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## **5 YEAR BUSINESS PLAN FEBRUARY 2016**

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## CONTENTS

1	INTRODUCTION .....	3
1.1	Ownership .....	3
1.2	Vision, Aims and Objectives .....	3
1.3	Community purpose.....	4
1.4	Business Mission Statement .....	4
1.5	TECs Structure and Decision Making .....	4
2	BUSINESS CONTEXT.....	6
2.1	Opportunities .....	6
2.2	Medium Term Business Projection .....	6
2.3	Overall Marketing and Community Engagement Strategy .....	8
2.4	Overall Financial Assumptions & Guidelines.....	9
2.5	Risks of the community energy business model.....	9
3	OVERALL FINANCING STRATEGY .....	12
3.1	Initial Loan Investments .....	12
3.2	Ongoing Share Offers .....	12
4	MILESTONES.....	14
5	OPERATIONS .....	15
5.1	Site/project Identification .....	15
5.2	Project & Service Supply .....	15
5.3	Operations & Maintenance.....	16
5.4	Organisational Roles .....	16
5.5	Operational Systems and Processes .....	16
5.6	Insurance.....	17
5.7	Decommissioning .....	17
6	FINANCIAL PROJECTIONS. ....	18

## 1 Introduction

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Please refer to the latest releases of associated documents, structure listed here. These are available on request from the TECs secretary.

Business Based:

- Business Plan (this document)
- Business Financial spreadsheet
- Publicity & Marketing Strategy
- Share Offers
- Approach and Relationships
- Operational Roles
- Operational Processes
- Constitution lodged with the FCA (Rules & Objects of the Society)
- Additional Rules & Guidelines
- Director & Officer Roles (Chair, Legal, Finance, Projects, Publicity & Secretary)
- Operational & Support Roles (Administration, Accounting, Support Forum)

Project Based (template/project specific):

- Stakeholder/Project Assessment Criteria
- Project Financial Models spreadsheets (for each of the different technologies)
- Contractual documents (Heads of Terms, Licence/lease Agreement, Power Purchase Agreement)
- Project Plan spreadsheets

### 1.1 Ownership

The business plan is owned and approved by the Directors of the Society (TECs Ltd.).

### 1.2 Vision, Aims and Objectives

Our Vision is "To achieve the widest possible community engagement with energy use and energy generation. We want people in the local area to become more aware of, and engaged with their use of energy, so that energy becomes as familiar as money."

Teign Energy Communities (TECs) is the Community Benefit Society (CBS) umbrella organisation, offering the financial and legal framework for organisations within Teignbridge to deliver their own local Renewable Energy projects. These local organisations (called Stakeholders) can be community groups, social enterprises, health/education trusts, councils, businesses and any group that shares the vision, aims and objectives of the CBS.

As an umbrella Community Energy Society we want to work with others groups and organisations in Teignbridge to help them realise their Energy generation/saving projects. TECs can provide the know-how and access to information on technology, process, legal and financial matters.

TECs will raise funds through public/private share offers to cover costs of Renewable Energy projects proposed by local organisations within Teignbridge. Any project will have to be

both financially and environmentally viable. We are very keen that as much of the energy as possible generated by our RE installations is consumed on site. The project will also need to be in line with TECs' vision, aims and objectives. Appropriate commercial agreements with these organisations for Renewable technologies will be negotiated to achieve an equitable benefit sharing arrangement.

### 1.3 Community purpose

TECs exists for community benefit, as laid out in its objects:

*The objects of the Society shall be to carry on any business for the benefit of the community in Teignbridge by means of the development, financing, construction and operation of community renewable energy installations and sale of renewable energy, for the purpose of:*

- enabling the local and wider community to share in the ownership of those installations;
- generating income to re-invest in further community energy initiatives in Teignbridge or to provide grants for local community benefit;
- supporting educational and other community activities which promote awareness of energy use, the value of energy saving measures and environmental stewardship.

### 1.4 Business Mission Statement

To own, install and/or acquire approx. 500 - 5,000 kWpk of solar PV on a small number of large sites (ideally not less than around 50kWpk each) in Teignbridge by 2020.

