



Department  
of Energy &  
Climate Change

# Guidance on community ownership models under the Feed-in Tariffs scheme

March 2015

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URN 15D/139

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# 1. Introduction

## Why do we support community energy?

- 1.1. Community energy is about many different types of communities getting involved in energy activity in many different ways. Community-led action can produce energy, reduce energy use, manage energy demand and purchase energy. It could involve a group of local people setting up their own solar installation or wind turbine; a local authority leading a collective purchasing scheme to help local people get a better deal on their energy tariff; an energy advice session at a local community centre; or a whole range of other schemes.
- 1.2. Community involvement in generating renewable electricity – whether through fully community-owned projects or part community ownership of larger commercial projects – can contribute to our goals of decarbonising and diversifying the power sector. Community energy can help meet the UK's 15% renewable energy target, reduce the costs of energy bills and create new local jobs and investment.

## Who is this guidance for?

- 1.3. This document is for communities considering applying for support under the community provisions of the Feed-in Tariffs (FITs) scheme, and for non-community organisations who are considering shared ownership of a renewable energy installation along with a community.
- 1.4. It may also be of interest to electricity suppliers and FIT Licensees, Distribution Network Operators (DNOs), and those involved in managing funding schemes aimed at supporting community energy projects, such as the Centre for Sustainable Energy (Urban Community Energy Fund), the Energy Saving Trust (Ynni'r Fro community programme), Local Energy Scotland (CARES) and WRAP (Rural Community Energy Fund).
- 1.5. The FITs scheme applies only in England, Wales and Scotland.

## What does this guidance cover?

- 1.6. This document provides:
  - An overview of the FITs scheme and a summary of the main community provisions introduced in April 2015, including the types of community organisation that can apply under the FITs scheme;
  - An assessment of how the community FITs measures might apply to the main types of community and shared ownership models that are currently in operation, that is;
    - 100% community ownership;
    - Joint ventures;
    - Shared revenue;
    - Split ownership;
  - Signposts to existing guidance and case studies highlighting good practice in partnership working between commercial and community organisations where these

may be relevant to applying for, and possibly sharing, support under the FITs scheme.

- 1.7. This document does not provide guidance on general eligibility requirements for the FITs scheme or the processes for submitting applications. That information is set out in Ofgem's Guidance for Community Energy and School Installations<sup>1</sup>, and the Feed-in Tariff: Guidance for renewable installations<sup>2</sup>. Ofgem administers the FITs scheme and will consider all applications for preliminary and final accreditation on a case by case basis, in accordance with the FITs legislation. Prospective developers should note that Ofgem does **not** provide guidance or advice on ownership models or how these work with the FITs scheme. Sources of guidance on ownership models are listed in Annex A.
- 1.8. A glossary of the terms used in this guidance is at Annex B.

### When will this document be reviewed?

- 1.9. We will review the information set out in this guidance periodically in the light of new developments and experience.

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<sup>1</sup> Ofgem's Guidance for Community Energy and School Installations: <https://www.ofgem.gov.uk/environmental-programmes/feed-tariff-fit-scheme/applying-feed-tariff/benefits-communities-and-schools>

<sup>2</sup> Ofgem's Feed-in Tariff: Guidance for renewable installations: <https://www.ofgem.gov.uk/environmental-programmes/feed-tariff-fit-scheme/applying-feed-tariff/roo-fit>

## 2. Background on the FITs scheme

### Overview

This section provides a brief introduction to the main provisions of the Feed-in Tariffs (FITs) scheme in so far as these are relevant to community electricity projects. It should be read in conjunction with Ofgem's more detailed guidance to generators and communities (referenced in section 1).

### What is the Feed-in Tariffs scheme and how does it work?

- 2.1 The Feed-in Tariffs (FITs) scheme was launched in 2010 and is designed to promote take up of small-scale low-carbon electricity technologies, up to 5MW of total installed capacity, by communities and the public in Great Britain. The FITs scheme works alongside the Renewables Obligation and the Renewable Heat Incentive (RHI) and creates an obligation for certain Licensed Electricity Suppliers as FIT Licensees<sup>3</sup> to make tariff payments for the generation and export of renewable and low carbon electricity.

### Legislative basis for the FITs scheme

- 2.2 In order to receive FIT payments, installations must meet certain eligibility criteria, as set out in the Feed-in Tariffs Order 2012, as amended<sup>4</sup> and Schedule A to Standard Electricity Supply Licence Conditions 33 and 34.

### How is it administered?

- 2.3 Whilst the Department of Energy and Climate Change (DECC) makes the key decisions on Feed-in Tariffs in terms of Government policy, the energy regulator Ofgem has a range of statutory duties and functions to perform in respect of the FITs scheme. FIT Licensees also have a role in accrediting microgeneration installations. A summary of the respective duties is on Ofgem's website<sup>5</sup>.

### Eligible technologies

- 2.4 Community and non-community installations using solar photovoltaic (PV), wind, hydro and anaerobic digestion (AD) technologies up to 5MW and fossil fuel derived Combined Heat and Power (micro-CHP) up to 2kW (up to a maximum of 30,000 eligible installations) can receive FITs payments, providing all eligibility requirements are met.

