



Community Council of the Royal Burgh of Peebles & District

Windfarm report 10 October 2024

We are aware of 1 extant and 3 potential windfarms near Peebles:

Name	Company	Approved	Start	Capacity	Turbines	Tip Height	£5k/MW
<u>Bowbeat</u>	RWE	Sep 2024 ¹	2003	31.2 MW	24	80 m	£156k
<u>Leithenwater</u>	Belltown Power	No	2030?	85.8 MW	13	200 m	£420
<u>Scawd Law</u>	Fred Olsen Renewables	No	?	60 MW	8	180 m	£300k
<u>Cloich Forest</u>	EDF Renewables	2016 ²	?	57.6 MW	12	150 m	£288k

Please note that the final column on the right is the approximate amount of annual community benefit available to all local communities, i.e. including (but not limited to) Peebles, Innerleithen and Eddleston. This amount is computed at the rate of £5,000 per MW per annum.

Initial discussions with Belltown Power have begun and the following documents are appended:

- FAQ on Community Ownership
- FAQ on Community Benefit
- Draft MOU for Peebles, Innerleithen and Eddleston CCs.

PCC have had no recent discussions with RWE or Fred Olsen in respect of Bowbeat or Scawd Law. However, as noted in September's planning report³, Innerleithen & District Community Council shared RWE's commitment to them:

"I can confirm that RWE will make community funding available each year of any extension period of the Bowbeat Wind Farm to value of the £5,000 per MW of installed capacity, that is operating."

Government Guidance – Community Benefit

A great deal of information is available in the Scottish Government's guidance "Community benefits from onshore renewable energy developments"⁴, first published in 2014. This sets the guidance of £5k per MW per annum

¹ 5 year lifetime extension to 25 Sep 2030, [24/00571/FUL](#)

² 2016 approval for 18 turbines, max tip height 115 m, not built. Current application ECU00003288

³ <https://ccrbpeebles.co.uk/Reports/Planning/Planning%20Report%20-%20September%202024.pdf>

⁴ <https://www.gov.scot/publications/scottish-government-good-practice-principles-community-benefits-onshore-renewable-energy-developments/>

“We will continue at a national level to promote community benefits of the value **equivalent to £5,000 per installed megawatt per annum, index linked for the operational lifetime of the project.**” [page 5]

The document sets out a great deal of flexibility in how benefits are offered to communities, so long as the net benefit is **equivalent to £5k per MW per annum.**

Further:

“There is also the South of Scotland Enterprise Agency under development which will provide economic support to communities and businesses operating in the Scottish Borders and Dumfries and Galloway. This document will be revised to include details when operational.” [page 32]

In practice, some form of fund will be set up. Our task will be to provide representatives from local communities deciding which funds to allocate. In practice, small and large funding allocations require a different level of care. Administration of the fund could either be done completely in-house, or outsourced, e.g. to Foundation Scotland⁵.

Community Ownership

The same guidance sets out Scottish Government’s vision for shared ownership:

“It is also our ambition to ensure that by 2020, at least half of newly consented renewable energy projects will have an element of shared ownership.” [page 3]

“This includes providing an opportunity for communities or local people to invest in the project, with any offer additional to a community benefits fund.” [page 4]

In the case of Belltown Power / Leithenwater, the offering is for 1% community ownership at no cost to the community, up to an additional 4% “at cost”.

Inflation

“**Index linked**” refers to the need to adjust the £5k figure for inflation, and we note that the figure of £5k was first published in April 2014⁶. UK’s Office for National Statistics show that £1 in 2015 is worth ~£1.34 in July 2024⁷.

Does the guidance apply to existing projects?

The 2014 guidance included:

⁵ <https://www.foundationscotland.org.uk/set-up-fund/fund-management-for-communities>

⁶ <https://wisepower-project.eu/wp-content/uploads/Local-Energy-Good-Practice-Principles.pdf>

⁷ <https://www.ons.gov.uk/economy/inflationandpriceindices#timeseries>

“This guidance is designed to be applicable to all renewable energy developments in Scotland which are not yet operational.”

However, the current guidance says that packages of community benefits already agreed are not expected to change. The question naturally arises as to when community benefits should start for wind farms already in operation without agreed community benefits packages – such as Bowbeat.

What are other communities doing?

9CC Group:

“The 9 Community Council Group (9CC Group) was formed from nine communities within the Cumnock and Doon Valley area. They were set up to act as a prime point of contact to manage, administer and distribute a fair and equitable method of community benefit allocations from newly consented and future wind farm developments that will be located, predominately, within East Ayrshire’s Cumnock & Doon Valley Area. Here's a link to their website Nine Community Council Group Ayrshire (<https://9ccg.co.uk>) should you wish to peruse and make contact with them.” [Courtesy of Borders Community Action]

We met with Upper Tweed Community Council Secretary Stephanie Jackman on 26 August to discuss the operation of their community benefit fund from 2 windfarms in their area, Glenkerie and Clyde.