Smaller solar PV sites (not less than around 12kWpk), certain biomass heat installations and hydroelectric projects may also be considered especially as a pilot for that technology.

Larger ground mounted solar PV arrays (>1 MWpk) will be considered as opportunities arise. The current limitations on grid connectivity as well as the regulatory uncertainties in terms of subsidies/incentives for Renewable Energy, present a higher risk compared to the preferred approach.

### 1.5 TECs Structure and Decision Making

The society is governed by its members, which appoint its board, except that Teignbridge District Council can nominate a director, and up to 30% of the board may be co-optees. This permits a key stakeholder to be represented, and the board to recruit individuals with key skills as necessary.

TECs' founding directors, all of whom are volunteers are:

Iain Freeland - Executive Chair

Iain is also Director of Resources at TAST. He is responsible for the efficient and effective use of Trust resources. This broadly covers five categories: personnel (staff); financial management; catering services; estates and facilities management and the development of communications and ICT.

Tony Sharland - Logistics Director

Tony is also head of Asset Management and Development at Teign Housing. Having trained in architecture and construction surveying, he has been a buyer for a large building supply

company and managing director of a national roofing and cladding contractor. He joined Teign Housing in 2014 after working for 15 years for another housing association as Head of Asset Management. He is on the board of trustees for two local community organisations.

#### Noel Fowler - Finance Director

Following a career of more than 35 years in education which began teaching mathematics in secondary schools and included two headships and leading secondary education for a Local Authority, Noel retired in September 2013. Since then he has been working voluntarily as a governor for his local primary school and helping develop a community energy generation scheme for the village where he lives. He is currently chair of a charity providing education and care for young people with visual impairment and complex needs.

#### Jamie Burnham - Technology Director

Jamie has a 1st class degree in Renewable Energy from the University of Exeter and spent the last five years working as the lead designer for SunGift Energy in Exeter. He has worked on a wide range of projects from small domestic installations through to large commercial Solar PV, Ground Source Heat Pumps and Biomass projects. He now owns an independent energy consultancy aimed at helping people get a better understanding of their energy consumption and how it can be reduced through energy efficiency measures and renewable energy technologies.

#### Fuad Al-Tawil - Company Secretary

Fuad has degrees in engineering from Leeds and Sheffield, and gained Chartered Engineer status. He has extensive project and management skills and worked for twenty-five years in the international telecommunications industry, occupying positions as project director, senior consultant and chief engineer. He is also an active member of Transition Newton Abbot.

Some of our Members also belong to the TECs Support Forum. The purpose of the Support Forum is to bring together individuals and organisations keen to support the activities, aims and objectives of TECs. The role of the forum includes: advising the Board, providing support and technical input, exchanging information and updates on progress both with the Board and other groups.

TECs works with Stakeholder organisations who have an asset or infrastructure made available for TECs' renewable energy installations. Our stakeholders come from across Teignbridge. These may be community groups, social enterprises, health/education trusts, councils, businesses and any group that also signs up to TECs' vision, aims and objectives.

Members are individuals or organisations with full voting rights. Membership follows from the purchase of a minimum £1 share or the minimum number of shares in a share offer. Members have one vote irrespective of the number of shares they hold.

Please refer to the society's Constitution and Additional Rules & Guidelines for full details of TECS governance.

## 2 Business Context

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### 2.1 Opportunities

TECs, with the help of its support organisations and individuals, was registered as a Community Benefit Society (CBS) with the Financial Conduct Authority (FCA) on the 22nd of September 2015.

Despite uncertainties in central government policies, they and local government continue to support community owned energy generation from Low Carbon sources. A number of evaluation/development grants and some revenue incentives are still available to support such initiatives.

Important local organisations continue to support TECs, they include an Educational Trust (TAST), a Housing Association (Teign Housing), Community groups (Transition Newton Abbot [TNA] and Two Valleys Community Energy [TVCE]) and Teignbridge District Council (TDC). TECS also has good links and support from a number of other local Community Energy initiatives and consultants.