<sup>3</sup> See Annex B of this document for an explanation of FIT Licensees. Ofgem's list of Registered FIT Licensees is at: <https://www.ofgem.gov.uk/environmental-programmes/feed-tariff-fit-scheme/applying-feed-tariff/registered-fit-licensed-suppliers>

<sup>4</sup> The Feed-in Tariff Orders: <http://www.legislation.gov.uk/all?title=Feed-in%20tariff%20order>

<sup>5</sup> The role of Ofgem and FIT Licensees under the FITs scheme: <https://www.ofgem.gov.uk/environmental-programmes/feed-tariff-fit-scheme>

## Accreditation

2.5 Accreditation to the FITs scheme is achieved through one of two routes:

- Prospective owners of solar PV or wind installations with a Declared Net Capacity (DNC)<sup>6</sup> not exceeding 50kW, or micro-CHP with a Total Installed Capacity (TIC)<sup>7</sup> of 2kW or less, must use Microgeneration Certification Scheme (MCS)<sup>8</sup> certified equipment installed by an MCS certified installer. Owners should then approach their chosen FIT Licensee for accreditation;
- Prospective owners of solar PV or wind installations with a DNC over 50kW and a TIC of up to 5MW, and anaerobic digestion (AD) or hydro installations of all sizes with a TIC up to 5MW must apply to Ofgem for accreditation under the so called ROO-FIT application process. This is carried out via an online process<sup>9</sup>. Owners should approach their FIT Licensee for FIT payments once ROO-FIT accreditation has been granted.

## Tariff rates and contingent degression

- 2.6 Tariff payment rates for all projects vary depending on the tariff date, technology and TIC of the installation. Tariffs are also adjusted annually by Ofgem in line with the Retail Price Index. A list of the tariff rates for all technologies is on Ofgem website<sup>10</sup>.
- 2.7 A degression mechanism for the scheme is also in place and is administered by Ofgem. Further information on degression is in DECC's "Feed-in Tariffs - Frequently Asked Questions" document<sup>11</sup>.
- 2.8 There are separate tariff categories for community and non-community installations but there is no differentiation between community and non-community tariff rates and degression arrangements.

## Preliminary accreditation

- 2.9 Under the FITs scheme, preliminary accreditation is a mechanism that allows prospective generators to receive assurances that they will be accredited and the tariff rate they will receive, before they commission their eligible installation. These assurances have a set validity period depending on the technology, and whether or not the project is owned by a community or non-community organisation. This means that the project will have to be generating within a set period of time from the date of application of preliminary accreditation.

<sup>6</sup> Declared Net Capacity under the FITs scheme means the maximum capacity at which the installation can be operated for a sustained period without causing damage to it (assuming the source of power used by it to generate electricity was available to it without interruption) less the amount of electricity that is consumed by the installation.

<sup>7</sup> Total Installed Capacity under the FITs scheme means the maximum capacity at which an Eligible Installation could be operated for a sustained period without causing damage to it (assuming the eligible low carbon energy source was available to it without interruption).

<sup>8</sup> Microgeneration Certification Scheme: <http://www.microgenerationcertification.org/>

<sup>9</sup> Applying for ROO-FIT accreditation: <https://www.ofgem.gov.uk/environmental-programmes/feed-tariff-fit-scheme/applying-feed-tariff/roo-fit>.

<sup>10</sup> Ofgem's Tariff tables: <https://www.ofgem.gov.uk/environmental-programmes/feed-tariff-fit-scheme/tariff-tables>

<sup>11</sup> DECC's "Feed-in Tariffs - Frequently Asked Questions" document: <https://www.gov.uk/government/publications/feed-in-tariffs-frequently-asked-questions>

## How often is the FIT paid?

- 2.10 The frequency of FIT payments is subject to agreement with the FIT Licensee. However, this is normally every quarter. If the project is registered for VAT, the FIT Licensee may require the generator to submit an invoice to them for the amount that they advise the generator is owed. For these reasons, third-party agents are often employed (for a fee) to collect the FIT payments on the generator's behalf and to check that they are being paid what they are due.
- 2.11 Further information on the role of third party agents and examples of the draft terms and conditions are available from renewable and community energy trade associations<sup>12</sup>.

## Power Purchase Agreements

- 2.12 Instead of claiming FIT export payments, some generators, particularly those involved with larger projects and/or with commercial partners, may seek support through a Power Purchase Agreement (PPA) or off take agreement. These are agreements between a generator and an electricity supplier (i.e. a supplier of electricity to consumers) to buy and sell the electricity being produced by the generator. This often includes the buying and selling of Levy Exemption Certificate (LECs)<sup>13</sup> as well. It can insulate an independent generator from risks linked to energy availability, volume, liquidity, price, profile, imbalance, and law changes.
- 2.13 The PPA provides electricity generators with a source of income. This is a contractual agreement to buy and sell electricity, so the rates and terms of the contract will change from supplier to supplier. Before entering a PPA agreement, it is recommended that a number of suppliers are contacted and the contracts are compared.
- 2.14 Further information on Power Purchase Agreements is available from energy suppliers.

