wales. The methodology, evidence base and assessment methods used are tailored to each property type and where possible the VOA has agreed these methods with industry representatives. The 2017 revaluation was carried out across all of England and Wales and I cannot comment on the assessment, methodology or processes used, this falls entirely within the remit of the VOA to ensure consistency across every property within England and Wales.

Regarding your proposal that there should be 100% non-domestic rate relief for all community energy projects, the Welsh Government has already acted to provide additional support to non-domestic ratepayers who have been adversely affected by the revaluation, with the extension of the Small Business Rates Relief scheme and the introduction of the Transitional Relief scheme, at a cost of around £120million to the Welsh Government. Whilst I understand your comments on the schemes, they are the most suitable methods of targeting relief to those most in need of assistance and they will benefit the vast majority of your members. Any form of additional support would need to be carefully considered and the expected benefits assessed.

A new permanent Small Business Rates Relief scheme will come into force from April 2018, giving small businesses the certainty they need in order to plan for the future. As part of the development of this scheme, a consultation has been published. This can be found below:

www.consultations.gov.wales/consultations/delivering-tax-cut-small-businesses-new-small-business-rates-relief-scheme-wales

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

Thank you for presenting the additional information provided by your members, I will ensure my officials share this information with those in the renewable energy branch so this can be considered further as part of the work to take forward the recommendations of the Hydropower Task and Finish Group.

Janis Siaregy,
Mark Drakeford

Mark Drakeford AM/AC
Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol
Cabinet Secretary for Finance and Local Government

Appendix 2 – Figures collected from members re: impact of business rates to supplement correspondence between – Mark Drakeford AM and CEW on business rates (Available on file if required)

Community renewables Business Rates Wales completed schemes data from VOA website																			
Scheme	Social enterprise	County	Post Code	Technology	Capacity kW	Previous RV	01/04/2017 RV	Multiplier	Business Rates before Rates	Business Rates after Rates	Current SBRR								
Mynydd y Gwrhyd	Awel Aman Tawe	NPT		Wind	4,700	£94,000	£59,000	49.90%	£29,441	£29,441.00	0.00%								
Abergwaun	TBG	Pembs		Wind	250	£4,050	£8,100	49.90%	£4,042	£1,349.99	66.60%								
Bro Dyfi	BDCR	Powys		Wind	500			49.90%	£0	£0.00									
Salem (CELT2)	CEL	Cardm	Proposed Wind Turbine, Salem, Llandello, SA19 7LY	Wind	800	£10,500	£21,750	49.90%	£10,853	£4,341.30	60.00%								
Bwlchgwynnt	CEW	Ceredigion		Wind	900		£15,250	49.90%	£7,610	£3,043.90	60%								
	Small Wind Coop	Ceredigion	Troed y Bryn, Llwynygroes, Tregaron	Wind				49.90%	£0	£0.00									
Penlleger		Swansea		Hydro		£1,450	£2,375	49.90%	£1,185	£0.00	100.00%								
Ogwen		Gwynedd		Hydro	100		£20,250	49.90%	£10,105	£10,104.75	0.00%								
Afon Goch		Gwynedd		Hydro	55			49.90%	£0	£0.00									
Anafon		Gwynedd		Hydro	270	£18,750	£40,000	49.90%	£19,960	£19,960.00	0.00%								
Taff Bargoed		RCT		Hydro	100	£6,350	£18,200	49.90%	£9,082	£9,081.80	0.00%								
Talybont		Powys		Hydro		£2,250	£4,450	49.90%	£2,221	£0.00	100.00%								
Nant y Pigyn	Corwen EC	Denbighshire		Hydro	55	£1,650	£4,000	49.90%	£1,996	£0.00	100.00%								
Cwm Gu	Llangattock Green Valley	Powys		Hydro		£865	£1,800	49.90%	£898	£0.00	100.00%								
	GowerPower	Swansea		Solar				49.90%	£0	£0.00									
	Egni			Solar	179			49.90%	£0	£0.00									
	SCEES	Swansea		Solar				49.90%	£0	£0.00									
Lower Park Farm	Lower Park Farm Coop	Wrexham		AD	245	£3,700	£16,500	49.90%	£8,234	£2,749.99	66.60%								
Total					8,154	£143,565	£211,675		£105,626	£80,073									
Small Business Rates Relief bands																			
RV < £5,000	100.00%																		
£7,000	83.40%																		
£8,000	66.60%																		
£9,000	50.00%																		
£10,000	33.30%																		
£11,000	16.60%																		
>£12,000	0.00%																		