Next steps – subject to PCC agreement

The Community Council’s feedback and guidance is sought on the following:

- Given the amounts at stake, this requires expert care
- Ideally we would take expert advice, e.g.: lawyers, accountants and land agents experienced with community benefits and community ownership of renewables
- Information is available from CARES⁸. Funding generally available for community ownership, but we have asked re: community benefit (e.g. legally binding MOU).
- Should we co-opt members with specialist skills to assist us? Suggestions?
- Are we correct in thinking that our community expects us to ask difficult questions such as: What about inflation? What about benefits from prior years?
- We should not progress the Leithenwater MOU before taking expert advice
- We should write to RWE to open discussions re: Bowbeat – but not enter agreements without legal advice.
- Reach out to 9CC Group and invite Stephen McCarron to present to us
- Work with other Community Councils to negotiate en block?
- Given the public interest and the fact that most of these issues are based on public guidance, are we correct to conduct all this business in public?

⁸ <https://localenergy.scot/funding/>

- General guidance on communication and engagement with the public

Peebles & District Community Council
Michael Marshall, PhD
Planning Convener



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Community Benefit Frequently Asked Questions

Version 1

26 September 2024



What is community benefit?

- Community benefit is a term used to describe additional voluntary contributions that developers make to communities local to their developments. These are in addition to any intrinsic local benefits of a scheme (like local employment or supply chain benefits). Further background information on community benefits can be found in the Scottish Government Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments, available online through the Scottish Government's website:

<https://www.gov.scot/publications/scottish-government-good-practice-principles-community-benefits-onshore-renewable-energy-developments/>.

- Belltown is proposing to provide community benefit across its portfolio of new developments through two primary formats:
 - Electricity Discount Schemes: Where community benefit would be used to directly reduce the electricity bills of local residents and businesses.
 - Community Benefit Funds: Where community benefit would be placed into a fund managed by representatives of the local communities, for use in funding the initiatives that are most critical for those local communities.
- Belltown consults extensively with local community councils, local residents, local MSPs and MPs and other key local stakeholders to help determine how much of the community benefit should be allocated to each of these formats for each particular development, given the individuality of each situation.

How much is Belltown offering?

- For every wind energy hub project, Belltown commits to providing £5,000 of community benefit per MW (megawatt) of installed wind turbine capacity per annum for the lifetime of the project. As an example, a 50 MW project (approximately 8 wind turbines) would equate to £250,000 per annum of community benefit.
- The community benefit would start once the wind energy hub project reached commercial operations and the annual amount would be inflated in line with the government published Consumer Price Index on each anniversary of the commercial operation start date.
- If, through consultation with local communities, there is a compelling need for some of the community benefit to be brought forward and used upfront at the start of operations, Belltown can enable this through substituting part of the annual payment at a rate of £80,000 per MW upfront instead of £5,000 per MW annually. For example, this could be for a specific one-off project or to support the purchase of community ownership through Belltown's community ownership offer (which is discussed in a separate FAQ document available on request).

Which communities will receive the community benefit?

- The communities which receive the community benefit and to what extent is entirely specific to the individual development and situation. This will be determined through extensive consultation with the many relevant stakeholders, following latest government guidance and best practice on community benefits.
- The eligible properties for any Electricity Discount Scheme would be identified in the same way, but is likely to be primarily based on proximity to the development and the level of impact the development will have on them. There may be multiple Electricity Discount Scheme zones for a development with different levels of support available to each.

How would an Electricity Discount Scheme work?

- Our intention is that eligible properties would be able to apply for a fixed amount to be taken off their electricity bills. This amount would not vary with the amount of energy each property uses (i.e. it would not be a discount per kWh or a percentage discount, which would lead to eligible applicants receiving more funding the more they use),

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and so should not incentivise the increased use of energy. It is just a contribution to the electricity bills of those closest to and most impacted by the scheme.

- We intend to work with as many energy suppliers as possible to be able to have the discount applied directly to peoples' accounts. This approach has been successfully implemented in the past on other developments.
- The eligibility for the discount would be specific to the property and not the individual, so if the residents changed then the discount would remain with the resident of the property and not the original applicant.

How would a Community Benefit Fund work?

- The Community Benefit Fund would be managed by an organisation run by the community for the community. Belltown will consult extensively for each development to identify the most appropriate organisation for this, or if needed, would support the communities in setting up a suitable organisation.
- The community organisation would decide how to run the allocation process for funds, but this would be subject to rules ensuring that the community benefit is used to fund initiatives that directly benefit the local communities. There would also be a restriction on using funds for some specific types of inappropriate activities (for example political initiatives).
- Belltown (or any subsequent owner of the development) would retain rights to observe the allocation process and management of the funds to ensure the rules are being adhered to.