We have a licence agreement, a guaranteed FIT rate (11.71p/kWh) and 1 year loan investments to install a first 50kWpk rooftop PV system at Teign School in Kingsteignton. This is scheduled for mid February 2016.

We are developing a second portfolio of sites and have applied to fix the feed in tariff for these. Our intention is to commission them by the end of September 2016. The size of the portfolio is not yet finalised, though it will not exceed 180kWp. We expect to finance them through a second share issue in mid 2016, backed by an underwriting short-term investment. We will apply the same standards of due diligence to the second portfolio as to the first, and expect it to carry the same risk profile. We have a Rural Community Energy Fund grant which will permit us to review potential sites on industrial estates and other locations where low cost installations and high levels of local use mean they may be viable without the feed in tariff.

Our longer term plans include exploring new business models. We have a great group of supporters and volunteers who will take a lead in developing new opportunities over the next few years.

TECs has established a [website](#), agreed and tested a publicity & marketing strategy/approach and is planning a first public Community Share Offer in early 2016. TECs has also identified many of its operational requirements and tested several of these to evaluate how best to deliver them.

There appears to be an appetite within the local community to continue to support Renewable technologies through direct investment or general support. This is clearly evidenced by the large sums raised from community shares/bonds by a number of local initiatives.

### 2.2 Medium Term Business Projection

TECs' first installation (50kWp) is due for installation in February 2016 at Teign School in Kingsteignton. TECs signed a licence agreement with TAST for the installation at Teign School in January 2016.

Funds for this have been raised through private short-term loan Investments to allow the first installation to be built at half term, when pupils will not be in school. There are also these additional benefits:

- The installation can be commissioned in time to start generating in April 2016, when high levels of solar irradiance can normally be expected.
- The offer is attractive to prospective shareholders, because there is no risk that the installation will fail to be installed or commissioned on time.
- An early win, demonstrating the viability of the TECs model, and increasing TECs credibility when negotiating with other potential site owners.

This first project is an excellent start to fulfilling TEC's objects because it will provide a solar PV array which is:

- owned by the School, Teignbridge and wider community,
- able to provide the school with lower cost electricity
- will generate an income to reinvest for further community energy initiatives or to provide grants for community benefit, and
- will provide a focus for discussion of the value of energy saving measures with, and beyond, the Teign School community.

There are a further six rooftop PV sites (three may be converted to a single ground mount array) a planned for 2016. An application has been made to secure the pre-October 2015 FIT rate in respect of these, which will be effective provided they are commissioned before the end of September 2016.

These potential sites have had a preliminary assessment undertaken by one of TECs' Stakeholders, TVCE, and a detailed assessment is in progress.

TECs has also obtained a Rural Community Energy Fund £20,000 grant to investigate the potential of solar PV in two of the largest industrial sites in Teignbridge and the district council's car parks. This assessment will identify the options available to TECs in a post-FiT incentive regime. At this point, TECs will review its objective, in terms of the scale of renewable development, to assess what is achievable under that regime, and prepare an appropriate plan, with financial projections, to realise it.

A TECs assessment and financial model will be required for each proposed new project. Once approved by the Board, TECs will raise the capital required through further community Share Offers.

The financial projections used reflect a cautious approach because of uncertainties in government policy on Renewables and likely Energy price fluctuations linked to significant global economic realignment.

If sufficient further sites are not secured or the community share offer is not successful or TECs is unable to secure alternative income streams to support its existence, then installation(s) may be taken over by the Stakeholder, site owner or a suitable Community



Energy organisation. In the case of the first installation, the stakeholder is TAST, and the licence agreement with it allows for this to happen.

## 2.3 Overall Marketing and Community Engagement Strategy

Please refer to the separate document *TECs Publicity Marketing Strategy* for full details of our approach to marketing. This subsection provides a summary, and an example of our approach to community engagement, applied for our first installation.

