

Module structure

This toolkit builds on the work completed for the Scottish Government's Community and Renewable Energy Scheme (CARES) by Local Energy Scotland and Ricardo Energy & Environment.

The CARES Toolkit is intended to be used as a reference by CARES clients of all kinds, including community groups, community-based businesses and rural businesses. This module is one part of a series of documents forming the CARES Toolkit and is designed to cover all sizes of project, although the scale and complexity of multi MW projects may require more detailed evaluation than smaller projects.

Other modules that may also be of particular interest to those reading this module are as follows:

- establishing a community group
- project finance
- procurement
- securing the site
- planning
- construction
- grid connection
- local energy supply
- investment ready process
- shared ownership
- sources of finance.

This module is structured in four parts to act as a guide and reference document for CARES clients in the development of a solar photovoltaic (PV) project in Scotland.

Local energy supply

Overview of the current renewable energy market.
Solar PV development statistics in Scotland.

Project overview

A brief introduction to the typical ways to develop a solar PV project and step by step summary.

Project steps, phases and breakpoints

A more detailed look at each stage of a project, showing a logical progression with defined break points.

Further information

Appropriate links, definitions, and references to other information, collated for quick reference.

Local Energy Supply

Since 2015 the renewable energy market has changed with a new focus on more innovative grid solutions and electrical sale options, which move away from the traditional dependence on Feed-in-Tariffs (FiTs), which support for has now ended.

In terms of grid constraint issues, the Distribution Network Operator (DNO) is a body licenced to distribute electricity at regional and local level. In Scotland, there are two DNOs, Scottish and Southern Energy Power Distribution (SHEPD) covering the area north of Perth, and Scottish Power Energy Networks (SPEN) covering the area south of Perth. Both SHEPD and SPEN have large areas of constrained grid, which can lead to an expensive connection cost or a wait of several years for a connection date. There are a range of options which can be used to overcome grid connection constraints.

To overcome both the potential issues with grid connections and financial viability, based on reducing or removed tariffs, there is a new focus on local energy supply. Different approaches can be taken to Local Energy Supply, as described in the toolkit module, these provide community groups with new options for supplying energy locally or selling electricity produced on a contract basis. This new focus on local energy supply provides the community group with a wider range of development options and the potential for increased revenue.

Project overview

Solar PV development options

In many ways the installation of solar PV is already commercially mature and thus capable of being developed and funded by community members. However, large (MW scale) single ground mounted arrays, or large arrays in single ownership spread across a number of roofs or other locations may introduce sufficient complexity to make alternative commercial arrangements more attractive. Many of these are based on some form of partnership with the community.

There are a variety of development models that involve CARES clients to a greater or lesser degree and generally, as the level of involvement and control increases, so too do the risks and rewards. The range of involvement extends from taking on the full development of a project, to simply receiving benefit payments from another developer.

Allowing a solar PV developer to lead the project and drive it through to completion offers the CARES client less risk, no cost and little work, however, the financial reward is relatively low compared to the same project being led by the CARES client.

As the benefits of engaging and sharing with the local community have been shown to create more successful projects, commercial developers are also creating different development models. Many of these are based on some form of partnership with the community, possibly in a Shared Ownership or Joint Venture arrangement.

The [Shared ownership portal](#) is designed to allow organisations and community groups across Scotland to collaboratively progress renewable energy projects and is a useful place to start for those wishing to invest. The [Shared ownership module](#) provides guidance on investing in projects being developed by a commercial developer.

Table 1 below sets out through 5 models the main options open to a CARES client wishing to be involved in a solar PV project. It identifies the role of parties involved, where the main risks lie and the potential benefits.

Overview of activities

Although the level of involvement in a project will depend on the role chosen by the CARES client, or indeed that offered to them, projects will generally move through a logical progression. It is valuable, in whichever role a CARES client undertakes, to understand the overall process.

In this module we have illustrated this progression of activities through a series of phases, up to defined break points. These break points are designed to review progress against a number of key challenges and confirm that a project has the potential to be viable and thus worth progressing to the next phase.

Local Energy Scotland provides free support, through its local development officers, to help CARES clients overcome these challenges and may also be able to provide financial support through the CARES loan and grant schemes.

Table 2 below outlines the steps in developing a solar PV project and who is leading the development. Although this module is focussed more on solar PV projects <50 kW all steps are transferable to the initiation, development and implementation of larger solar PV projects.

Table 1 - Solar PV development options. The table below gives general descriptions of five approaches to project development that may be applicable to CARES clients.

Model	Option	Description	CARES client Role	Third party Role	CARES client Risks	CARES client Benefits	Comments
1	CARES Client leads and owns the project throughout	The CARES client identifies, develops and operates the project	As full developer	None	CARES client bears all of the technical, commercial and financial risks	The CARES client gains all income from the project and remains in total control of the process and outcome	For the CARES client to retain all financial and other benefits it must act as developer and take responsibility for all project risks. The CARES client may also become responsible for making community benefit payments to others.
2	CARES Client in partnership with another party (Shared Ownership Joint Venture)	CARES client identifies the project but shares further costs & risks	To undertake agreed tasks within the project development process	To undertake agreed tasks within the project development process	Risks are shared between partners & are usually limited to project costs	The CARES client gains a share of income & control, which remain in the proportions agreed with the other party	Depending on the detail and legal options taken, this can give the CARES client control of the project and can make the process of development easier. The transfer of benefits from the project will be agreed as part of the Joint Venture partnership agreement.
3	CARES client Initiates then hands over to a developer	CARES client identifies the project, gains rights to the site & seeks a developer to take the project forward	Site selection and initial viability then support for the project to make it a success	To confirm viability and take the project forward to operation	Work to identify an appropriate site usually involves more time than money, minimising risk	With rights to use the site the CARES client can negotiate more favourable outcomes in terms of ownership of the project	CARES client controlling the development site should generate higher benefits than those without control, however the bulk of income will reside with the developer
4	Developer leads & offers sale to CARES client (Shared Ownership Shared Revenue)	Solar PV developer leads the project and sells a percentage or the entire project to the CARES client	Initial support for the project to make it a success then raises funds for purchase	Provides development skills and sources initial project finance	Reduced risk as CARES Client would take ownership of an asset or project shown to be viable	Low risk route to long term asset ownership of a project	Potentially an attractive option where the project has been initiated by a developer. Purchasing generally increases the capital cost and may also impact on the income period. CARES clients considering this option should focus on obtaining legal and financial support
5	Developer leads and owns the project throughout	Solar PV developer leads the project & offers the CARES client an annual payment	Initial support for the project to make it a success	As full developer	None	Community Benefit payments vary between projects but will be small for solar PV projects	Community Benefit payments to CARES clients will generally be a fraction of the income available from a project