What happens if Belltown is no longer the owner of the project?

- Renewable energy projects do sometimes change hands, and so Belltown will look to put in place a binding document between the project and the community governing the community benefit, to ensure that whoever owns the project is committed to the benefits that Belltown has put in place. Belltown will also ourselves look to bind any incoming owner to the benefit arrangements if we sell the project.

What is the process and timing for the community benefit offering?

- Pre-planning consent: The first step is to identify the communities likely to be involved and the representatives of those communities that will lead the process. This is usually begun through consultation in the year leading up to the planning submission for the project and can lead to an informal liaison group being formed. A binding Memorandum of Understanding may be signed between Belltown and the relevant parties prior to planning submission, committing Belltown to offering the agreed community benefit should the project be successful at planning. However, this is not a requirement and this process can continue during the planning determination period, which usually lasts between 1-3 years.
- During construction: Once the project has received planning consent the work really starts. Over the 2-4 years of planning condition discharge, procurement and construction Belltown will meet with the community liaison group to finalise the arrangements for the community benefit and enter into binding agreements to govern it, as well as opening the Electricity Discount Scheme for application and advertising it to the eligible properties.
- Once operational: The Electricity Discount Scheme and Community Benefit Fund payments shall start.

Registered Office and Contact

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BELLTOWNPOWER

Belltown Power UK Wind Ltd ("Belltown")

SCOTTISH ONSHORE WIND

Community Ownership Frequently Asked Questions

Version 1
26 July 2024



Introduction

- Belltown intends to provide shares in its consented wind energy hub projects to local Partner Community Organisations, dedicated to community benefit purposes.
- This FAQ document outlines the community ownership opportunity for a relevant wind energy hub project, with a view to a suitable Partner Community Organisation being identified for bilateral discussion and negotiation.
- This FAQ document is intended to provide general information that may initiate co-operative engagement with a potential Partner Community Organisation and (for legal reasons) we emphasise it is not an invitation, or inducement, in relation to, or a public offer of, any investment.

Who would be offered an ownership share?

- The ownership share would only be available to a Partner Community Organisation. This would need to be an incorporated entity set up by, managed by and for the benefit of the local communities. Ownership shares would not be available for individuals to acquire. The Partner Community Organisation would need to be incorporated (i.e. not just a committee or council) so that it has the legal right to hold ownership of the shares.
- Any financial returns received by the Partner Community Organisation from the ownership stake would have to be used to fund initiatives that benefit the local communities, in the same way that community benefit funds from wind farms have been used for many years. Which communities benefit and to what extent will be determined through consultation with the many relevant stakeholders (e.g. local councils, elected officials and other representatives of communities hosting the scheme), following latest government guidance and best practice on community benefits.
- Belltown will work with these relevant stakeholders to help determine the best form of incorporated entity for them to set up, as well as how that entity should be governed and controlled. Examples of potential types of incorporated entity could be a Community Benefit Society, a Charitable Company Limited by Guarantee, a Community Interest Company, a Scottish Charitable Incorporated Organisation, or potentially just a Company Limited by Shares with appropriate, unalterable constitutional restrictions. In some cases there may already be a suitable entity set up in the community to hold the ownership stake.

What type of ownership would it be?

- Belltown expects the ownership stake to be in the form of ordinary equity shares in the “special purpose vehicle” company that owns the project. This company owns nothing but the project and hence the ownership stake would only be in the relevant project. This company has no employees (only a board of directors), but is managed by the Belltown team.
- If Belltown sells the project company to another owner in the future, the shares owned by the Partner Community Organisation would remain unaffected. Belltown would only be able to sell the shares it owns and would not be able to force the Partner Community Organisation to sell theirs.
- This ownership stake would not come with any control rights, but Belltown (or any subsequent owner) would have an obligation not to do anything with the company that impacted the Partner Community Organisation unfairly (like selling the power produced to themselves at a discount, for example).
- At the end of the project life, the project would be required to be decommissioned and the project company would likely be wound-up once this is done and all commitments have been met.

How much ownership, when and at what cost?

- Belltown intends to donate to the Partner Community Organisation 1% of the ownership of the project, with no obligation to fund anything. This would be able to happen any time after planning consent is granted.