### Marketing to potential site owners

Potential sites will be identified/proposed based on TECs' Assessment Criteria and Financial Modelling. A general survey in the local area of suitable sites may be undertaken, this will be based on criteria which meet TECs' objectives. Initially, a personal approach to the owners/occupiers should be made to assess the suitability of a project. This may be undertaken by a TECs Director, a Stakeholder organisation or another suitable person/organisation representing TECs.

Publicity and information on projects/progress will be through website, newsletter, on-line and local media outlets.

It is envisaged that in the longer term, having established a track record, users/owners/Stakeholders will approach the society with a proposal for a Renewables installation.

### Marketing to potential investors

Investment for the projects will be sought direct from users of the site as well as individuals and organisations associated with the site and TECs Members. Existing communication methods of publicising this will be used as well as word-of-mouth and personal approaches. Investment through public community share offer will be publicised through direct public engagement in the local area as well as on-line investment portals if these are cost effective.

TECs has undertaken a range of engagement activities to maximise awareness of, and involvement in, its work, as well as its potential investor base. These include:

- Establishment and continual updating of its website, [www.teignenergycommunities.co.uk](http://www.teignenergycommunities.co.uk)
- Holding public meetings
- Working with stakeholders generally, and, in the case of the first installation, the staff of Teign School in particular. This has been a particular focus because TECs would like as many pupils, parents and staff of the school (and of the academy which owns it) to become engaged in its activities as possible. This includes investment, including by pupils aged 16 or over.
- Working with a number of local supporters, which has resulted in loans, or pledges of loans, sufficient to pay the entire cost of installation and start-up costs. This is, in itself, evidence of support for our plans.

Our target demographic for investment is illustrated by the statement of minimum investment required from different groups (the example given is for the first portfolio):

- Teign School and Teign Academy Schools Trust (TAST) Community and existing TECs members £50



- People or organisations in Teignbridge (living, working or based in) £250
- People or organisations elsewhere £1,000

## 2.4 Overall Financial Assumptions & Guidelines

Our overarching approach will be to 'promise less and deliver more'. That is, we will use cautious assumptions especially when modelling finances for projects and business. These can then be adjusted as the business gains more experience and the market we operate in becomes more stable.

- Total 5 year capital target to achieve mission: £500k - £ 5 m
- Estimated ongoing annual operational costs for Society: £5-15 k to cover minimum admin and book-keeping, accounts, audit, director and company insurances etc, TECs' ambition is to outsource this work once sufficient income is generated from portfolios. In the meantime, all of these costs will be kept to the total shown in the financial projection for the first portfolio until further installations are completed. This will be possible because there is sufficient goodwill among members and stakeholders to cover the costs without significant charge. TECs is continually recruiting and engaging skilled volunteers to ensure this model is sustainable until sufficient funds are available.
- Target TECs annual operational cost contribution from projects: about 2% of project installation cost up to a maximum of about £2,000 contribution.
- Minimum Cash 'on-hand' target per project: 5% of project cost plus ~10% of annual operational costs (i.e. £500 - £1,500)
- Target annual interest on community shares: 4% above bank base rate Target annual community spend: 80-120% of TECs Levy per project
- TECs will register for VAT
- Typical Public Liability cover for projects: £5 m
- Equipment/System Warranties : to cover complete project life/investment term and be backed by insurance and/or reputable and sufficiently large manufacturer.
- Refer to Share offer assumptions later in this document.

As specific projects are identified which contribute to these ambitions, their financial profiles will be added to the **financial forecasts in this plan**.

## 2.5 Risks of the community energy business model

Community renewable energy has a particular business model, which in many ways is especially low-risk, because its income streams are both reasonably secure and inflation-proofed.

There are three income streams for renewable electricity: the government's Feed-in Tariff (FiT) incentive scheme; the sale of discounted electricity to the school and the sale of any surplus electricity through the grid. The feed in tariff is government backed and index linked (to RPI), and tied to generation which is very predictable. Discounted electricity is a secure income stream provided the energy user is reliable, has a high and constant local use, and is likely to remain in business for 20 years. This is true, for example, in the case of Teign

School, the user for the first installation's generation. The price of exported electricity is also underpinned by government guarantee, and is linked to RPI.