Table 2 - Overview of activities. The table below summarises a logical progression for developing a wind energy project.

Phase 1		Developing the idea		
Step 1 Develop the Vision	A key initial step in solar PV development is to define why you want to undertake the project.			1 to 4 months
Step 2 Seek Advice	Solar PV developments have already been undertaken by groups or businesses like yours.			
Step 3 Communicate	It is important to undertake early consultation with local residents & the wider community.			
Step 4 Find a Site	Sites can be assessed against key factors to identify if there is potential for a viable solar PV project.			
Step 5 Initial Viability	Contact suppliers to get an indication of the cost and the amount of electricity likely to be generated to help roughly gauge site potential.			
Break Point 1		Is there a reason to develop?		
Phase 2		Developing the Project		
Step 6 Establish a legal entity	A community may need to be established as a formally constituted body or legal entity. A business may choose to operate under the business name.			3 to 10 months
Step 7 Secure the site(s)	Obtain legal agreements for the use of the site where the solar PV system is to be installed.			
Step 8 Secure initial funding	Identify funding options to support feasibility work. Appropriately constituted community groups can apply for a CARES enablement grant. Installers/supplier may carry out feasibility study at no cost.			
Step 9 Feasibility study	Assess the technical, financial and regulatory viability for the site(s). This may be provided by installers/supplier, carried out in-house or by a consultant.			
Step 10 Secure project funding	Obtain capital funding through a loan, community share ownership or other finance arrangements			
Step 11 Financial appraisal	Accounting of estimated expenditure and income should be carried out. There is a CARES financial model that can be populated for this purpose.			
Break Point 2		Is the project viable?		
Phase 3		Getting to Financial Close		
Step 12 Applications	Apply for planning permission (if required), make an application for a grid connection (if required).			1 to 12 Months
Step 13 Procurement	Finalise the scope and amount of all quotations and confirm the suppliers/installers to be used. Procure the solar PV system and all associated works.			
Step 14 Financial Close	This is the point at which the funder releases the money, and the project can be constructed.			
Break Point 3		Did the project reach financial close?		
Phase 4		Completing the Project		2 to 4

Step 15 Repay other loans	Secure any additional capital funding and repay development loans where required. CARES loans should be paid in full on reaching financial close.
Step 16 Construction	Post Financial Close, confirm all orders and contracts and the process of solar PV system delivery, installation and connection can take place.
Step 17 Community benefit	Where appropriate enter into a community benefit agreement to secure index linked community benefit payments for the life of the project.
Step 18 Operation	Ensure management is in place for the life of the project for collecting and distributing income and meeting operating, financial and other liabilities.
Step 19 Decommissioning	Solar PV arrays must be removed at the end of the productive life (generally 20 to 25 years) or when at the point where they are no longer used to generate electricity.

Phase 1 – developing the idea

Step 1 – develop the vision

It is important you are clear about the reason for undertaking, or participating in, a solar PV development project. For example, this may be to gain income for use within the community or to become more energy self sufficient to offset rising energy prices. You may have environmental drivers to reduce carbon emissions. It is important that you fully understand and define your own drivers so that project viability and outcomes can be tested against your objectives.

For communities, an excellent way to identify needs can be through the development of a Community Action Plan, the production of which will allow the development of a strategic plan and allow local democracy to define and respond to local community objectives and opportunities. It also provides a robust mandate for the distribution of funds when a community related venture begins to provide revenue. A strategic plan provides overall direction on the long path from where things are now to where we hope they will be. Community work can be greatly enhanced by a clear vision, a mission statement, objectives, strategies, and an action plan.

Businesses can also benefit from the development of their own action plan, as this helps link business needs and objectives with the potential to develop a solar PV energy project.

The main points to consider in an action plan are:

1. What are the needs in your community/business and what evidence of these needs is there?
2. What potential, realistic changes can you envisage?
3. What actions and activities need to be undertaken to meet the needs and implement the changes?
4. What are the costs of the actions?
5. What are the short and long-term priorities?

Eligible community groups can apply for a CARES enablement grant to support developing a community action plan. A number of examples of action plans produced by community groups have been referenced in Further Information.

Step 2 – seek advice

It is sensible to seek the advice and experience of those that have started from a similar position and are well placed to offer help and guidance. By seeking this input from the outset, you will be able to build on the success of others when taking your project forward. Early liaison with your local CARES development officer (DO) can highlight opportunities for knowledge transfer between organisations and potential meetings or project visits.

Local Energy Scotland and other organisations such as Community Energy Scotland, the Development Trust Association Scotland and Energy Saving Trust also maintain case studies to facilitate the identification of suitable projects to approach & to gain their insight.

Consider completing a skills assessment of those persons that can be involved in the project during the development stages as the need to buy in consultancy support will clearly add to the cost of the project. The [Establishing a community group module](#) describes the range of skills that could be beneficial.

Importantly, look for advice in relation to an appropriate scale of solar PV project to suit the project objectives.