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<sup>12</sup> For example, Community Energy England, Community Energy Wales, Local Energy Scotland, the Renewable Energy Association, RenewableUK etc

<sup>13</sup> LECs are issued by Ofgem in accordance with the Climate Change Levy (CCL), a tax on UK business energy use, charged at the time of supply. Energy use refers to electricity, gas, liquid petroleum gas and solid fuel. The final recipient of supplies of electricity generated from certain renewable sources and combined heat and power (CHP) receive tax exemptions. Further information is at: <https://www.ofgem.gov.uk/environmental-programmes/climate-change-levy-exemption>

## 3. New measures under the FITs scheme to support community projects

### Overview

This section explains the new measures in the FITs scheme which apply specifically to community projects from 1 April 2015. It should be read in conjunction with Ofgem's more detailed guidance to generators and communities. A glossary of the terms used in this section is at Annex B.

### Community measures introduced in 2015

- 3.1. In November 2014, the Government announced additional measures aimed at enhancing support for community projects under the FITs scheme<sup>14</sup>. These measures come into effect on 1 April 2015 through the Feed-in Tariffs (Amendment) Order 2015.
- 3.2. In summary, the measures:
  - Widen the definition of “community organisation” to include registered charities and the wholly owned trading subsidiaries of such organisations. This provides more choice of legal structure and makes it possible for a wider range of groups to access the community provisions in the FITs scheme. From 1 April 2015, a “community organisation” therefore covers the following where there are 50 or fewer employees:
    - A community interest company;
    - A community benefit or co-operative society;
    - A charity; or
    - A subsidiary wholly owned by a charity, where the subsidiary has 50 or fewer employees and the parent charity has 50 or fewer employees;
  - Increase the length of the current preliminary accreditation validity periods for community projects accrediting through the ROO- FIT process by six months across all technologies. This recognises that community energy projects need more time to raise funds and engage the local community. A longer preliminary accreditation window provides more certainty;
  - An additional exemption to the definition of “site” to allow two new projects, each up to 5MW, and with at least one of the projects being owned by a community organisation, to share one grid connection and receive separate tariffs based on their individual generating capacity. This aims to help reduce up-front costs and

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<sup>14</sup> Government Response to the consultation on support for community energy projects under the Feed-in-Tariffs Scheme: <https://www.gov.uk/government/consultations/support-for-community-energy-projects-under-the-feed-in-tariffs-scheme>

### 3. New measures under the FITs scheme to support community projects

complexity and make it easier for communities to own individual assets and receive support under the FITs scheme.

- 3.3. For full information on these new measures, and the existing ones under the FITs scheme, see Ofgem's Guidance for Community Energy and School Installations<sup>15</sup> and the Feed-in Tariff: Guidance for renewable installations<sup>16</sup>.

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<sup>15</sup> Ofgem's Guidance for Community Energy and School Installations: <https://www.ofgem.gov.uk/environmental-programmes/feed-tariff-fit-scheme/applying-feed-tariff/benefits-communities-and-schools>

<sup>16</sup> Ofgem's Feed-in Tariff: Guidance for renewable installations: <https://www.ofgem.gov.uk/environmental-programmes/feed-tariff-fit-scheme/applying-feed-tariff/roo-fit>

## 4. Community ownership models under the FITs scheme

### Overview

This chapter looks at the main types of community ownership models and sets out the situations where they may be able to benefit from FIT payments. It covers projects which are owned outright by a community organisation as well as shared ownership models based on Joint Ventures, shared revenue and separately owned physical assets on the same site. A glossary of the terms used in this section is at Annex B.

The information is based on theoretical models. Ofgem will consider all applications for preliminary and final accreditation on a case by case basis, in accordance with the FITs legislation. They do **not** provide guidance or advice on ownership models or how these work with the FITs scheme.

### Summary of main community ownership models

- 4.1 Community energy projects may be wholly owned by community organisations or come forward under a range of shared ownership models. There are four main models for community ownership:
- **100% community ownership** by a legally-constituted community organisation, typically with funding largely through equity investments by business angels, venture capital options, bank debt, share offers and/or crowd funding;
  - **Joint ventures**, where a commercial operator and legally-constituted community organisation work together to create a joint venture to develop, own and manage a project;
  - **Shared revenue**, in which a legally-constituted community organisation buys the rights to a future virtual revenue stream which will be calculated on the basis of a specified proportion of the output of an installation, less agreed operating costs and generally less virtual debt service. This is calculated as if the community had acquired the underlying infrastructure;
  - **Split ownership**, in which a legally-constituted community organisation owns a proportion of a development's physical assets, for example, the community organisation owns one wind turbine in a development of 20 turbines being installed by a commercial developer.
- 4.2 In some cases, shared ownership can mean a debt-based funding option to individuals as this may be the most suited to a community's needs. However, this model is not considered further within the scope of this guidance.
- 4.3 Government does not favour any particular model – it is for communities, and where relevant, prospective commercial partners to determine which type of model works best

for both parties in their specific circumstances. As government policies on community ownership evolve - particularly on shared ownership - there may be changes in the ownership models and partnership arrangements used to develop projects. It is important that communities and developers have the flexibility to choose the type of model that works best for both parties and DECC will review arrangements periodically, in the light of new developments and experience.

- 4.4 In all situations, it is important for the community to seek independent financial, legal and tax advice.
- 4.5 Community energy groups and renewable trade associations have published a range of guidance encouraging and supporting partnership working. Details are at Annex A.

### Outright ownership model

- 4.6 In general, small local groups are less likely to be in a financial position to develop or purchase a large scale renewable energy development outright, due to the high costs involved. However, there are a number of funding options available, such as local groups 'pooling' their interests together, issuing a share offer or using crowd sourcing models (see below), to enable local groups to achieve their ambitions. Such methods could help community organisations to buy larger installations outright.