Individual installations do carry some risk, however, including:

- **Lower than anticipated (RPI) inflation rate.** Inflation is a key variable for renewable energy, because increases in the feed-in tariff and the price of electricity sold through the grid are both tied to RPI. We have assumed that RPI will be 0.5% until year 3, rise by 0.5% annually in years 4, 5 and 6, and then remain at 2%. We believe this is conservative, because inflation has risen an average of 3% over the last five and the last 10 years, but if inflation is lower, returns to investors will also be lower.
- **Lower grid electricity prices.** The rate of inflation of grid electricity prices is a key variable because the increase in the price paid by Teign School for electricity from the solar PV installation normally rises in line with it. We have assumed this rate of inflation will be 1% above the projected RPI rate. We believe this is conservative, because grid electricity prices rose an average of 4.6% between 2009 and 2014, mainly because falling wholesale prices have not been passed on, but if grid price inflation is lower, returns to investors will also be lower. We believe, though, the open approach TECs takes to share profits/benefits equitably provides an opportunity to absorb any price fluctuations.
- **Lower than expected renewable electricity generation.** The amount of power generated by solar PV panels varies with the amount of sunlight reaching them and the amount they degrade each year. Cloud cover does not greatly reduce sunlight, however. Even the record breaking overcast months of November and December 2015 resulted in a relatively minor annual output drop for PV systems (less than 1%). There are industry standard projections for sunlight from the proposed site, and we have assumed the installation will generate 10% below these. We have also assumed the panels will degrade faster than the rate guaranteed by the panel manufacturer, though anecdotal evidence suggests that most panels degrade more slowly than the guaranteed rate.
- **Changes in law or policy.** These could reduce the returns to investors. The government has said, though, that it will not cease to pay the Feed in Tariff on existing installations. It also recently decided to continue linking the tariff to RPI, rather than changing to the Consumer Price Index.

For TECs overall business plans, rather than its first two portfolios, there is an overarching risk from government policy. Announcements in summer and autumn 2015 introduced significant uncertainties in the market, as well as making the business model more difficult to sustain based on government incentives. Government is suggesting a greater reliance on nuclear and gas as the main sources for UK energy than in the past. Despite the government's COP21 commitments in Paris and other statements, Renewables are unlikely to be 'flavour of the month' for the foreseeable future. It is within the context of this dramatic change that the current business plan is being formulated. TECs will minimise the impact of this risk by exploring new business models which do not rely on government



incentives. Those models will become more financially sustainable if the costs of panels continues to fall, and they become more efficient.

## 3 Overall Financing Strategy

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Phase-1 of the TECs initiative has set up a CBS with founding Directors. The remit for this Board of Directors in phase-2 (within 6 months of CBS registration) is to deliver a representative first installation to demonstrate the technical, financial and operational feasibility of the initiative including the ability to raise the capital costs from investors.

TECs will cover its ongoing operational costs by applying a set levy on each project it approves and which is successfully installed/operated.

The first installation is expected to generate about £800 for TECs in 2016, sufficient income to pay for the most critical operational functions for TECs' first year of operations, namely directors' insurance and some specific administrative functions.

The known pipeline of projects for 2016 consists of about 250kWp rooftop PV with a capital cost of around £300k. Realistically only 50% of these (or fewer) are likely to be installed in 2016, potentially generating around £4,000 of income to cover TECs' operational costs.

The RCEF grant for post-FiT evaluation will effectively provide funding for updating the Business Plan for years 2-5. The grant will also contribute to setting up some operational templates/processes. It is not expected that any of these projects can be installed before 2017.

### 3.1 Initial Loan Investments

TECs has obtained 1 year loan investment covering the entire cost of the initial installation, enabling this to be installed in February 2016. A subsequent share issue will repay the lenders, with any shortfall being met by converting loans to shares. This arrangement allows installation to be completed quickly, at a comparatively high FIT rate, demonstrates the level of local commitment to TECs, and means share investors can be confident that the installation will be built. This approach is likely to be repeated with future portfolios.

