

Beyond Energy Action Strategies



D.3.2. – Workshop report on bankable projects and business models

Outer Hebrides Energy Supply Company

Workshop - Business Model Options

Date realised: 5 February 2015
Location: Council Offices, Stornoway, Isle of Lewis



COMHAIRLE NAN EILEAN SIAR

Submission date: 18.2.15



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Programme of the European Union

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1. General

Topic	Outer Hebrides Energy Supply Company: Workshop on Business Model Options
Date	February 5th, 2015
Location	Council Offices, Comhairle nan Eilean Siar, Stornoway, Isle of Lewis (also participation by teleconference)
Number of participants	10

2. Description and overall evaluation

Comhairle nan Eilean Siar along with other project partners, are aiming to create an Energy Supply Company, owned by a number of community stakeholders. The Energy Supply Company is one of the bankable projects identified in the Outer Hebrides SEAP, and which is currently being progressed through the BEAST project.

Initially, the principal aim of this Energy Supply Company is to enter into a commercial partnering arrangement with a UK licensed electricity supplier to secure lower cost energy tariffs with the benefit of reducing the level of fuel poverty in the Outer Hebrides community. A subsequent objective of the OHESCO is to facilitate the supply of local renewable energy to local customers at a competitive price, and to bring additional benefits to the local economy and community-owned generators.

Critical to the next stage of the project is to identify an appropriate Business Model for the Company. The legal firm 'Temple Bright' developed an Options Paper advising on the potential structure and form of the Energy Supply Company. This set out relevant factors to consider when choosing the business model, and the pros and cons of possible forms of vehicle for the entity.

The purpose of the Business Models workshop held on the 5th February 2015 was to review the options paper, ask questions as regarded the recommended options (or any other option). From this, the aim was that this would allow consensus and identification of the preferred model, an understanding of issues to consider in this, and to allow the Comhairle with sufficient clarity to Draft Articles of Association/Constitution, and proceed with establishing the structure.

All of the stakeholder organisations represented on the Project Advisory Group for the ESCO were invited to attend. The briefing paper and agenda were circulated to participants in advance of the workshop. After welcome and introductions, participants were provided with a review of the Options Paper and the opportunity to ask any questions.

There was then a discussion on the three recommended options from the perspective of each stakeholder:

1. Company Limited by Shares
2. Community Interest Company (Limited by Shares)
3. Co-operative Industrial and Provident Society

Participants considered the following issues in respect of these:

- Best model for achieving objectives of ESCO
- Scope for future flexibility
- Ease of operation/decision making structures
- Scope for involvement of partners in various models – any barriers/restrictions on involvement in particular models
- what works best for partners, community, private sector

3. Review of Recommended Models

The Options paper highlighted that what should guide the model for the ESCO is to identify an effective delivery model, with a structure and governance that can meet the requirements of the business plan and has the flexibility to accommodate future changes in objective and/or funding strategies. There is a need for the OHESCO model, structure and governance to enable:

- profit retention for community benefit;
- investment by other local authorities, other community bodies, private companies or individuals;
- debt raising;
- collaboration with a fully licensed electricity supplier;
- clear and open exit strategies.

The options paper identified the pros and cons in relation to each of these criteria and therefore highlighted potential structures which had greater or lesser suitability as a vehicle for delivery of the OHESCO.

The following structures were reviewed in the paper, but for various reasons as outlined in the options paper, were not seen as appropriate for the purposes of the ESCO:

- Unincorporated Associations, Charities and Trusts
- Charitable Incorporated Associations
- Limited Liability Partnerships
- Limited Companies (limited by guarantee)
- Community Benefit Society

Stakeholders at the workshop were given the opportunity to identify any particular benefits they felt in relation to the above, but none were highlighted.

There was then a discussion on the three recommended options from the perspective of each stakeholder:

- Company Limited by Shares
- Community Interest Company (Limited by Shares)
- Co-operative Industrial and Provident Society

4. Outcomes and conclusions

Participants recognised that there were no significant differences between Options 1 and 2, but felt that they would be more comfortable with becoming involved in a Community Interest Company, given that a 'community interest test' has to be passed to establish a CIC, and the ethos of the company is recognized from the outset.

Option 3, a Co-operative, was highlighted as slightly more complex to establish and the benefits of this structure may emerge further down the line. It was clarified that it is possible for a CIC to convert into a Co-operative structure in future.