### Community share offers

- 4.7 Community share offers issued by co-operatives or community benefit societies are both a popular form of community ownership model (for renewable energy schemes that are wholly-owned or part-owned by the community) and a way to raise finance. The offer of community shares, specifically in the form of withdrawable, non-transferable shares issued by societies registered under the Co-operative Societies and Community Benefit Societies Act, is not a regulated activity and so falls outside the scope of the Financial Services and Markets Act 2000.
- 4.8 The Community Shares Unit<sup>17</sup> (a Government supported organisation) develops and promotes standards of good practice for community share offers as part of its commitment to encourage voluntary self-regulation. Voluntary regulation places a responsibility on societies to be open and transparent about their activities. The Community Shares Unit sets out the legal duties to disclose information about the membership and financial performance of a society, and provides guidance on how the principles of openness and transparency can be extended to the fundraising activities of a society. As part of this work, the Community Shares Unit is introducing a Compliance Mark in spring 2015 for share offer documents that comply with the guidance contained in the Community Shares Handbook<sup>18</sup>.

### Crowd funding

- 4.9 Crowd funding is a general term used for investing in projects by members of the public. One form of crowd funding is debt-based debenture funding, offering people the opportunity to own a company's debt. In this model, the individual energy project raises money directly from individual members of the community, with many offering low minimum investment levels in order to maximise participation. Debt based crowd funding

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<sup>17</sup> Community Shares Unit: <http://communityshares.org.uk/>

<sup>18</sup> Community Shares Handbook : <http://communityshares.org.uk/resources/handbook>

platforms are fully regulated by the Financial Conduct Authority. They are due to become ISA-eligible from 2015, so allowing tax-free returns.

### How might the community FITs provisions apply to the Out-right ownership model?

- 4.10 A single community-owned project could apply for support under the FITs scheme in much the same way as a non-community project. To apply for access to the specific community provisions set out in section 3 above, a project must be wholly owned by an entity which meets the definition of community organisation at the time it applies for preliminary and full accreditation under the scheme.
- 4.11 In some cases, community organisations may wish to purchase a development being built by a commercial developer, rather than establish a project themselves from scratch. In these cases, careful consideration should be given to the timing of any ownership transaction if the community wishes to apply for the FIT as a community project.
- 4.12 Feedback from community trade associations, based on experience to date, has suggested that if a transfer of ownership takes place after planning consent but prior to construction, a community organisation should have sufficient time to access the preliminary accreditation process prior to the commissioning of their project.
- 4.13 **Warning** - Prospective developers should note that this information is based on theoretical models and that the case study below focuses on the process of setting up the project (the actual project was not eligible for the FITs scheme as the capacity exceeds 5MW). Ofgem will consider all applications for preliminary and final accreditation on a case by case basis, in accordance with the FITs legislation.

#### Case Study 1 – 100% Community ownership

##### **Westmill 100% community-owned wind farm, Watchfield, Oxfordshire**

The 6.5MW wind farm is owned by the Westmill Co-op. It was the first wind farm to be constructed in the South East of England and the first 100% community-owned scheme in the UK. The project started in 1998 and became operational in 2008. The co-op was established in 2004 with the aim of giving local people an opportunity to invest in renewable energy. It now has 2,374 members. The co-op raised £4.6 million through a share issue and fundraising campaign, supplemented with a bank loan from the Co-op Bank. Power generated from the turbines is sold through a Power Purchase Agreement to two separate electricity suppliers for a fixed term.

##### **Westmill 100% community-owned Solar Park, Watchfield, Oxfordshire.**

The Westmill Solar Co-operative was the UK's first and (until late 2013) the world's largest co-operatively run community-owned solar park. It consists of 30 acres with over 20,000 PV panels generating 4.8GWhr/year – approximately equivalent to a year's electricity consumption of 1,400 homes and enough to prevent 2,000 tonnes of carbon dioxide emissions annually. The co-op has 1,648 members. It raised nearly £18 million in total to fund the project. £12 million of this was through a loan from the Lancashire County Council Pension Fund, with £4 million from an initial share offer to individuals and the community (which was the maximum allowed) and £1.8m via a private share placement to existing subscribers.

## Joint Venture (JV) model

- 4.14 This approach involves a community and a non-community operator, such as a commercial company or a local authority, working together from the early stages, to create a joint venture to develop, own and manage a project that is local to the community. The community benefits from partnering with a developer who carries the risks at the early stages and brings the experience and competency required to bring a large-scale project from the drawing board to reality. The developer benefits by establishing a constructive and collaborative relationship with the local community.
- 4.15 The JV owns the installation and is responsible for its operation and maintenance. Often the commercial partner provides, on agreed terms, the on-going asset arrangement. The community's ownership takes the form of shares in the joint venture company. It will usually have representation on the board or management committee of the JV company.
- 4.16 If one of the partners has a minority share of the ownership, there will need to be agreement about minority protection, i.e. which decisions need to be approved by both partners before they can be implemented.

