

Solar Energy Park Working Group – Review Group

The report of the Solar Energy Park Working Group was delivered to the Sustainable Growth and Environmental Capital Scrutiny Committee on the 17th July 2014.

The Scrutiny Committee found a lack of evidence to support the conclusions made by the working group, to enable the scrutiny committee to come to a balanced and reasonable response. It was decided the supporting evidence needed to be reviewed and the committee decided that Councillor Nick Thulbourn chair a meeting of the working group to ascertain and review this evidence on behalf of the Scrutiny Committee. This was then to be reported directly to Cabinet via this report.

The review will look at the financial aspects of the solar farm project alone.

The review met on the 5th August 2014, all members of the working group were invited along with Michael Rowan (officer).

Attendees; Cllr Thulbourn, Cllr Murphy, Cllr Sandford, Michael Rowan (to provide officer support).

Apologies: Cllr Hiller

Not in Attendance: Cllr Fletcher

There are two aspects to take into consideration when looking at the financial aspects of the proposed solar farm project as whole. The tangible aspects are around the proposed costings which were submitted by the councils Resources department and the corresponding costings or part costings of the working group. Also the intangible elements needed to be considered, these consisted of the practical aspects that would impact on the proposed costings.

The tangible costings delivered by the councils Resources department were thorough and supported by independent experts. The working group did not have any supporting substance or evidence to counter any of the estimates delivered by the councils Resources department.

The intangibles fall into three areas - the practical political process, the changes to the rate the energy could be sold at and the inevitable changes to the subsidy

The intangible elements that would impact on the costings were not present in the estimates from the Resources department with any degree of depth or variation.

The working group highlighted the threat to the project as whole and the timescales which would inevitably impact upon the costs and the impact of decreasing subsidy. This political aspect must be considered and the Secretary of State would it seems inevitably place this project into further scrutiny. This would put significant delays on this project and the therefore the assumptions have to be for significantly lower subsidies and costs.

There are real uncertainties around the saleable rate of power due to the impact of time and the forecasts of this rate which are inconsistent and different sources are showing very different forecasts, both up and down. To be conservative the rate should be assumed to be down in real terms in the medium term.

The trend for subsidies is downwards, and significantly down, over the last few years. This trend is widely agreed to be moving further down and therefore the assumptions should be for a significant reduced rate in the subsidies.

These intangible influences on the financial success of the project were not supported with evidence or alternative scenarios from the working group.

Conclusion

The Working Group provided no evidence of the disparity between the estimates submitted by the council's resources department and the conclusion of the working group. The working group did not back up in tangible elements with any supported scenarios or possible outcomes.

However, I believe it would be prudent to produce reasonable impact financial scenarios based on the real threats that will have a significant impact on the profitability of this project. I would recommend three scenarios be researched and published prior to a decision being made to proceed.

1. If the Secretary of State calls in any planning decision, how long does this process take and how might this delay impact on costs and profitability.
2. A 30% reduction in subsidy or a professional assessment of a reasonable level of reduction in subsidy for the project
3. A slowing or reducing sale rate of energy or a professional assessment of a reasonable reduced rate.

(A) Comments from the working group

I asked if each member of the working group would like to add a note to this report. Cllr Sandford responded and Cllr Hiller made a note on the original report (Paragraph 4.1 of main report). No other member responded.

Cllr Sandford Comments:

Having read the reports submitted by officers, it appears to me that the energy park is estimated to offer a small but significant profit for the council which could over time be invested to protect other services. I have seen nothing which gives me any clear evidence that there are significant errors or omissions in the calculations presented.

In my view, the Cabinet needs to make a decision quickly as to whether to proceed with a planning application at one or all of the sites being discussed. There is political uncertainty as to the likelihood of a planning application succeeding, given that the Secretary of State seems minded to call in all applications for ground mounted solar energy. It would be useful for the Cabinet to ask whether officers have factored in delays due to the need for a public inquiry, which would follow a call in by the Secretary of State. However, this needs to be set against the certainty that any further delay by the Cabinet in making a decision on progressing the project will have an adverse impact on its financial projections due to progressive reductions in the Government subsidy available.