Step 3 – communicate

To ensure the best outcome for the project, establish clear communication within the local community, neighbouring communities and other stakeholders early in the project, even before a site is identified.

Experience shows that this communication must be open and honest about what is being planned and must include good opportunities to receive and respond to feedback. This also avoids any misinformation being generated and to allow the vision for the project and the benefits from it to be fully explained. Eligible community groups can apply for a CARES enablement grant to support communication of this nature.

If strong opposition remains after this process it may make it harder and more costly to obtain planning permission (if planning permission is required) and may cause lasting social impacts within your community.

There are a range of guidance documents available for engaging with the community referenced in the Further Actions section of this module.

Step 4 – find a site

The [CARES Renewable Handbook](#) highlights a number of key factors to consider when determining the suitability of a particular location for siting solar PV and can be referenced in addition to this module.

There are six important points to consider when identifying a suitable site.

- Site
- Location
- Access
- Grid connection
- On-site electricity demand
- Planning constraints

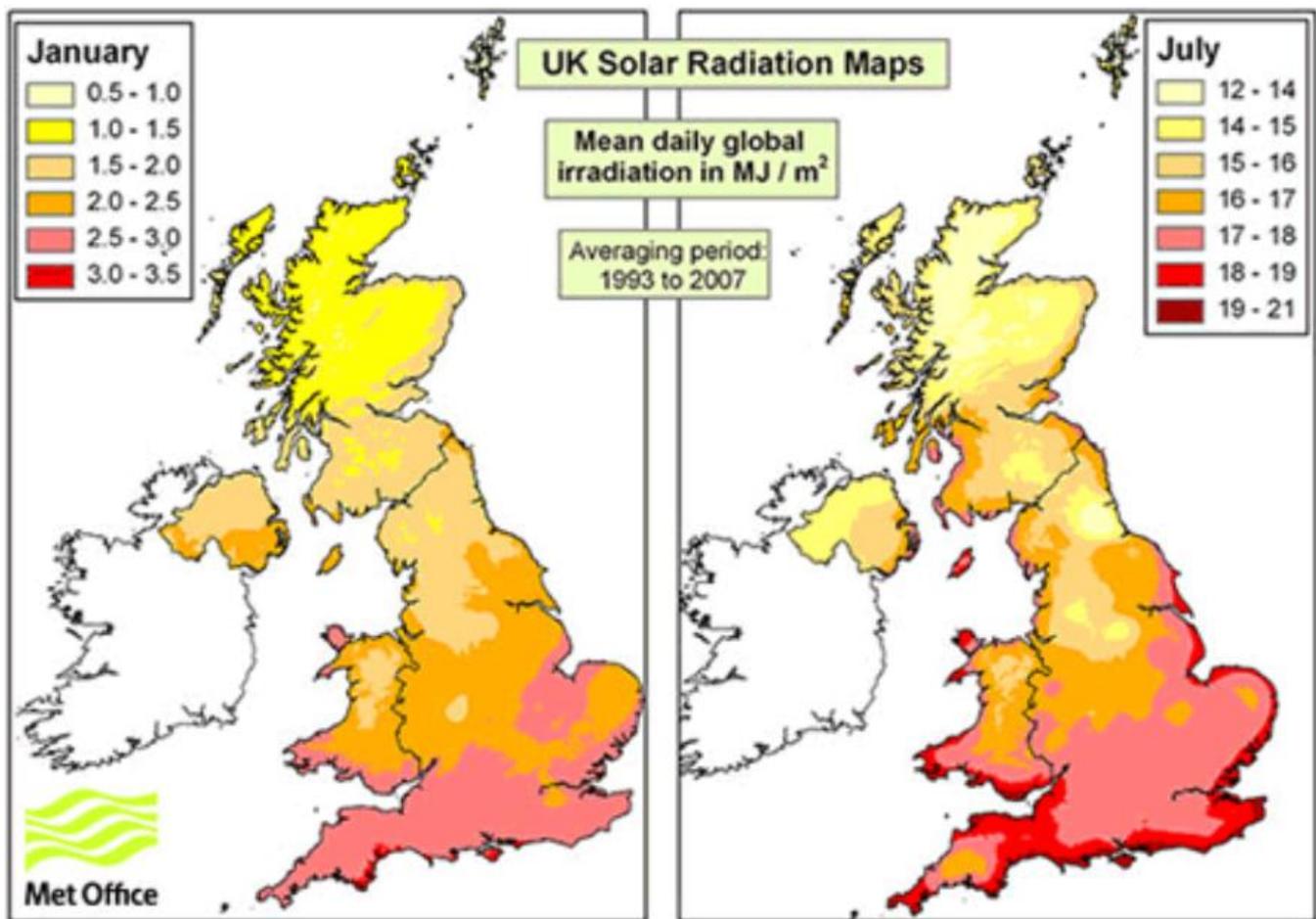
Site

Solar PV systems can be located either on buildings (typically roof top) or on ground-mounted support frames. Typically, a large open area should be sought. Barrier impeding the viability a solar PV installation in the area being considered should be assessed. For example, in almost all situations the installation of solar PV on a listed building will not be permitted. There may however be exceptions, at the discretion of the Local Planning Authority (eg where roof works are required and an integrated solar roof tile would not create visual concerns or raise any other concerns). Any obvious issues with roof structural integrity or the apparent lifetime of the building should be considered. For ground-mounted installations you may want to consider whether the area in question is prone to flooding or vandalism.

Location

The major determinant of project financial viability is the level and duration of solar irradiation. This in turn is linked to the location of the site, the level of shading and the orientation of panels. Understanding these three factors for each site will help you identify which project will result in the maximum theoretical output.

The location chosen should have the highest possible solar irradiation for as much of the year as possible to increase the 'availability' of the system. This is a measure of the number of hours per year that the solar PV will generate relative to the maximum theoretical output. Solar irradiation varies geographically as shown in the following diagram.