### How might the community FITs provisions apply to the Joint Venture model?

- 4.17 For a JV to be eligible for the specific community provisions of the FITs scheme, the JV company will need to be wholly owned by an organisation or Special Purpose Vehicle (SPV) which meets the definition of community organisation.
- 4.18 **Warning** - Prospective developers should note that this information is based on theoretical models and that the case study below focuses on the process of setting up the project: the actual project may not be eligible under the FITs scheme. Ofgem will consider all applications for preliminary and final accreditation on a case by case basis, in accordance with the FITs legislation.

### Case Study 2 – Joint Venture

#### Neilston Community Wind Farm

The £15.6m Neilston Community Wind Farm is a partnership between Neilston Development Trust (NDT) and Carbon Free Developments. The two partners formed a Limited Liability Partnership (LLP), and this joint venture vehicle owns the windfarm. Carbon Free Developments funded the technical, development, planning and construction aspects of the project, and NDT contributed community consultation and PR. Governance of the development is shared jointly. Whilst Carbon Free Developments have final authority on some reserved matters (all set out in the terms), this is ostensibly a 50:50 partnership.

Following planning consent, Carbon Free Developments offered NDT the right, with no obligation, to contribute up to 49.9% of project costs, including a pro-rata share of development costs. The Co-operative Bank provided 80% debt against a project capital expenditure of £15.6m. To realise their potential 49.9% share in the project, NDT needed to source up to £1.5m equity. NDT secured £950,000 through loans from Social Investment Scotland, Charities Aid Foundation, Big Issue Invest and West Scotland Loan Fund. This equates to a 28.3% share in the windfarm, and consequently NDT now owns this proportion of the project. The four turbine 10MW windfarm was opened in May 2013 and it is estimated to generate the community over £10m over the lifetime of the project.

## Shared revenue model

- 4.19 The shared revenue approach involves the community buying the right to receive a proportion of the revenue or profit from a commercial renewable energy project.
- 4.20 The developer enters into agreements with the community to pay a share of net project revenue or a share of the profit (i.e. revenue minus operating costs) in return for the investment from the community. The investment is typically configured like a share offer where investors get an annual return on their investment and can recover their original investment (subject to some limits in initial years).
- 4.21 In this model, the community has a financial stake in the development and a share of the revenue or profit. However the community does not own any physical asset and its ownership is of the rights to an income stream.
- 4.22 The ownership and on-going responsibility for operation and maintenance of the installation remains with the commercial partner.
- 4.23 Feedback from some stakeholders who have previously been involved in developing this type of model suggests that it may be useful at the early stages of project development to keep track of discussions on internal agreements and/or contracts by minuting meetings, and if appropriate, signing up to a Memorandum of Understanding (MoU). Although not legally binding, this summarises the outline agreement without restricting future flexibility. Some projects can take a considerable time to come to completion, and a MoU will provide reassurance to both partners, particularly in the case of a change of personnel.
- 4.24 It is not Government's role to dictate precisely how internal partnerships and agreements should work, but both parties are recommended to seek legal advice when drawing up the legal agreements underpinning the shared revenue project.
- 4.25 Further information on setting up and running shared revenue models is available from community and renewable trade associations<sup>19</sup>.

### How might the community FITs provisions apply to the Shared revenue model?

- 4.26 Projects where communities have a revenue share in a scheme can apply for support as a community project in the FITs scheme irrespective of the internal community/commercial partnership arrangement and/or the size of the community share, provided that the project is owned by an organisation that meets the definition of community organisation. If the owner is any other type of organisation, they would be able to apply for support under FITs as a non-community project.
- 4.27 FIT payments will be made direct to the owner of the project and, as explained above, it will be for the community and non-community partners to determine through private agreements how this and other revenue is shared.
- 4.28 **Warning** - Prospective developers should note that this information is based on theoretical models and that the case study below focuses on the process of setting up the project: the actual project may not be eligible under the FITs scheme. Ofgem will

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<sup>19</sup> For example, Community Energy England, Community Energy Wales, Local Energy Scotland, the Renewable Energy Association, RenewableUK etc

consider all applications for preliminary and final accreditation on a case by case basis, in accordance with the FITs legislation.

### Case Study 3 - Shared Revenue

#### Kilbraur Wind Energy Co-operative

The Kilbraur Wind Energy Co-operative (KWEC) is an investment co-operative linked to a Falck Renewables' wind farm sited between Brora, Golspie and Rogart in Sutherland in the north of Scotland.

KWEC was formed in 2008 with the primary objective of providing local people with an opportunity to invest in the wind farm. The initial share offer raised just over £1million from 528 investors, and this formed KWEC's initial stake in the wind farm. A subsequent share offer associated with an extension to the wind farm in 2011 increased the co-op's stake to £1.6million. Investors receive annual interest payments based upon the performance of the wind farm. Many investors use their interest to augment their pensions. At the other end of the age range, some of the shares are held in trust for young people under the age of 18 years.

### Split ownership model

- 4.29 The term 'split ownership' is used to describe the approach where a scheme is divided into two or more separate projects on a single site, each of which can produce energy for the benefit of an identified owner. One of the eventual owners would be a community organisation. The other owner or owners would typically be the commercial project developer or a utility, independent power producer or investment fund to which the developer sells the energy generating station.
- 4.30 The community organisation raises the funds to buy or build their part of the development and in this case, the community organisation owns a physical asset. The community organisation would also be responsible for all aspects of the operation, monitoring and maintenance of their equipment.
- 4.31 The separate projects may share or have separate grid connections.

