

## Third Party Delivery of Renewable Energy in

### Bath & North East Somerset 5.2.14

**Background:** Bath & North East Somerset Council is strongly committed to low carbon development. This is expressed in the climate change Core Policies in the draft Core Strategy policies, which have been adopted for Development Management purposes and are being accorded Significant Weight.:

- Policy CP2, Sustainable Construction: Requires Code for Sustainable Homes (CfSH) level 4 after 2013 and zero carbon by 2016.
- Policy CP3, Renewable Energy: Sets an ambitious target for installed renewable energy capacity: 110MW of electricity and 165MW of heat.
- Policy CP4, District Heating: Requests a thermal master-planning approach for all major developments and expects district heating on all priority sites.

The B&NES Draft Core Strategy with Proposed Changes incorporated (March 2011) (CD5/7) supports policy CP2 further with site-specific CfSH targets. It also supports policy CP3 with site-specific renewable energy targets.

**Viability:** The policies above are based on viability evidence. In some cases it is recognised that site-specific factors reduce viability, rendering it unviable for the developer to purchase and install renewable energy technologies themselves. In such cases, the Core Strategy Update expects third party delivery options for renewables to have been considered.

**Renewable energy revenues:** Third party delivery enables developers to install renewable energy at low or zero cost. The study Renewable Energy Assessment for B&NES Green Belt sites: Assessment (CD10/E16 ) which was the basis for site-specific renewable energy standards shows that solar PV delivers a high return on investment. This is similar for other energy and heat technologies supported under the Feed-in Tariff and Renewable Heat Incentive.

**Third party delivery of renewable energy:** A common model is for a third party company to lease space from the property owner in order to install, own and operate renewable technologies, recouping their investment through Government incentives and by charging building owners below-market rates for energy. There are a number of variations on this, for example co-investment and revenue sharing by the developer or residents, or enabling residents to “buy out” the panels to access the full financial benefits.

**Mortgage implications:** Third-party options arose with the introduction of the feed in tariff, in particular “free solar” roof rental schemes. There were initial concerns about how the long-term third-party roof leases would be viewed by mortgage lenders, and whether this would impede the sale or re-mortgaging of property.

In response, the Council of Mortgage Lenders (CML) and the Building Society Association (BSA) issued guidance on what lenders will seek comfort on before consenting to the lease of roofspace<sup>i</sup>. The guidance includes a template letter which can be used by the PV providers to confirm to lenders that their lease complies with the lender's minimum requirements. Mortgage lenders have also reviewed and approved the leases of particular solar companies.

**Social Enterprise:** Bath and North East Somerset Council is committed to local, community-based solutions, as described in our Vision and Values<sup>ii</sup> statement. As such, third party schemes that provide wider social or community benefits are particularly welcomed.

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## Appendix: Case Studies

**Bath & West Community Energy<sup>iii</sup>:** The Council has established a formal Cooperation Agreement with Bath & West Community Energy (BWCE). BWCE is an award-winning community enterprise that operates solely through third-party site leasing arrangements. BWCE can develop, finance and manage community-owned renewable energy projects through a variety of arrangements with property owners and community groups. They have hundreds of local shareholders and grant a portion of their revenues into further low carbon projects via a community fund.

BWCE has a number of successful projects. The Council has had direct experience of setting up a third party delivery lease for PV panels on six Bath and North East Somerset schools. The panels are now reducing energy bills for the schools and providing an educational resource.

BWCE works with a range of technologies and has a portfolio of other projects under development. BWCE has stated a willingness to work with developers on residential and commercial schemes.

**A Shade Greener<sup>iv</sup>:** This company is an example of a “free solar” specialist and has undertaken over 30,000 free solar installations. Their website states that they comply with the CML & BSA guidance and that 27 mortgage companies have approved their lease. They guarantee to buy any property that is unable to secure a mortgage from these companies because of their lease.

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<sup>i</sup> Council of Mortgage Lenders “Energy Efficiency Initiatives” (2013) <https://www.cml.org.uk/cml/policy/issues/6058>

<sup>ii</sup> Bath and North East Somerset Council “Vision and Values” (2013) <http://www.bathnes.gov.uk/services/your-council-and-democracy/vision-and-values>

<sup>iii</sup> Bath & West Community Energy: <http://www.bwce.coop/>

<sup>iv</sup> A Shade Greener: <http://ashadegreener.co.uk/contact/>