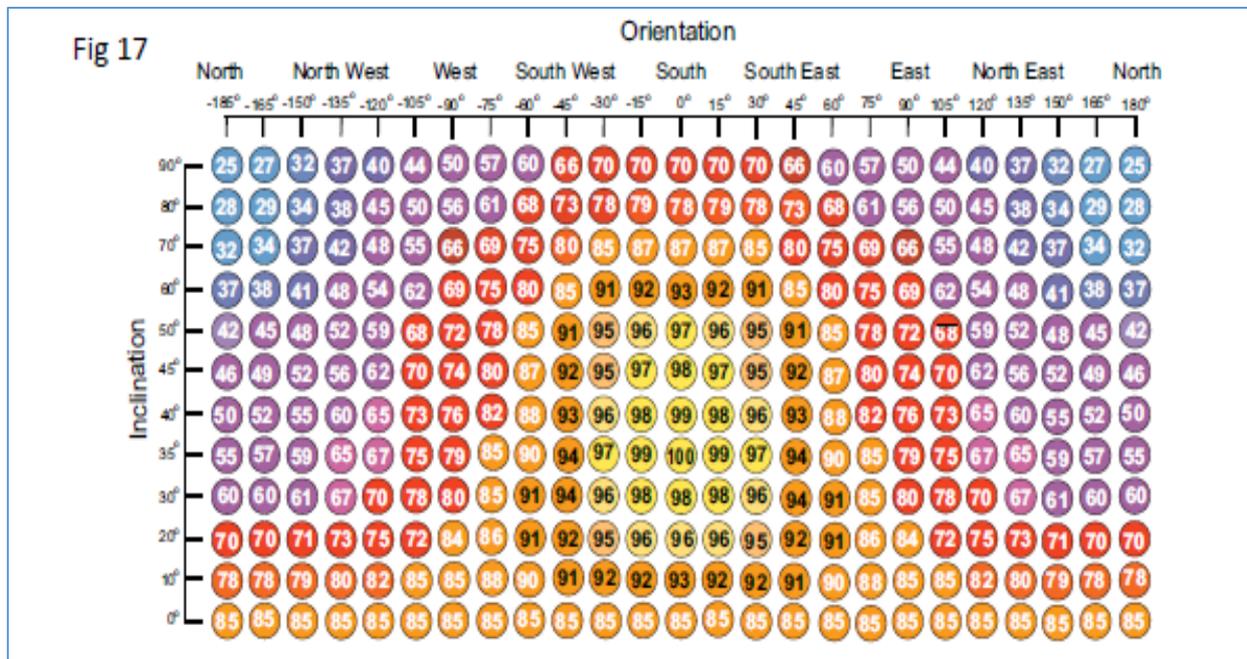


Source: [Met Office](http://www.metoffice.gov.uk).

Potential shading from nearby buildings, vents, vegetation as well as adjacent solar panels should be avoided to maximise solar panel exposure to direct sunlight throughout the year. Solar PV system technologies are being constantly improved to reduce generation losses associated with partly shading solar PV arrangements, but it should be noted that partly shading a solar PV panel may reduce the output of your solar PV system by more than the electricity that would have been produced by the shaded area.

Impact of orientation on the output of the panels is shown in the following diagram. The combination of orientation and location of panels may lead to issues with visual intrusion and in some cases reflection. This is of particular importance if the site is near an airport flight path.

Fig 17



Access

There must be physical and legal access to the site to deliver, erect and maintain the solar PV system. While this is likely to be of limited concern in most instances, large ground mounted arrays in remote locations may require legal agreements to be drawn up or temporary access tracks to be constructed. Note that barriers to roof access will increase installation and ongoing maintenance costs.

Grid Connection

Connection to the electricity grid will be required for most projects and can be available at an early date in some areas whilst restricted in capacity for a long period of time in others. Grid connection can be a significant issue across parts of Scotland, especially if large amounts of electricity are being generated (>50kW export capacity). The further the solar PV array is from a grid connection point the higher the cost of connection will be. Early discussion with the DNO may give broad cost of connection, subject to detailed connection studies. This is covered in more detail in the [Grid connection module](#).

The extent to which these issues affect smaller Solar PV installations may be less of a problem, however they must be considered. Similarly, basing your project on multiple, discreet, scattered solar PV systems may provide a route to higher yield overall from your project. However, the cumulative effect of a number of Solar PV installations in a given region may introduce other issues especially associated with planning or local grid stability.

If you intend on connecting to the grid it is important to establish the correct process for registering the solar PV system early on. This can be done by contacting the relevant DNO. Note that the process for registration will vary by DNO and by solar PV system scale.

It is possible for solar PV systems to be installed without a grid connection (off grid), but these systems require suitable batteries which are expensive and often have limited life span.

On-site electricity demand

Electricity generated by the solar PV panels can either be exported to the grid, used on site or stored for later use. You may want to consider what portion of on-site electricity demand may be met by the proposed solar PV system. Given that electricity tariffs are almost always higher than the export tariff received from the DNO, maximizing the portion of on-site electricity demand met by the solar PV system will often increase the economic returns of the project.

Naturally, sites with higher electricity demand during daylight hours will benefit most from on-site electricity generation unless battery storage is utilized. However, sites with multiple electricity supplies (MPANs) and relatively small electricity demands associated with each electricity supply (eg tenants in a block of flats) will likely require separate solar PV systems and may be a complication worth avoiding.

Planning constraints

Solar PV installations no greater than 50 kW fall under Permitted Development rights in Scotland which allowing the installation of Solar PV without the need for planning permission.

Permitted developments will need to observe a number of conditions and limits. These conditions and limits vary slightly between domestic and non-domestic installation, as well as for solar panels mounted on buildings and solar panels ground mounted. Please refer to the Further Information section in this module.

If your solar PV installation is not a permitted development, you may apply for planning permission.