### How might the community FITs provisions apply to the Split ownership model?

- 4.32 In cases where separate organisations own separate physical assets on the same site and have separate grid connections and meter connection points (i.e. a separate Meter Point Administration Number - MPAN<sup>20</sup>), they may be eligible to apply for support under the FITs scheme as separate projects and to receive separate FIT payments based on their respective capacities. If the projects are owned by an organisation that meets the definition of a community organisation, they may be eligible to benefit from the community provisions of the FITs scheme.

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<sup>20</sup> The MPAN (Meter Point Administration Number) is the unique identifying number for an electricity meter.

- 4.33 From 1 April 2015, an additional exemption to the definition of "site" under the FITs scheme allows two new projects, each up to 5MW, and with at least one of the projects being owned by a community organisation, to share one grid connection and receive separate tariffs based on their individual generating capacity. Both projects must have a Tariff Date or an Eligibility Date of on or after 1 April 2015.
- 4.34 Both parties sharing the grid connection will be required to seek support under the FITs scheme. There is no provision in the FITs, Renewables Obligation or Contracts for Difference (CfD) legislation for generating capacity on the same site and sharing a grid connection, to be supported by different financial incentive schemes.
- 4.35 **Warning** - Prospective developers should note that this information is based on theoretical models and that the case study below focuses on the process of setting up the project: the actual project may not be eligible under the FITs scheme. Ofgem will consider all applications for preliminary and final accreditation on a case by case basis, in accordance with the FITs legislation.

#### Case Study 4 – Split Ownership

##### EDF & Fenland Green Power Co-Operative, Deeping St Nicholas, Lincolnshire

EDF and Fenland Green Power co-operative jointly own a 16MW wind farm. Turbines are in separate ownership. The Co-op raised £2.66m to purchase 2 of the 8 turbines and there is no pooling of income or direct expenses. However, grid access and certain cabling is shared and this means that debt financing must by necessity be shared since the sites cannot each operate on a wholly standalone basis.

#### Grid connection agreement

- 4.36 A grid connection needs to be arranged through a Distribution Network Operator (DNO) or Independent Distribution Network Operator<sup>21</sup>. Where two projects are proposing to share the grid connection, DNOs or IDNOs will normally issue one grid connection agreement covering the total proposed combined capacity. This agreement can be addressed to either party so communities and developers may wish to consider setting out in an MoU or legally binding contract how grid issues and costs will be handled or shared between the parties. This will also enable the party that does not hold the grid connection agreement to demonstrate that it has access to a grid connection if required by, for example, finance providers.

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<sup>21</sup> Distribution Network Operators (DNOs) are companies that own and operate the network that brings electricity from the high voltage national transmission grid to homes and businesses. Each covers a separate geographical region of Great Britain. They do not sell electricity to consumers – that is done by the electricity suppliers.

Independent Distribution Network Operators (IDNOs) own and operate smaller networks located within the areas covered by the DNOs. IDNO networks are mainly extensions to the DNO networks serving new housing and commercial developments. IDNO networks are directly connected to the DNO network or indirectly to the DNO via another IDNO.

- 4.37 Ofgem has published a short overview leaflet on arranging a grid connection<sup>22</sup>. Other guides have been produced by the Energy Networks Association<sup>23</sup>, and Regen SW and Western Power Distribution<sup>24</sup> (the latter guide is specifically aimed at connecting to the grid for community energy projects in the Midlands, South West and Southern Wales).
- 4.38 A list of DNOs is available on the Energy Networks Association's website, as well as on National Grid's website<sup>25</sup>. A list of Independent DNOs is available on Ofgem's website<sup>26</sup>.
- 4.39 Information on metering, FITs generation payments and export payments is set out in Ofgem's technical guidance<sup>27</sup>.
- 4.40 In association with the DNOs, a guide is being developed to help community energy projects that want to get a connection to the electricity network. This will be published on the Community Energy Hub (see Annex A for further details).

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<sup>22</sup> Ofgem's leaflet "How to get an electricity connection": <https://www.ofgem.gov.uk/ofgem-publications/89438/ofg538webhowtoleaflet4.pdf>

<sup>23</sup> The Energy Networks Association's connection guides: <http://www.energynetworks.org/electricity/engineering/distributed-generation/distributed-generation.html>

<sup>24</sup> Regen SW and Western Power Distribution's "Connecting community energy – a guide to getting a network connection": [http://www.regensw.co.uk/wp-content/uploads/2015/01/WPD\\_Guide\\_FINAL.pdf](http://www.regensw.co.uk/wp-content/uploads/2015/01/WPD_Guide_FINAL.pdf).