Business rates increase 04 2017																			
Technology	A	B	C	D	E	F	G	H	I	J	K	L	Average	ESTIMATES FOR NEW SCHEMES BASED ON AVERAGE RV					
Hydro	LL48	SA10	LL55	CF40	LL55	LL21	LL55	LL41		LL57				M	N	O	P	Q	
Power		55	50	100	60	100	240	100	90	100	100	270	26						138
MWh																			Power
2010 RV		£3,750	£1,950	£3,300	£4,000	£6,350	£12,100	£6,350	£3,950	£6,350	£6,350	£18,750	£1,450						2010 RV
2017 RV		£8,300	£12,500	£7,950	£14,500	£16,750	£16,500	£17,250	£10,750	£18,200	£31,500	£40,000	£2,375						2017 RV
% increase		121%	541%	141%	263%	164%	36%	172%	172%	187%	396%	113%	64%						% increase
2017 £/MWh																			2017 £/MWh
2016 £/kW		£68	£39	£33	£67	£64	£50	£64	£44	£64	£64	£69	£56						2016 £/kW
2017 £/kW		£151	£250	£80	£242	£168	£69	£173	£119	£182	£115	£148	£93						2017 £/kW
2017 Multiplier		0.499	0.499	0.499	0.499	0.499	0.499	0.499	0.499	0.499	0.499	0.499	0.499						2017 Multiplier
Payable 2017/18		£4,142	£6,238	£3,967	£7,236	£8,358	£8,234	£8,008	£5,364	£9,082	£15,719	£19,960	£1,185						Payable 2017/18
Payable with SBRR 2017/18		£1,383	£6,238	£1,325	£7,236	£8,358	£8,234	£8,008	£4,474	£9,082	£15,719	£19,960	£0						Payable with SBRR 2017/18
Payable with SBRR 2016/17		£0	£0	£0	£0	£526	£6,038	£526	£0	£526	£526	£9,356	£0						Estimate in business plan/feasibility study
SBRR band in 2016/17		100.00%	100.00%	100.00%	100.00%	83.40%	0.00%	83.40%	100.00%	83.40%	83.40%	0.00%	100.00%						
SBRR band in 2017/18		66.60%	0.00%	66.60%	0.00%	0.00%	0.00%	0.00%	16.60%	0.00%	0.00%	0.00%	0.00%						
Transitional rate relief figures																			
25%		£346	£1,559	£331	£1,809	£1,958	£549	£2,020	£1,118	£2,139	£3,798	£2,651	£0						Average
50%		£692	£3,119	£662	£3,618	£3,916	£1,098	£4,041	£2,237	£4,278	£7,596	£5,302	£0						£18,279
75%		£1,037	£4,678	£994	£5,427	£5,874	£1,647	£6,061	£3,355	£6,417	£11,394	£7,953	£0						4.40%
Small Business Rates Relief bands																			
RV < £5,000		100.00%																	
£7,000		83.40%																	
£8,000		66.60%																	
£9,000		50.00%																	
£10,000		33.30%																	
£11,000		16.60%																	
>£12,000		0.00%																	

Community hydro Wales - loss of business rates income & public support to date					
		ESTIMATES FOR PLANNED SCHEMES BASED ON AVERAGE PRE 01/04/17 RV £/kW FOR SAMPLE OF EXISTING SCHEMES			
Scheme		A	B	C	
Capacity kW		100	237	138	
RV £/kW pre 01/04/17 (estimated average)		£57	£57	£57	
2017 RV (estimate)		£5,700	£13,509	£7,866	
2017 Multiplier		49.90%	49.90%	49.90%	
Payable 2017/18		£2,844	£6,741	£3,925	
Payable with current SBRR		0	£6,741	£1,311	£8,052
Estimate of total business rates payable over 20 years		£0	£134,820	£26,220	£161,040
Public grant support to date		£0	£6,030	£7,772	
			£11,534	£792	
				£7,772	
Total		£0	£17,564	£16,336	£33,900
					£41,952
Small Business Rates Relief bands					
RV < £6,000	100.00%				
£7,000	83.40%				
£8,000	66.60%				
£9,000	50.00%				
£10,000	33.30%				
£11,000	16.60%				
>£12,000	0.00%				