Clearly, designated areas such as Sites of Special Scientific Interest (SSSI), Areas of National Outstanding Beauty (ANOB) and National Parks have significant planning restrictions associated with them. Development in these areas will therefore require additional consultation and will likely require more detailed background information to be supplied as part of the planning process compared to other locations. Scottish Natural Heritage (SNH) have a web-based mapping tool that will show some of the relevant land designations and constraints and is referenced later.

Most planning authorities have published Planning Policy Guidance covering solar energy projects and this should be your first port of call for background information. In addition, many Planning Departments welcome early informal discussions with solar energy developers about their plans. If large solar PV projects have been proposed, or built in the area, the Local Authority web site will contain details of the planning application, the objections and any restrictions on the development of large solar PV projects. This can be a valuable source of local information. While results from this background research can never guarantee that planning consent will be granted on any given site, it may help to identify where there may be serious barriers and the basis for this. The [Planning module](#) contains more information on this.

To develop a solar project on a site will require a lease for the lifetime of the project (usually 20 – 25 years). You will need to identify site owners of potential sites and approach to

confirm their willingness in general terms to make the site available, to give you access and to do so for at least a 20-year period. The [Securing your site module](#) contains further guidance on this which can be reviewed when you have identified a site.

Step 5 – initial viability

Having identified a potential site (or sites) consideration of the commercial viability of the project should begin. Suppliers should be contacted for indications of the cost involved in a project. Suppliers are often able to give an estimate of project costs for the purpose of making an initial assessment of viability when provided with the location of the proposed site, the approximate size of the array (in kW) and the type of installation (eg ground mounted or roof mounted).

Web tools can also be used to provide an initial assessment of solar PV project viability, some of which are reference in Further Information later in this module. As a general rule of thumb, at this point in the development of the project a site generating an estimated payback of 6 years or less has the potential to make a viable project.

Break point 1 – is there a reason to develop?

The development process in Phase 1 is intended to identify the need for a project, help gauge local support and find potential sites. If all of the following are true, then there is good reason to develop a solar PV project and no reason for it to be stopped at this stage.

- Available to purchase (larger ground mounted systems), or where access can be secured on a long lease (at least 20 years).
- Accessible for solar PV installation and maintenance.
- Close to a point of grid connection (although not required).
- Likely to have a good solar yield, being free of overshadowing and capable of having cells mounted at close to the optimum orientation.
- Unlikely to cause unacceptable impacts on local people.
- Potentially able to gain planning permission (if not already a permitted development).

There are two actions that are useful throughout the entire ongoing project development, which you may choose to start now. Both are provided free by Local Energy Scotland.

1. Investment Ready preparation – Local Energy Scotland has developed a tool for recording the progress in developing your project and storing all the supporting documentation in a secure, online site. The local CARES development officer will assist in setting this up.
2. Project Development plan – a project development plan detailing key tasks, responsibilities and schedule for completion can help you meet the important deadlines that influence the success of your project. Local Energy Scotland has produced a template plan which can be downloaded.

Phase 2 – Developing the project

Step 6 – establish a legal entity

In order to make funding applications, establish banking facilities, secure a site, and enter into contracts or joint venture arrangements, to pay bills and to receive income there should be a recognised legal entity taking the project forward.

For rural businesses, it is important that any liability insurance or the conditions of existing bank finance allow diversification into renewable energy generation so that this activity is covered. In the case of larger projects or stand-alone projects it may also be prudent to isolate the liabilities of the solar PV project from the core business.

For community groups that are not already constituted, this means an appropriate formally constituted body or legal framework, usually where the constitution provides some protection against personal liabilities and potentially including appropriate insurance. The [Establishing a Community Group module](#) contains more information on establishing a legal entity.

The form of legal entity taking on the project can influence the range of finance options available and could be critical in securing the finance option most suited to the project objectives. Further information on finance options can be found in the [Finance module](#), and a review at this stage may support consideration of the appropriate legal entity to progress the potential solar PV project.

It is important that legal advice from a solicitor who has experience of completing this type of work is obtained at this stage.

Step 7 – secure the site/s

Once the above legal framework is in place then the site(s) must be secured. This frequently requires you to enter into a legal agreement with the site or roof owner that guarantees your tenure over or access to the site for several years after the expiry of the FIT payment contract. It is likely that this will involve some kind of payment being made to the owner.

Depending on the requirements of the funder you may need to enter into a formal lease agreement or buy the site to enable financial close to occur. At this point you are then liable for all agreed payments.

However, subject to the requirement of funders, you may wish to postpone this step until after the feasibility study has been carried out. A memorandum of understanding (MOU) could be used at this point to secure the site or roof owners intentions in writing. This would reduce risks of purchasing a site, or entering into a lease agreement, only to find that the project is not feasibility.

Step 8 – secure initial funding

CARES enablement grants provide grant funding to help towards the start-up costs of feasibility studies, community consultation and other preparatory costs. Money is available for

community groups to fund project development and feasibility study costs. This is likely to be significantly more than is required for developing a solar PV project. Note: the grant cannot be used to cover the cost of the panels.

Step 9 – feasibility study

The financial viability of any project depends on the cost of borrowing the capital relative to the income the PV system will generate, after operating costs. These operating costs will include land rent for the site (if appropriate), maintenance, insurance and rates.

The depth of analysis needed will depend on the scale and complexity of the solar PV project. This could be carried out at risk by the installer/supplier, a paid consultant or by the community energy group.

Capital cost

Solar PV is now a mature technology and there is a good market for panels, associated equipment and services. This means that the best source of good estimates on capital costs is from Solar PV panel installers/suppliers through a process of competitive tendering. This will certainly be possible if the size, location and operational parameters of the project are known.

Other costs may include a support frame or base if the system is ground mounted or on a flat roof. Where possible, costs of known items or activities should be identified through competitive tendering to generate 'real' quotations.