<sup>25</sup> Contact details for DNOs: [www.nationalgrid.com/uk/electricity/aboutelectricity/distributioncompanies](http://www.nationalgrid.com/uk/electricity/aboutelectricity/distributioncompanies)

<sup>26</sup> List of Independent DNOs: <https://www.ofgem.gov.uk/electricity/distribution-networks/connections-and-competition/independent-distribution-network-operators>

<sup>27</sup> Ofgem's Guidance for Community Energy and School Installations: <https://www.ofgem.gov.uk/environmental-programmes/feed-tariff-fit-scheme/applying-feed-tariff/benefits-communities-and-schools> and Ofgem's Feed-in Tariff: Guidance for renewable installations: <https://www.ofgem.gov.uk/environmental-programmes/feed-tariff-fit-scheme/applying-feed-tariff/roo-fit>

# Annex A – Other sources of information and guidance

## Publications on community energy and shared ownership

- **Community Energy England’s “Guidance for communities on participating in the shared community ownership voluntary protocol”**. This sets out a list of the behaviours and activities to encourage effective partnership working. It also provides information on finding opportunities, forming groups and raising funding: <http://scor.es.uk/Communities/guide/index.html>
- **DECC’s “Community energy strategy update”** (March 2015). An update on the progress of the government’s community energy strategy: <https://www.gov.uk/government/publications/community-energy-strategy-update>
- **DECC’s “Community engagement for onshore wind developments - Best Practice Guidance for England”** (October 2014). Sets out best practice on effective engagement between a developer, local community, local authority and others: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/364244/FINAL\\_Community\\_engagement\\_guidance\\_-06-10-14.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/364244/FINAL_Community_engagement_guidance_-06-10-14.pdf)
- **DECC’s “Government Response to the Shared Ownership Taskforce”** (February 2015). Sets out Government’s approach to shared ownership more broadly and contains guidance on a range of related matters: <https://www.gov.uk/government/publications/government-response-to-the-shared-ownership-taskforce>
- **DECC’s “Overview on co-operative societies and community benefit societies”** (March 2015). Provides information to communities who wish to develop their community energy projects through the mutual society form: <https://www.gov.uk/government/publications/community-energy-strategy-update/decc-overview-on-co-operative-societies-and-community-benefit-societies>
- **Ofgem’s “Feed-in Tariff: Guidance for renewable installations”**. Gives detailed guidance on how to apply under the FITs scheme: <https://www.ofgem.gov.uk/environmental-programmes/feed-tariff-fit-scheme/applying-feed-tariff/roo-fit>
- **Ofgem’s “Guidance for Community Energy and School Installations”**. Gives detailed guidance specifically for communities and schools on how to apply under the FITs scheme: <https://www.ofgem.gov.uk/environmental-programmes/feed-tariff-fit-scheme/applying-feed-tariff/benefits-communities-and-schools>
- **Scottish Government’s “Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments”**. Gives details of good practice principles and procedures promoted by the Scottish Government and examples of what is already being achieved: <http://www.gov.scot/Publications/2013/11/8279/1>

- **Shared Ownership Taskforce: Report to DECC** (November 2014). A Framework produced by the renewables industry and the community energy sector to facilitate a substantial increase in the shared ownership of new, commercial onshore renewables developments: <http://www.renewableuk.com/en/utilities/document-summary.cfm?docid=CB5A9C2C-FA70-46CE-83757D293D992E3E>

## Publications on getting a grid connection

- **Energy Networks Association’s connection guides:** <http://www.energynetworks.org/electricity/engineering/distributed-generation/distributed-generation.html>
- **Ofgem’s leaflet “How to get an electricity connection”:** <https://www.ofgem.gov.uk/ofgem-publications/89438/ofg538webhowtoleaflet4.pdf>
- **Regen SW and Western Power Distribution’s “Connecting community energy – a guide to getting a network connection”:** [http://www.regensw.co.uk/wp-content/uploads/2015/01/WPD\\_Guide\\_FINAL.pdf](http://www.regensw.co.uk/wp-content/uploads/2015/01/WPD_Guide_FINAL.pdf).

## Toolkits and websites on community and shared ownership

- **Community Energy Hub:** This is being developed by the Energy Saving Trust Foundation, Project Dirt, SE2 and Community Energy England. It will be launched at the end of March 2015 to provide information, advice and support and form networks that enable communities to self-help. It will be hosted on Community Energy England’s website at: <http://communityenergyengland.org/> Future resources to be available through the hub will include:
  - **Community renewables development toolkit:** Drawing on experience from Local Energy Scotland, this will provide resources that lead the user through the process of developing a community renewable energy project;
  - **Grid connections guidance:** In association with the Distribution Network Operators (DNOs), this will provide a guide to developing community energy projects that want to get a connection to the electricity network;
  - **Case studies and best practice:** This will give examples of existing groups that have successfully launched an energy project, including specific guidance on issues such as State aid and business planning.
- **Community Energy Wales:** <http://www.communityenergywales.org.uk/>
- **Community Shares Unit** acts a central reference point, providing the latest information on community share activities nationwide. Activities include producing guidance materials, signposting communities, investors and others to the most appropriate forms of advice and assistance to develop new share offers and support existing ones, and facilitating peer support and networking to those already involved in community shares: <http://communityshares.org.uk/>
- **Local Energy Scotland** has a number of resources available under the Community and Renewable Energy Scheme (CARES): <http://www.localenergyscotland.org/shared-ownership/collaborative-projects/available-cares-support/> This includes:

