

# CARES CASE STUDY



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## SRÒNDOIRE

### BACKGROUND

The communities of Tarbert and Skipness, and Tighnabruaich District, were offered the opportunity to invest in the second phase of a major wind farm development in Knapdale, Argyll and Bute. Work began in late 2013 on delivering the project; this was completed in February 2015. The wind farm became operational in November 2015.

**Project:** Srònndoire Wind Farm

**Technology:** onshore wind

**Location:** Knapdale, Argyll and Bute

**CARES funding:** CARES grant to Tighnabruaich District Development Trust £15,742 and Tarbert and Skipness Community Trust £18720

**Date installed/operational:** November 2015.



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Allt Dearg Wind Farm in Knapdale, Argyll began generating electricity in 2013. It differs from most other similar projects in two ways: it is substantially privately owned, and because the Ardrishaig community were able to invest in the project at construction rather than market value, it provides a much higher level of community benefit than would normally be the case.

At the time of its development, the nearby communities of Tarbert and Tighnabruaich were involved in discussions about how they could participate. A lack of a suitable community mechanism meant that this wasn't possible, but it was agreed that they would be given the opportunity to participate in any follow-up scheme.

In 2013 the communities created two trusts: Tarbert and Skipness Community Trust (TSCT) and Tighnabruaich District Development Trust (TDDT). These enabled the communities to participate in the follow-up project, Srònndoire Wind Farm.

## PROJECT AIMS AND OBJECTIVES

Srònndoire Wind Farm received planning permission in October 2013 and TSCT and TDDT were invited to participate in the project around this time. The project company would be called Srònndoire Wind Farmers (SWF) and the trusts would invest via subsidiary companies established for the purpose. Each trust would make the same investment and was expected to acquire a 6.25% stake (at construction value) in the company, supported by a subordinated loan.



Srònndoire wind farm is a 6 MW scheme using three Vestas V80 turbines. These are co-located with the 12 Allt Dearg turbines and use the same infrastructure to connect to the grid. The two trusts established project teams to work together on the project. The SWF team already had a relationship with CARES from the Allt Dearg project and introductions were quickly made. The trusts needed legal and financial advice to assess the viability of their participation, to secure the funding to permit that participation, and to agree the detailed contractual terms. As neither trust had the resources to fund this, they applied for a CARES grant to do this. Advisors were appointed in January 2014.

Work began on forming the subsidiary companies, developing financial models, and developing the contractual arrangements. The two subsidiary companies, Tarbert and Skipness Renewables Limited (TSR) and Tighnabruaich District Community Renewables Limited (TDCR), were formed in March 2014.

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Once financial projections were available, approaches were made to several funding sources. The package offered by Renewable Energy Investment Fund (REIF – now known as Energy Investment Fund), administered by Scottish Enterprise, was deemed most suitable. The trusts also found that the success of Allt Dearg made it easier to persuade funders to support them. While completing the financing was slightly delayed, it completed soon after work on the site had started, which used finance from the principal funders.

Financial close took place on 4 February 2015 before final construction and commissioning took place through the summer and autumn. The wind farm started generating electricity in November 2015.

## OUTCOMES AND ACHIEVEMENTS

Historically it has been difficult for small, remote rural communities to secure funding for community projects. Investing in the right renewable energy project offered the communities the opportunity to provide funding to improve their communities. Funding could then be used to leverage grants from third parties and maximise the benefits to the communities.

Tarbert has benefited from several renewable energy projects in the area. For Tighnabruaich, however, there is a presumption against such developments on landscape grounds; this made achieving a successful outcome particularly important for TDDT.

Financial projections indicated there ought to be a steadily increasing stream of dividends over the lifetime of the investment, which runs until 2034. Initial amounts would be small as the debt burden would be at its highest; however, these would increase over the 10 years it takes to repay the debt to a level that will provide significant amounts each year. To date, actual results have consistently exceeded the initial projections.

Both trusts recognised the challenge associated with directing funds to appropriate community projects. Learning from the experiences of other communities, the trusts delegated the process of assessing and recommending grant applications to a semi-independent bodies, comprising several well-known and trusted local people. This process, and the criteria on which its decisions are made, were publicised in order to be as transparent and as fair as possible.

The first dividends were received in September 2016 and have since continued at six monthly intervals. After creating a cash buffer to ensure loan repayments can be met and in the event of any operational setbacks, it has been possible to provide financial support to both trust-led and community-led projects in both communities.

In Tarbert, funds from other sources have been used to support community-led projects. SWF funding has been directed to meeting trust expenses and a local history and archiving project. In Tighnabruaich District, trust-led projects have included restoring some of the local footpaths and developing a Heritage Centre to encourage active tourism.

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Local community groups that have been supported include the local Shinty Club, the primary school's parent council, and a group that was formed to acquire and conserve Glenan Wood by Portavadie. The scope of activities for both trusts will increase over the coming years as the amount of funds increases.

## LESSONS LEARNED

A spokesperson for TDDT outlined several key learning points; these are summarised below.

- Both trusts benefitted from involving people with business and professional experience; they understood, and had experience of, the issues which had to be dealt with. This was a major advantage. Such expertise may need to be sought out in other community projects.
  - It is important to ensure that those involved maintain good communication with the rest of the trust in order to eliminate surprises along the way. At the same time, it's important that trust delegates have enough authority to enable them to act in good time.
  - Irrespective of the level of in-house expertise, having good legal and financial advisers is vital. This helped greatly in ensuring tight deadlines were met and they could deal properly with any emerging issues.
  - Relationships with main promoters, and operating with trust and understanding, is key. Co-operation and a good relationship between the communities was also essential.
- “Don't be afraid to seek help and advice. CARES were very good, especially when we were finding our feet and seeking advisors. Eventually the project takes on a life of its own and their input reduces. Equally, a good legal or financial adviser will recognise the client's skills and flex the nature and level of advice accordingly.”
  - Start dialogue with potential funders early on, even if you don't know exactly what you need. The trusts generally knew what they would need fairly early in the process. Funders will say whether they can help, give you their ground rules and start their own internal processes to save time later. Early dialogue also eliminates those who are not interested.
  - Have a clear vision of what you want for your community. REIF were very good at seeing things from a community point of view and tailoring their loan package to optimise the funds available to the community, especially in the early stages.
  - Develop a Community Plan i.e. plan what will the money be used for. TDDT did not have a community plan but it did have results of a consultation process. This led to the formation of the trust which identified community priorities, and this formed the basis of the Plan.

To find out more about funding from the Community and Renewable Energy Scheme, visit [localenergy.scot/funding](https://localenergy.scot/funding)

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