There is no minimum target for the first share offer, because many loan investors have agreed to convert their loans to shares, within the cap of £6,000 shareholding per person, and other potential investors have pledged to buy enough shares to repay any remaining loans.

This type of Loan Investment offer should operate in the same way as ongoing Share Investments except that it will focus on raising the necessary funds more quickly from investors directly associated with the TECs initiative and the particular project. In other words those people using the site and other stakeholders associated with Community Energy initiatives will be approached first.

Loan Investments can be converted into Share Investments once the share offer has been launched. The same risks financial, project and other risks apply to both shares and loans, except that in the event of business failure, loans are repaid before shares. The risk of this happening is extremely low because loans will not last longer than one year.

### 3.2 Ongoing Share Offers

Normally Share Offers will be grouped around one or more related projects. Rather than a single large Share Offer, TECs will launch these on a rolling basis as projects reach an appropriate stage of delivery. The reasons for this approach are twofold:

- TECs' Publicity & Marketing Strategy is to give preference to investors in the community most closely associated with a project, as they will have the greatest 'stake' in it.
- TECs aims to minimise risk by maximising certainty about all aspects of projects and associated Share Offer. Only those that have passed the TECs Assessment Criteria and demonstrated a viable Financial Model will be considered.

The financial viability of each project will be assessed to ensure an equitable distribution of profits/benefits between the investors, Stakeholder and the Community Fund. The broad intention is that the level of risk and return will be the same for investors in projects.

While we recognise that our investors are primarily interested in the environmental and community benefits which our projects generate, the directors will also try to ensure any new schemes do not materially affect TECs ability to pay interest or repay shareholders in accordance with the financial projections. To do this, proposed new investments will be assessed using the same standards of due diligence, financial and risk analysis as applied to the first portfolio, and wherever possible new offers will be issued on the same terms as the first.

The financial viability of future projects will inevitably depend on the renewable technology, availability of incentives and the general economic landscape. If projections show that the ability to pay interest or repay shareholders will, in the opinion of the directors, be materially different from earlier share offers, they will seek member's approval in a general meeting for the proposed investment. The directors will also consider applying a "first in first out" policy to capital withdrawals (except in the case of hardship), and to facilitate this, new share offers may defer withdrawals for an extended period.

We will, in any event, notify existing Members of all future share invitations, and invite their participation in our future plans.

## 4 Milestones

The following are the project's major milestones.

Planned Date	Milestone	Completed Date
<b>Phase-1</b>		
July 2015	CBS Registration	22 September 2015
Aug 2015	RCEF Submission (possible)	November 2015
July 2015	Tender Applications Issued	October 2015
August 2015	Contractor Identified	November 2015
<b>Phase-2</b>		
Mid Sept 2015	Website & Social Media set up	September 2015
Mid Sept 2015	Pilot user group engaged	July 2015
Sept 2015	Pilot installer & costs identified	August 2015
Oct 2015	CBS appropriately staffed/insured	Partially completed, vacancies identified
Oct 2015	First installation licence signed	November 2015
October 2015	SITR Accreditation Secured	N/A
December 2015 February 2016	Pilot Installation Started	February 2016
March 2016	First Public Share Offer Launched	
Jun/Jul 2016	Post-FiT Business Plan (RCEF funded)	
By Sep 2016	about 125 kWp solar PV installations completed	

## 5 Operations

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The following provides a current view and future options for the operational elements required by the business. Please refer to the Operational Roles document for further details.

### 5.1 Site/project Identification

The Marketing and Publicity Strategy describes the process associated with identifying and securing these. Site/project owners can be any organisation that wants to install Renewable Technology (or Energy Saving measures) on sites they legally own. A Stakeholder may be such an organisation or a representative of one or more of these sites/projects.

TECs will partner with Stakeholders to help them realise their projects. TECs can provide support as well as implementation of all aspects of such projects including finance and ongoing operations and maintenance.

The approach we take is one of benefit/profit sharing with our Stakeholders, Investors and the Community. We want Stakeholders to be part of the process of realising their chosen project(s) so that they not only benefit financially, but also engage in the energy use of their community.