- Belltown also intends to provide the Partnership Community Organisation with the option to acquire up to a further 4% of the ownership of the project on a preferential basis, once the project is constructed and operations have started. This option would have to be taken up within the first year of operations. The amount paid for this additional 4% ownership would just be 4% of the costs incurred in developing and constructing the project, which should be well below the true market value of the stake (this and the 1% donation should help the Partner Community Organisation secure funding to cover the stake).
- There would be no obligation to take the whole 4%; the Partner Community Organisation would be able to choose how much of it they wished to purchase and would just pay for the relevant proportion acquired.
- As an indication, the very rough cost of developing and constructing the projects is expected to be around £1.5m per MW (though it can be significantly more or less than this depending on the specific project). Therefore (subject to detailed valuation, discussion and negotiation), a 4% stake is likely to be offered to the Partner Community Organisation at circa £60k per MW. For a 25MW project this means circa £1.5m of investment opportunity, for a 100MW project circa £6m and for a 200MW project circa £12m.
- Neither the 1% nor 4% stakes would have any obligation to fund beyond this initial purchase price. Operational costs would be paid out of revenues.
- If the Partner Community Organisation wished to hold more than this 5% total stake (1% donation, 4% at cost), then Belltown would work with them to try to enable this, with further ownership being acquired at market value rather than at cost.

What happens if debt is used to fund the project company?

- If the construction of the project is part funded with debt before the Partner Community Organisation acquires its ownership share, then the amount the Partner Community Organisation would need to pay for its stake would be reduced. This is because the Partner Community Organisation only needs to pay back the costs incurred by the equity holders it is buying the equity shares from (i.e. Belltown or any subsequent owner).
- If debt is brought into the project company later on (i.e. after the Partner Community Organisation has already made its investment), then the Partner Community Organisation would receive its share of the proceeds passed back to shareholders from such a "refinancing".
- Debt would be paid back out of operational profits, hence reducing the return Belltown (or any subsequent owner) and the Partner Community Organisation received during the initial period of operations (usually for circa 15 years). The decision on whether to raise debt into the project company or refinance at any point would sit entirely with Belltown (or any subsequent owner).

How can the Partner Community Organisation fund its investment?

- Some communities may have existing cash reserves from previous community benefit schemes in the area.
- Some capital may be able to be raised from members of the community through a community share offer or crowd funding. However, the Partner Community Organisation would need to ensure it is working within the law and relevant FCA regulation if it wants to follow this path.
- Capital may also be available from specialist lenders, including the Scottish National Investment Bank (SNIB). Belltown is working closely with SNIB to try to help them create a funding product that can provide communities with most, if not all, of the capital they may need to take up the 4% stake.

Are there alternative ownership structures available?

- The risk and return timing from a true equity shareholding may not align well with every community's aims, especially where debt is used to fund some of the project (in which case most cash in the first 10-15 years would primarily be used to pay this back rather than be distributed to shareholders).
- Belltown is open to discussing alternative structures with Partner Community Organisations for their project participation, including for example a revenue or profit royalty (where the Partner Community Organisation would

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receive a fixed proportion of the revenues or operational profits from the project and not be subject to debt repayment or financing structure). The overall expected return from such a structure would have to be less than for a true equity shareholding, but the community may decide this is an acceptable trade-off for the lower associated risk, greater predictability and earlier cashflows.

What is the process and timing for taking up the offer?

- Each community is different and Belltown will work flexibly to help every community take advantage of the opportunity.
- Pre-planning consent: The first step is to identify the communities likely to be involved and the representatives of those communities that will lead the process. This is usually begun through consultation in the year leading up to the planning submission for the project and can lead to an informal liaison group being formed. A binding Memorandum of Understanding may be signed (following discussion and negotiation) between Belltown and the Partner Community Organisation prior to planning submission, committing Belltown to offering the agreed community benefit and community ownership propositions should the project be successful at planning. However, this is not a requirement and this process can continue during the planning determination period, which usually lasts between 1-3 years.
- During construction: Once the project has received planning consent the work really starts. Over the 2-4 years of planning condition discharge, procurement and construction the Partner Community Organisation is set up, the detailed offer is made and, if acceptable, the contracts are negotiated. The donation of 1% can be completed as soon as the parties are ready.
- Once operational: The contracts governing the acquisition of the further stake can be completed as soon as the project is operational. This acquisition would need to be completed at the latest by 12 months after operations start.

What support and advice is available?

- Belltown is committed to enabling community ownership in its projects and will support the community as much as it can and be as flexible a partner as possible in order to achieve that. However, Belltown cannot act as an advisor in any way to the community, and so the community will need its own qualified financial and legal advice.
- Local Energy Scotland provide independent support to communities to help them through this process, and administer the CARES scheme, through which up to £25k in grant funding is available for communities to pay for professional advisors. If this funding is not sufficient, then Belltown may be able to “bring forward” some of the community benefit or community ownership returns in order to help pay for further advisor costs (to be repaid out of the resulting benefit or ownership payments once the project is operational).

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