



Llywodraeth Cymru
Welsh Government

From:

Energy Division

Cleared by:

Date:

04 October 2023

MINISTERIAL ADVICE

For decision by: Julie James MS, Minister for Climate Change

Copied to: n/a

Subject	Capital grant funding for YnNi Teg
100 word summary	YnNi Teg is a Community Benefit Society under the Co-operative and Community Benefit Societies Act 2014. Ynni Teg's mission is to deliver community owned energy projects that will help Wales achieve a low carbon future. This advice proposes grant award of up to £730,000 for the construction of a ground mounted solar array.
Timing	Routine
Recommendation	The Minister is asked to agree to commit capital funding of up to £730,000 to YnNi Teg for construction of a ground mounted solar array.
Decision report	This decision does require a Decision Report, which may be published at any point.

ADVICE

Background

1. YnNi Teg (YT) is a Community Benefit Society under the Co-operative and Community Benefit Societies Act 2014. YT's mission is to deliver community owned energy projects that will help Wales achieve a low carbon future.
2. YT owns and operates a 900kW wind turbine and is involved in development of several other renewable energy projects. The wind turbine

was mainly funded through debt finance, due to it qualifying for feed-in tariff scheme (FIT). FIT is a guaranteed, index linked payment for a 20-year period for all electricity generated. Other finance for the wind project came from bond and share issues.

3. The UK Government closed the FIT scheme to new applicants in 2019. Without FIT the route to market is very challenging for small scale renewable energy generation projects (<5MW).
4. YT are in advanced stages of developing the Bwlchgwynt solar scheme, a 576kW ground mounted solar array. Planning permission, grid connection and land leases are all secured. The final stage of the development process is to secure capital funding for construction.

Funding Request

5. The Local Energy Grant scheme (LEG) was established in 2021 (MA-JJ-2472-21) to complement capital loans provided through the Local Energy Fund. The combined offer of grant and loan provides a flexible financial offer to stakeholders as we transition to a low carbon, smart, future energy system, and enables us to support a broad range of energy activity and deliver maximum benefit to Wales.
6. LEG and the Local Energy Fund are primarily focused on supporting community organisations, social enterprises and local ownership models.
7. YT have applied to LEG for funding of £730,000 - see doc 1 for detailed proposal. An application to the Local Energy Fund for a loan of £222,000 was approved by the Development Bank for Wales (DBW) on 10 August, subject to the grant funding being agreed by Welsh Government. DBW have undertaken due diligence of YT and have provided Welsh Government with assurance of the financial standing of YT.
8. A LEG assessment panel, comprising of three WG officials, considered YT's grant application on 14 August. The panel deemed the purposes of YT and its proposal for Bwlchgwynt solar array to be aligned with Welsh Government's local ownership policy and the future low carbon energy system. See doc 3 for a summary of the panel's evaluation.

Strategic Fit and Wider Benefits

9. YT's mission is to help Wales develop a clean energy future and mitigate climate change by installing renewable energy generation. YT successfully operate the 900kW Bwlchgwynt wind turbine. YT is solvent and financially secure, having built up capital reserves through FIT and Power Purchase Arrangement (PPA) income from the wind turbine.
10. To date, the Energy Service and YT have invested considerable time and funding in the development of Bwlchgwynt solar. In the absence of FITs, developing community energy projects is challenging. Provision of a capital grant for Bwlchgwynt solar effectively fills the gap left by the FIT.