We will assess the viability of a project to ensure that it meets TECs' objectives and criteria as well as those of other Stakeholders, Investors and Members. TECs' Assessment Criteria is available as part of our published Documents.

A Financial Model and Terms of Agreement have been developed jointly with Stakeholders and supporters. This will be an 'open book' process where it is in both the Stakeholder's and TECs' interest to share risk and reward equitably.

The TECs Board is responsible for all commercial decisions, legal agreements and financial commitments. As a Community Benefit Society the Board will also take advice and views from its supporters, Stakeholders and Members in its decision making process.

Sites and projects may be identified by any group or individuals including:

- Private/Commercial owners or users of potential sites
- Community groups
- Commercial developers of Renewable technology
- Local installers
- Councils and other public authorities

### 5.2 Project & Service Supply

Installers and service providers used by TECs are as important as our Stakeholders and Investors. This is why we are establishing a list of preferred local providers that share in our vision and way of working within the community.

Following a competitive tendering process, we have identified the following preferred installers and providers.

- Free Energy South West - Rooftop Solar PV
- Sungift Energy - Rooftop Solar PV
- Climate Positive - Community Energy consultancy and RCEF assessments



The directors will regularly review these arrangements, and assess whether it is appropriate to rerun the tendering process.

## 5.3 Operations & Maintenance

Where possible this should form part of the existing site facility management, but may also be contracted out. The costs will be included in a project's Financial Model and include:

- Renewables system performance monitoring and service/repair notification
- Roof/space maintenance & upgrade
- Billing data

## 5.4 Organisational Roles

The following roles have been identified. Each will require a Board level representation either by an elected or co-opted Director. Directors may assign internal officers or external organisations/individuals to carry out the operational roles. All roles may be voluntary or paid.

Please refer to the Operational Roles document for a role description for each of the following:

- Chairperson for the TECs Board
- Company Secretary
- Financial Director/Officer
- Contracts/Legal Director/Officer
- Marketing & Publicity Director/Officer
- Project Director/Officer
- Technology Director/Officer
- Administrative Director/Officer.

As at the date of the first share invitation, an individual was representing each of these roles. There is no provision for payment of directors in the financial projections.

## 5.5 Operational Systems and Processes

The following Systems will be set up and used for operational needs. Please refer to the Operational Systems and Processes document for further details and templates for these.

### 5.5.1 Stakeholder Assessments

Each project must undergo an independent assessment which verifies all the Assessment Criteria identified by TECs. These include:

- Technology
- Infrastructure
- Energy use and Carbon Footprint
- Vision/aims and level of engagement
- Financial

## 5.6 Insurance

System/equipment and their locations' public liability insurance will form part of the projects' Financial Modelling.

Any Directors' and Officers' liability insurance will form part of TECs' ongoing business operational costs.

## 5.7 Decommissioning

Agreements with Stakeholder/site owner will include asset transfer/sale arrangements at both the end and any time during the term of the Agreement. Costs will be reflected in the project's Financial Model.

System removal options and costs will be considered as part of the Agreement negotiations.

## 6 Financial projections.

The following projections for TECs CBS include the first installation to be re-financed by the first share issue, and will be revisited once subsequent portfolios are confirmed.