If your solar PV project is 50 kW or less, then to be eligible under the FIT scheme your installation must be commissioned by an MCS-certified installer using an MCS-certified product or be certified under an equivalent scheme. When you have reached the stage in your project development that you need to engage with MCS certified installers or suppliers, references are available in Further Information.

Grid connection

The amount of electricity generated, the number of panels installed, the point of connection and the distance from the connection point, will all influence connection costs.

Grid connection issues are covered in more detail in the [Grid connection module](#). This will allow you to determine whether you need to make any specific arrangements for your grid connection. Small scale single rooftop installation can generally be connected to the grid by a certified MCS installer without your group needing to make any additional arrangements.

Electricity use on-site

It should be determined what portion of electricity generated will be used on site and what portion will be exported to the grid. There may be limitations on using electricity generated by the solar PV system across multiple MPANs. Where relevant (eg solar PV project on a block of flats), the cost/benefit of connecting the solar PV system to one MPAN should be compared against the cost/benefit of connecting smaller solar PV systems on the same roof to multiple MPANs.

Planning

If the proposed solar PV system is greater than 50 kW or if you think that your solar PV system will require planning permission, then you will want to contact the local Planning Officer to confirm what work will be required to make a planning application and the studies and fees that will be involved. The requirements of planning will vary with the size and location of the Solar PV array or arrays. For some projects the appointment of a planning or environmental consultant may be required and the cost of this will need to be estimated.

Community benefit

Renewable energy projects developed by the community may still be required to provide a Community Benefit payment. The need for this and the level may be part of local planning guidance. Solar PV projects supported by CARES would expect to provide £10,000/MW per year.

Generation income

There are three forms of generation income:

1. Savings in the electricity that would have been purchased (only applies if the solar PV is connected to a building that uses electricity).
2. The value of the electricity sold to an electricity supplier.
3. The value of the Government incentive for renewable energy.

The annual energy yield can be estimated in kWh based on the solar irradiation data for the site location. Although some consideration has been given to this at Step 4 it will need to be recalculated using the same tools, but for the specific size of array, type of panels and site conditions.

The actual yield from the panels will depend upon a number of factors and more detailed modelling can be provided either by a supplier at the time of detailed quotation (smaller systems) or by a suitably qualified consultant engineer (larger systems).

Step 10 – Secure project funding

If project funding has not been identified already, then it will almost certainly be required from this stage on. The separate [Project finance module](#) gives guidance on the types of finance that may be available and potential sources of that finance. Links can be found in the Further Information section of this module.

There are a range of finance options, each of which has different attributes and requirements. These include traditional bank loan finance, establishment of a co-operative (via the sales of shares), or by partnership with a developer.

Considerations that will influence the choice of finance route include:

- The appetite for risk and reward.
- The ability to find a share of the capital cost.
- The ability to manage the development and operation of the project.

Each form of funding will have specific attributes (interest rates, target investment types, loan conditions). Early discussion with the funders will establish if your project matches the funder's criteria. Changing a project to meet funding criteria may be justifiable but care should be taken not to impair the core reasons for developing the project.

Solar PV is a well-established technology, leading to lower perceived technology risk. Other routes to local funding may be possible such as where members of the Community Group each fund part of the project rather than depending on a single loan.

Step 11 – Financial appraisal

The financial viability of any project depends on the cost of borrowing the money required to buy the solar PV panels, inverters, cables and the cost of installation relative to the income after operating costs. The schedule of incurred costs and the length of time to install and commission the project all influence the financial viability of the project. The CARES Project Finance Model is available to download and use to complete a detailed financial appraisal of your project and the CARES Financial Model guidance document provides indicative costs taken from a number of different market studies.

In order to complete the financial appraisal as accurately as possible, the capital costs of the solar PV system, installation, connection and other capital works such as grid connection, civil works and installation should be defined as accurately as possible. The detailed feasibility study should outline all the potential costs associated with your project and provide an indication of the scale of these costs. If not done so already, quotes will need to be obtained to confirm the final costs. Operational costs such as maintenance, ground rent and insurance must be determined and other ongoing expenditure such as community benefit payments must be accounted for.

A potential lender will also want to see a full business plan for the duration of operation of the solar PV system with a detailed cash flow and balance sheet that includes repayment of loans provided. The [Project finance Model](#) provides this facility and more detail on this is covered in the Project finance module and the CARES finance model guidance.

Break point 2 – is the project viable?

The assessment process in Phase 2 is intended to:

1. Identify capital costs in as much detail as is possible based on generic or model specific data.
2. Estimate the additional costs involved (eg grid connection, planning permission.)
3. Use the data on solar irradiation, area of the panels and their quoted performance to calculate the energy yield.
4. Use the relevant export rates to estimate potential income from the predicted energy yield.
5. Gain an estimate of annual maintenance/annualised inverter replacement costs to subtract from the income.
6. Use the data above to estimate potential project financial performance.

7. Investigate funding options.

If the predicted yield appears attractive, then the project can progress if the group is still committed to its development. If at this stage the scheme looks unviable it must be stopped or re-designed to reduce cost or boost income. One way in which this can be done is to look at the impact of changing the size of the scheme.

At this point, the scale of the project should be confirmed, and potential suppliers of solar PV technology identified as these details will be needed in support of achieving a suitable grid connection, applying for planning permission and securing funding. You should also progress with financing the project using whatever model you have selected.

Phase 3 – Getting to financial close

Step 12 – Applications

Scoping Opinion

The [Grid connection module](#) provides guidance on obtaining a grid connection.

A particular issue for remote, large, ground mounted solar PV arrays is the potential distance of the installation from a point of connection. This is because the very nature of an open site that makes it ideal for a large solar PV array is unlikely to be attractive for other development requiring electricity supply. While distribution network wires passing close to the site is potentially an advantage 'tapping in' to this network may require significant investment in suitable transformers. The ideal connection is where this kind equipment already exists, into a point of termination or into an existing point of off-take/demand. As a result, long cable runs may be required and these may have to be underground, which can be expensive.