11. The proposal for Bwlchgwynt solar contributes to the following **Programme for Government** commitments:
 - Expand renewable energy generation by public bodies and community groups in Wales by over 100MW by 2026
 - Support innovation in new renewable energy technology
12. The proposal includes an **innovative and smart** element in that the solar array will utilise the spare grid capacity of the Bwlchgwynt wind turbine, therefore optimising the electricity grid infrastructure in a constrained area. This removes the need for expensive and lengthy grid infrastructure upgrades. The complementary generation profiles of wind and solar offer a more consistent diurnal / seasonal output.
13. The proposal is aligned to the following **PfG** commitment resulting from the co-operation agreement between the Welsh Government and Plaid Cymru:
 - Work towards the creation of Ynni Cymru, a publicly owned energy company for Wales, to expand community-owned renewable energy generation.
14. The proposal contributes to our new **energy targets**:
 - Welsh renewables to generate electricity equal to 100% of Wales' consumption by 2035
 - 1.5GW of renewable energy capacity in Wales to be locally owned by 2035
 - All new energy projects to have an element of local ownership
15. The proposal is aligned to the following **Wellbeing of Future Generation** goals: prosperous, resilient, cohesive communities, globally responsible.
16. The proposal helps to deliver the recommendations from the **Deep Dive** into renewable energy on *opportunities to scale up Community and Local Energy in Wales*.
17. The proposal evidences the following wider environmental, social, economic and cultural benefits. More detail can be found in doc 2:
 - Reducing emissions from electricity generation
 - Community benefit fund and commitment to provide community share offer
 - Surplus profit to be re-invested for social purposes
 - Local employment during the construction phase
 - The project helps secure employment of existing YT staff
 - Other local income flows, for example business rates to the local authority and land rent to the landowner
 - Power Purchase Agreement with Dwr Cymru supports their net zero ambitions
 - Public education and learning opportunities
 - YT support other community energy groups via mentoring, advice and knowledge sharing

18. Bwlchgwynt solar array will be YT's second operational project. The income generated from the sale of renewable electricity from the two projects will provide YT with a platform for re-investment in other renewable energy projects. The expectation is that this income and the learning from the two projects will result in a lower grant dependency for future projects.

Recommendation

19. It is recommended you agree to commit funding to YT for construction of the Bwlchgwynt solar array.

Financial implications

20. The proposal is for £730,000 of capital funding. If agreed the funding will be met from the allocated budget for WGES BEL 2809. A grant offer letter will be issued setting out draw down of the grant. Draw down will be in financial year 2023-24.

21. Table showing the Energy Division allocation of capital funding within BEL 2809 - WGES and subsequent requested funding allocations:

Financial Summary : MA/JJ/2207/23. BEL 2809- WGES – allocated to the Energy Division		
	2023-24 £'000s	Description/ Comments
<u>Approvals to date:</u>		
Current MA allocation (MA/JJ/2207/23)	730	YnNi Teg for construction of a ground mounted solar array.
Budget unallocated		

22. This advice has been copied to Budget and Government Business Division for monitoring purposes.

Legal issues, powers & statutory duties

23. There are no legal implications from this advice so no legal advice has been sought.

Communication or media handling

24. We will work with press team to arrange publicity for the grant.

Annex 1: ASSURANCE AND COPY RECIPIENTS**CLEARANCE TRACKING**

Aspect	Tracking	Yes	No	N/A	Clearance no.
Finance	Financial implications over £50,000?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Cleared by Group Finance?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Cleared by Budget & Government Business Division?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Cleared by Local Government Finance?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Legal	Legal issues?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Cleared by relevant lawyers?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Governance	Novel and contentious issues?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Cleared by Corporate Governance Centre of Excellence?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

DEPUTY DIRECTOR, STATEMENT OF ASSURANCE

In clearing this MA, I confirm that I, **XX**, have quality assured this advice, ensuring it is provided on the basis of evidence, accurately presents the options and facts and I am accountable for the recommendations made

I am satisfied that the recommended decision or action, if agreed, would be lawful, affordable and comply with all relevant statutory obligations. Welsh Government policy priorities and cross portfolio implications have been fully considered in line with delivery of the government objectives.

I have fully considered the statement of assurance contained in the MA guidance to ensure all relevant considerations have been taken into account, appropriate impact assessments have been undertaken and that the actions and decisions take account of regularity, propriety and value for money.

I **XX**, have considered this advice and confirm that it can be accommodated within the revised funding limits for 23/24 set by Cabinet on Tuesday 1 August and within indicative budgets for 24/25 set at the last CSR. CCRA Operations clearance number.

COPY LIST

All mandatory copy recipients (as indicated in the guidance). Additional copy recipients specifically interested in this advice:

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