**Table 1: Summarised 20 year cash flow forecast**

	Pre-start	Year 1	Year 2	Year 3	Year 4	Year 5	Years 6-10	Years 11-20	Total
	£	£	£	£	£	£	£	£	£
Opening balance	0	824	11,540	14,505	16,790	18,780	17,592	13,800	
<b>cash in</b>									
Shares	0	60,000	0	0	0	0	0	0	60,000
Loans	60000	0	0	0	0	0	0	0	60,000
Interest	0	53	55	65	78	178	1,522	2,875	4,826
Sales	0	6,431	8,053	8,034	8,043	8,101	42,028	92,034	172,724
Taxes	0	9,787	85	85	84	84	408	1,689	12,223
<b>Total cash in</b>	<b>60000</b>	<b>76,271</b>	<b>8,194</b>	<b>8,183</b>	<b>8,205</b>	<b>8,363</b>	<b>43,958</b>	<b>96,598</b>	<b>309,773</b>
<b>cash out</b>									
Fixed Asset costs	49480	0	0	0	0	0	0	4660.8	54140.8
Cost of goods sold	0	2,232	2,243	2,254	2,266	2,290	12,100	27,413	50,798
Taxes	9696	74	85	85	84	84	408	4,315	14,831
Share & Loan interest	0	3,000	2,400	2,400	2,700	3,000	14,025	15,675	43,200
Share and Loan repayments	0	60,000	0	0	0	3,000	15,000	42,000	120,000
Community Donation	0	250	500	1,159	1,165	1,177	6,216	14,350	24,818
<b>Total cash out</b>	<b>59176</b>	<b>65,556</b>	<b>5,228</b>	<b>5,898</b>	<b>6,216</b>	<b>9,550</b>	<b>47,750</b>	<b>108,414</b>	<b>307,788</b>
<b>Closing balance</b>	<b>824</b>	<b>11,540</b>	<b>14,505</b>	<b>16,790</b>	<b>18,780</b>	<b>17,592</b>	<b>13,800</b>	<b>1,985</b>	

**Table 2: TECS 20 year profit and loss projections**

	Year 1	Year 2	Year 3	Year 4	Year 5	Years 6-10	Years 11-20	Total
	£	£	£	£	£	£	£	£
<b>Sales</b>	6,484	8,108	8,099	8,121	8,279	43,550	94,909	177,550
Cost of sales	1,242	1,248	1,254	1,262	1,275	6,741	19,704	32,727
<b>Gross profit</b>	5,242	6,860	6,844	6,859	7,004	36,809	75,205	144,823
CBS Expenses	990	995	1,000	1,005	1,015	5,359	12,371	22,732
<b>Total overheads</b>	990	995	1,000	1,005	1,015	5,359	12,371	22,732
<b>Operating profit</b>	4,252	5,865	5,845	5,855	5,989	31,450	62,835	122,091
Depreciation	2,474	2,474	2,474	2,474	2,474	12,370	24,740	49,480
Share interest	2,400	2,400	2,400	2,700	3,000	14,025	15,675	42,600
Loan interest	600	-	-	-	-	-	-	600
<b>Net profit</b>	-1,222	991	971	681	515	5,055	22,420	29,411
Corporation tax	-	-	-	-	-	-	2,626	2,626
<b>Profit transferred to reserves</b>	-1,472	491	-189	-485	-662	-1,162	5,444	1,967

**Table 3 Balance sheet at selected years**

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 19	Year 20
	£	£	£	£	£	£	£	£	£
Tangible fixed assets	49,480	47,006	44,532	42,058	39,584	37,110	24,740	2,474	-
Net current assets (working capital)	31,037	11,540	14,505	16,790	18,780	17,592	13,800	16,883	1,985
Long term liabilities (loans)	60,000	-	-	-	-	-	-	-	-
Total assets less total liabilities	20,517	58,546	59,037	58,848	58,364	54,702	38,540	19,357	1,985
<i>represented by:</i>	-	-	-	-	-	-	-	-	-
Share capital	-	60,000	60,000	60,000	60,000	57,000	42,000	15,000	-
Reserves (retained profit)	17	-1,455	-963	-1,152	-1,636	-2,298	-3,460	4,356	1,984
Total capital & reserves	20,517	58,545	59,037	58,848	58,364	54,702	38,540	19,356	1,984

**Table 4: Share capital liquidity statement at selected years.**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 19	Year 20
	£	£	£	£	£	£	£	£	£
Opening balance	0	60000	60000	60000	60,000	45000	30000	18000	15000
New share capital issued	60000	0	0	0	0	0	0	0	0
Share interest reinvested	0	0	0	0	0	0	0	0	0
Share capital withdrawals	0	0	0	0	3000	3000	3000	3000	15000
Closing balance	60000	60000	60000	60000	57000	42000	27000	15000	0