It was agreed that the obligations and the liabilities of the company are likely to be limited at this stage, although there needs to be a clear understanding of the potential risks to partners and also it needs to be clear that any Directors of the organization would be acting primarily to serve its interests rather than those of their respective organisations. It was also agreed that given tight timescales, it would be acceptable for the company to be registered as soon as possible depending on who is in a position to sign up, with further partners added later on should this be necessary,

All participants felt that, broadly, they were in favour of the CIC recommendation and could foresee no issues with their organisations becoming a partner in the CIC (specifically, this reference is to Stornoway Trust, Hebridean Housing Partnership, Tighean Innse Gall and Community Energy Scotland). A formal decision on this would need to be taken by the Board/Management Committee of each organisation.

The main outcomes and conclusions were as follows:

- The partners present agreed that the Energy Supply Company should be established as a Community Interest Company.
- The Comhairle is now required to seek approval for the establishment of the Energy Supply Company on this basis, namely this requires approval by the Chief Executive and the Director of Development, in consultation with the Comhairle's Energy Member Officer Working Group.
- Comhairle to look at model constitutions and circulate draft
- Should this be approved, then it was agreed that the Comhairle would formally write out to all partners, confirming the preferred structure and formally inviting their involvement.
- To enable stakeholders to make decisions in respect of this, it was agreed that draft Articles and Memorandum of Association should be circulated along with this letter.
- It was noted that there was to be further consultation with Community Generators
- It was noted that the entity could be changed as the Energy Supply company developed.

The workshop was an extremely useful exercise in that it met its aims and objectives. Key actions and next steps were identified and the decisions taken can allow the establishment of the Energy Supply Company to progress.

5. List of Participants

There was good attendance at the workshop, with representation from all the organisations that had been invited to attend. Subsequently there have been separate meetings held with Community Generators and with Elected Members in Comhairle nan Eilean Siar in order to seek their views on the Options Paper.



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ESCO – Business Models Workshop

February 5th 2015

Council Offices, Stornoway, Isle of Lewis

Attendee List

Name	Organisation	E-mail
Donna Smith	Tighean Inx Gull	donna@tighean.co.uk
Kirsten Macdonald	Community Energy Scotland	kirsten.macdonald@communityenergyscotland.org.uk
Iain Macmillan	Lewis Castle College UHI	iain.macmillan@uhi.ac.uk
Iain M. Maciver	The Stornoway Trust	iainm@stornowaytrust.org.uk
John Maciver	HP	johnmaciver@hebrideshousing.co.uk
John Cunningham	COMHAIRLE	jcunningham@ce-siar.gov.uk
Ken R Mackay	ENRS	KRMACKAY@ENRSIAR.GOV.UK
Anne Murray	Comhairle nan Eilean Siar	amurray@ce-siar.gov.uk
BY PHONE		
Benny Talbot	COMMUNITY ENERGY SCOTLAND	
Sandy Abrahams	TEMPCE BRIGHT	

6. Agenda

A copy of the workshop agenda is pasted below:



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Outer Hebrides Energy Supply Company

Workshop re Business Model Options

Thursday February 5th 14.30-16.00

Technical Services Meeting Room, Council Offices, Stornoway

Or dial in: Teleconference: 08444 73 73 73 Pin: 70 9318

14.30 Welcome

14.35 Review of Options Paper (Sandy Abrahams) plus Q&A (All)

15.00 Part 1: Achieving Consensus on Model

Recommended options:

- Company Limited by Shares
- Community Interest Company (Limited by Shares)
- Co-operative Industrial and Provident Society
- OR – Discussion on any other options

Considerations:

- advantages/disadvantages
- funding and financial considerations: are there any models which would negate against public and/or private financing
- achieving objectives of ESCO
- scope for future flexibility
- ease of operation/decision making structures
- scope for involvement of partners in various models – any barriers/restrictions on involvement in particular models
- what works best for partners, community, private sector

OUTCOME: Identify preferred model

15.20 Part 2: Issues to Consider in Preferred Model

- Aims and Objectives
- Membership Model
- Management structure: Composition and role of Board of Directors, Management Structure/Committee
- Any other issues to consider

OUTCOME: Allow sufficient clarity for Comhairle to Draft Articles of Association/Constitution

15.50 Next Steps and Close

7. Photos



8. Dissemination material

There was no dissemination material or press release issued immediately after the workshop, as there are still follow up actions to be taken so it would not be appropriate to issue a press release until the Energy Supply Company is formally established.

However, a press release will be issued once the Energy Supply Company is established. A copy of this will be made available as an attachment to this report.