Other issues are around the intermittency of solar PV generation and the potential this has to create instability in the network. Again, while this problem can be solved, this is at the expense of more costly control gear relative to base load generation technologies.

Planning Application

If the proposed solar PV installation is not a permitted development, then planning permission must be sought. Your earlier investigations should have determined whether permission is required for the size of array proposed and the site you have selected.

As finance is unlikely to be secured until all planning consents and grid connection agreements are in place it is important that the planning application is made no later than at this point in the process. Further information on submitting a planning application is available in the [Planning module](#).

Step 13 – Procurement

At this point the process of finalising suppliers of equipment and services will need to be completed. Again, note that if your solar PV project is 50 kW or less, then to be eligible under the FIT scheme your installation must be commissioned by a MCS-certified installer using a

MCS-certified product, or be certified under an equivalent scheme. It is good practice to seek competitive tenders and the process of seeking competitive tenders from suppliers should now be completed and a supplier selected. Factors to consider in your tender brief and in your assessment of responses include not just the capital cost of the panels alone, also but the relative cost of fixings, inverter replacement, alternative securing mechanisms, warranty and projected operating performance and annual maintenance costs.

Some suppliers may also undertake installation as part of the panel price. To identify the financial value of this work, quotations from alternative suppliers of these services should be sought. However, it must be recognised that not using the supplier to install the panels may impact on technology warranties.

The timing, process and completion of the procurement process will be dictated by the route to capital drawdown which in turn is linked to the means by which the project will be funded.

More guidance on procurement issues is provided in the [Procurement module](#).

Step 14 – Financial close

Using the detailed financial appraisal previously completed with the CARES Project Finance Model, or another finance model, which has been verified by an accountant, it should be possible to secure finance through your chosen route.

Your finance providers will complete a full due diligence of the project, which includes a detailed analysis of potential project performance, all associated costs, warranties and liabilities. If you have completed your CARES Investment Ready Tool you will have collated a large proportion of the information required by the lender and identified any gaps in the information that the lender may require. The lender may also require a significant financial floating bond be set up to pay the banks costs irrespective of the result, positive or otherwise of the due diligence process.

Financial close is the point at which all contracts are signed and funds are transferred between your lender and all your suppliers. Prior to this point your suppliers are likely to have requested deposits for all materials and services. At financial close the balance of payment is made.

This can be a busy period, so it is important to ensure that the relevant people with delegated responsibility are available to sign off any legal agreements.

Break point 3 – did the project reach financial close?

If you have reached financial close you can move ahead to construct the PV system. If not, the steps 11 to 13 need to be repeated until this is achieved and the capital needed to construct the project is made available.

Phase 4 – Completing the project

Step 15 – Repay other funds

Any debt that is due for repayment should be paid back (with interest) at this point. The CARES pre-planning loan and CARES post consent loan (where applicable) are set up to be repaid at Financial Close. The debt provided by the funders should include provision for this repayment.

Step 16 – Construction

Once all of the permits and permissions are in place and all relevant planning constraints have been addressed, construction can commence and the wind turbine(s) installed and grid connected. The [construction module](#) outlines the community group's obligations as a developer, the construction process and the additional roles in the construction process. The module addresses the community group's duty of care as a developer for the site workers, environment and general public, additionally covering basic legal responsibilities with additional links to guidance and regulatory documents.

Step 17 – Community benefit

CARES clients providing or receiving community benefit should enter into a binding agreement with the appropriate party, stating the terms and conditions of payments. CARES have template agreements to facilitate this, which also confirm the process for indexing payments over 20 years.

Step 18 – Operation

The income from the project will need to be managed carefully. The funder may expect there to be cash held to cover fixed costs such as interest and loan repayments, O&M contracts and land rent. Only after these costs have been met can the project distribute the remaining income.

Proper management will need to be in place for the life of the project to oversee the process of collecting and distributing income and managing liabilities. It is also important that the performance of the solar PV panels are regularly monitored as large fluctuations or low output might indicate a technical problem and this in turn will reduce income, leading to reduced financial returns.

The planning consent will state the date and requirements for decommissioning the solar PV panels. The costs for removing the panels, the requirements to remove mounting frames and money to cover the cost of any roof damage during the process need to be estimated.

The [Establishing a community group module](#) provides further guidance on dispersing any income generated for the community group.

Step 19 – Decommissioning

When solar PV panels are no longer needed for generation they should be removed as soon as reasonably practical. This condition must be observed for permitted developments and will likely be a condition for projects that require planning permission.

Further information

The full [CARES Toolkit](#) is available on the Local Energy Scotland website.

Solar PV context:

- [Ofgem's Feed-in Tariff quarterly reports](#) includes data on the distribution network operator (DNO) that has connected the solar PV installations to their system -
- [The shared ownership portal](#), on the Local Energy Scotland website, is designed to allow organisations and community groups across Scotland to collaboratively progress renewable energy projects
- The CARES Toolkit includes a [shared ownership module](#).
- Information and advice specifically around the use of Joint Ventures has been produced by [Highlands and Islands Enterprise \(HIE\)](#).
- Carbon Free has published a [Carbon Free Joint Venture Model](#).
- Farmers should note that the NFU provides [specific guidance for farmers](#) on the development of solar PV projects.

Project overview

Step 1 – Develop the vision

Information about how to form a new community group is included in the separate [Establishing a community group module](#).

Community group actions plans can be found on the following organisation websites:

- Local Energy Scotland has a list of [community action plans](#) supported by CARES
- [Development Trust Association Scotland](#)
- [Foundation Scotland](#)
- [Cairngorms National Park Community Action Planning Toolkit](#)

Step 2 – Seek advice

Your local development officer is there to support you through the project development process.