- **Partnership Portal** to allow communities or developers across Scotland to publicly post information on possible shared ownership opportunities. This allows communities to partner with other communities, and for a commercial developer to seek a community partner instead of a private investor;
  - **Informational Leaflet** for developers and communities to inform both developers and communities about the benefits of shared ownership and some suggested starting points;
  - **Framework contractors** to allow communities to select legal, financial and project management services quickly and with confidence;
  - **Development officer network** to provide free-at-point-of-use bespoke advice and support to communities;
  - **Project Development Toolkit - Community Investor Module** to provide support to communities looking to invest in a renewable project that is being developed by a commercial developer. The module outlines the different factors that need to be considered when making an investment decision and how to obtain the relevant support when making these investment decisions;
  - **CARES Toolkit Finance Model** to allow communities to enter details about the proposed project and see potential likely returns;
  - **Case studies** on live developments showing what has already been achieved to provide inspiration to communities who may be considering undertaking a project.
- **Renew Wales:** <http://www.renewwales.org.uk/>
  - **Resource Efficient Wales:** <http://resourceefficient.wales.gov.uk/>
  - **Wales Cooperative Centre:** <http://www.walescooperative.org/>
  - **Ynni'r Fro community programme** - The Welsh Government's Ynni'r Fro programme offers social enterprises grant aid, loans and free, independent, hands-on advice and information to help develop community-scale renewable energy schemes across Wales: <http://www.energysavingtrust.org.uk/wales/Communities/Finding-funding/Ynni-r-Fro-programme>

## Annex B – Glossary of terms

<b>Community organisation</b>	This means a community interest company; or a community benefit society or co-operative society, or a registered charity or a wholly owned trading subsidiary of a registered charity, other than such a company or society with more than 50 employees.
<b>Community shared ownership</b>	Where communities buy a stake in new commercial renewable projects being developed locally.
<b>Declared Net Capacity</b>	The maximum capacity at which an installation can be operated for a sustained period without causing damage to it (assuming the source of power used by it to generate electricity was available to it without interruption) less the amount of electricity that is consumed by the installation.
<b>Degression</b>	The regular review and potential reduction of tariff rates for new installations based on deployment in the preceding months. For solar PV this review is quarterly, whilst for non-PV technologies this review is annually.
<b>Distribution Network Operators (DNOs)</b>	The companies that own and operate the network that brings electricity from the high voltage national transmission grid to homes and businesses. Each covers a separate geographical region of Great Britain. They do not sell electricity to consumers – that is done by the electricity suppliers.
<b>FIT Licensee</b>	<p>This is the collective term for Mandatory FIT Licensees and Voluntary FIT Licensees.</p> <p>Licensed Electricity Suppliers with more than 250,000 domestic customers are required to join the FITs scheme (Mandatory FIT Licensees). Other licensed electricity suppliers can elect to join the scheme and become Voluntary FIT Licensees. Licensed Electricity Suppliers cannot offer FIT Services unless they are confirmed to be a FIT Licensee.</p> <p>FIT Licensees are required to take applicants through the registration process. FIT Licensees are also the main point of contact with accredited customers for the submission of meter readings and are responsible for making payments based on meter readings.</p>

<b>FIT payments</b>	Generation payments and/or export payments.
<b>Independent Distribution Network Operators (IDNOs)</b>	The companies that own and operate smaller networks located within the areas covered by the Distribution Network Operators (DNOs). IDNO networks are mainly extensions to the DNO networks serving new housing and commercial developments. IDNO networks are directly connected to the DNO network or indirectly to the DNO via another IDNO.
<b>Levy Exemption certificate</b>	LECs are issued by Ofgem in accordance with the Climate Change Levy (CCL), a tax on UK business energy use, charged at the time of supply. Energy use refers to electricity, gas, liquid petroleum gas and solid fuel. The final recipient of supplies of electricity generated from certain renewable sources and combined heat and power (CHP) receive tax exemptions. Further information is available at: <a href="https://www.ofgem.gov.uk/environmental-programmes/climate-change-levy-exemption">https://www.ofgem.gov.uk/environmental-programmes/climate-change-levy-exemption</a>
<b>Meter Point Administration Number (MPAN)</b>	The unique identifying number for an electricity meter.
<b>Power Purchase Agreement (PPA)</b>	This is an agreement between a generator and an electricity supplier (i.e. a supplier of electricity to consumers) to buy and sell the electricity being produced by the generator. It often includes the buying and selling of Levy Exemption certificates as well. It can insulate an independent generator from the risks linked to energy availability, volume, liquidity, price, profile, imbalance, and law changes.
<b>Preliminary accreditation</b>	A mechanism that allows prospective generators to receive assurances that they will be accredited and the tariff rate they will receive, before they commission their eligible installation.
<b>ROO-FIT accreditation</b>	The process of accreditation in accordance with the FIT Order, to be undertaken in respect of an Eligible Installation not using an MCS-FIT Technology.
<b>Shared Revenue</b>	Where a community buys the rights to a future virtual revenue stream, calculated on the basis of a specified proportion of the development's output.
<b>Share Offer</b>	The sale of shares in an enterprise, often used by communities to raise finance for investment in a project.
<b>Site</b>	The premises to which are attached one or more Accredited FIT Installations or Eligible Installations in close geographical proximity to each other, to be determined as required by Ofgem by reference to:

- a) the relevant Meter Point Administration Number (MPAN) for electricity supply;
  - b) street address;
  - c) OS grid reference;
- and any other factors which Ofgem views as relevant.

**Special Purpose Vehicle (SPV)**

A subsidiary company with an asset/liability structure and legal status that makes its obligations secure even if the parent company goes bankrupt.

**Total Installed Capacity**

The maximum capacity at which the station could be operated for a sustained period without causing damage to it (assuming the source of power used by it to generate electricity was available to it without interruption).

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URN 15D/139