The Scottish Government's [Register of Community Benefits](#) provides information to support local communities through the community benefit process. The register publishes the benefits that local communities have received through renewable energy projects - <http://www.localenergyscotland.org/view-the-register/>

Local Energy Scotland and other organisations maintain case studies to facilitate the identification of suitable groups to approach to gain their insight.

- Local Energy Scotland's [case studies](#)
- [Community Energy Scotland](#)
- [Development Trust Association Scotland](#)

Step 3 – Communicate

There are a range of guidance documents available for engaging with the community including:

- The [Scottish Community Development Centre \(SCDC\)](#) developed a useful on-line resource to support community development and communication
- [National standards for community engagement](#)
- [CARES Toolkit: Understanding the community context](#) and [Community development theory and practice](#).

Step 4 – Find a site

The [CARES Renewable Handbook](#) outlines the technologies that have been employed by community groups across Scotland, the principles of how each technology works and the key issues regarding installation and operation as well as environmental impacts.

Location

There are many maps of solar irradiation available online and guides to help you maximize solar irradiation including:

- The [European Union's database on solar irradiation](#) allows you to enter different types and orientation of panel to determine the potential generation.
- [RenSMART](#) uses the same data set but allows you to enter a postcode in the solar irradiation estimation tool.
- [UK Solar Energy](#) provides guidance on the key issues.

There will be a number of possible constraints on your project which you will need to identify:

- Scottish Natural Heritage (SNH) have a [web-based mapping tool](#) that will show some of the relevant land designations and constraints.
- Sandia National Laboratories provides a free on-line [Solar Glare Hazard Analysis Tool](#).

Grid connection

The [Grid Connection module](#) should be referred to.

Planning constraints

Scottish Natural Heritage has a web-based mapping tool that will show some of the relevant land designations (see above).

The [Planning module](#) provides additional guidance and should also be referred to.

Securing a Site

See step 7.

Step 5 – Initial viability assessment

Web tools can also be used to provide an initial assessment of solar PV project viability eg [EU Science Hub](#).

Systems of up to 50kW need to be installed by an installer certified by the Micro-generation Certification Scheme and accredited installers can be listed on the [MCS website](#).

A number of difference sources can be used to obtain indicative project costs. These include:

- The CARES Financial Model guidance document provides indicative costs taken from a number of different market studies
- The Department of Energy & Climate Change publishes annual reports with statistic on approximate [solar PV installation cost data](#) for projects up to 50 kW.

Step 6 – Establish a legal entity

The [Establishing a community group module](#) contains more information on establishing the legal entity. It is important that legal advice from a solicitor who has experience of completing this work is obtained at this stage. This solicitor will be required at various stages throughout the project to support all legal and contractual activities, of which there will be many.

Step 7 – Secure the site

[The Building Society Association](#) has also published advice about the impact of long term lease arrangements for solar PV on any mortgage arrangements.

[The Council of Mortgage Lenders](#) has produced guidance on the minimum requirements for solar PV lease arrangements.

See the [securing a site module](#) for more details and for a set of example draft agreements. If parties do not want to enter an options agreement at this stage, an exclusivity agreement should be considered.

Step 8 – Secure initial funding

The separate [Project finance module](#) gives guidance on the types of finance that may be available and potential sources of that finance.

See the Business Planning section of the toolkit for sources of finance for community projects.

Step 9 – Feasibility study

Capital Costs

To support community groups in the delivery of their community projects, Local Energy Scotland has set up a [framework of contractors](#) to provide a number of professional services including financial advisors.

You can search for MCS approved installers on the [MCS website](#) or on [Energy Saving Trust's Renewable Installer Finder](#).

Feasibility, design and development invitation to tender. The scope of work outlined in the ITT is comprehensive, however the information is unlikely to account for all project types and variations. It is therefore, the responsibility of those using the forms to ensure the template is tailored to be accurate and representative of the project – see [Invitation to Tender templates](#).

Grid connection

The [Grid connection module](#) should be referred to.

Planning constraints

Scottish Natural Heritage has a [web-based mapping tool](#) that will show some of the relevant land designations.

The [Planning module](#) provides additional guidance and should also be referred to.

Other points

Once it is clear that there is a viable project, it may be prudent to employ a project manager dedicated to developing the project. To support community groups in the delivery of their community projects, Local Energy Scotland has set up a [framework of suppliers](#) to provide a number of professional services including project managers.

For larger sites, the detailed feasibility study should include a scoping study to determine whether an Environmental Impact Assessment is required. The [Scottish Government](#) has a list of expectations related to the scoping process. The details are related to Formal Applications under Section 36 of The Electricity Act 1989.

Step 10 – Secure project funding

The separate [Project finance module](#) gives guidance on the types of finance that may be available and potential sources of that finance.

Local Energy Scotland has [sources of finance for community projects](#).

Step 11 – Financial viability check

A range of financial assessment methods can be used, but the method used by most funders will be a cash flow analysis, covering the long-term costs and income from the project. The [CARES Project finance tool](#) can be used at this stage to determine the financial viability of your project.

Step 12 – Applications

The key applications to complete when developing your project are:

- Planning – For information on the planning application process, see the [Project development – planning module](#).
- Grid connection – For information on securing a grid connection, see the [Grid connection module](#).

If you have employed a project manager or consultant, they will be able to complete this for you.

Step 13 – Procurement

More guidance on procurement issues is provided in the [Procurement module](#).

Step 14 – Financial close

This is a very busy time for the project and it's important to have the right support in place. To support community groups in the delivery of their community projects, Local Energy Scotland has set up a [framework of suppliers](#) to provide a number of professional services including lawyers, financial advisors and project managers.

Step 15 – Construction

Construction, design and management regulations. Further guidance can be found on the [Health and Safety Executive website](#).

Step 16 – Community benefit

The [Establishing a community group module](#) provides further guidance on dispersing any income generated for the community group.