OVERVIEW

COMMUNITY GROUP: MULL AND IONA COMMUNITY TRUST.
LOCATION: ISLE OF MULL, ARGYLL.
DATE OF COMMISSION: JUNE 2015.
SIZE: 400 KW

For further information visit: www.garmonyhydro.info/

BACKGROUND

In 2010 Mull and Iona Community Trust (MICTr) secured grant funding from the Scottish Government’s Community and Renewable Energy Scheme (CARES) for a feasibility study to investigate generating power from a hydro-electric scheme.

The grant allowed MICT to commission a report on the options for hydro-electric generating sites around the Isle of Mull. The report identified around 5 possible locations, and in December 2010, Garmony was selected as the best potential site.

A successful application was made for a CARES pre-planning loan at this stage to fund further feasibility and development work. Mott McDonald was commissioned to develop the planning and SEPA licence applications. The project was designed by Campbell’s of Doune.

Green Energy Mull was created to help generate capital through the sales of shares.
Garmony Hydro, Mull
Case Study

Successes to Date

Garmony hydro began generating electricity in early June 2015. Ownership of the scheme has been transferred to a recently created community organisation, Green Energy Mull (GEM), which is a Community Benefit Society. MICT and GEM successfully worked with Forestry Commission Scotland through National Forest Land Scheme (NFLS) to secure the lease for the land for the hydro scheme.

A community share offer was issued by GEM with support from the Co-operative Development Scotland which successfully raised over £481,000 towards the capital costs of the hydro scheme.

Funding

CARES supported the Garmony project from an early stage, with a loan of £150,000 which covered all the development costs until financial close.

GEM also secured £434k loan finance from the Scottish Investment Bank who delivers the Renewable Energy investment Fund (REIF) on behalf of the Scottish Government. Part of these funds were drawn to bridge the project, giving senior lender Charity Bank time to conclude diligence and provide £500k.

Lessons Learnt

MICT, helped by CARES, had to work hard to overcome a number of obstacles with the project, including:

- Grid – There are grid constraints on Mull caused by transmission constraints relating to the Taynuilt - Inverary line. MICT paid a deposit to secure a grid connection offer and grid capacity was freed up when a large wind farm development folded. The Garmony hydro scheme now has a full, firm connection.

- Feed in Tariff (FiT) - MICT pre-accredited for FiT in December 2012. The project pre-accredited then with the purpose of missing a degression coming at end of that month and in order to benefit from a new FiT band for 100-500kW hydro schemes.

Unbeknownst to them, the introduction of the new band was delayed because of questions around state aid. This led to them inadvertently registering for a tariff much lower than they had intended or needed to do. MICT made a case to Ed Davey, then Secretary of State for Energy and Climate Change, that communications from DECC and Ofgem were not clear enough and had led MICT to make this mistake, which was going to cost the community project a great deal and put it in jeopardy.

This led to a DECC consultation for a proposed change in the Feed-in Tariff Order 2012 to allow the project to withdraw and resubmit the preliminary accreditation. This amendment was successfully achieved and the project was able to pre-accredit at the higher rate.

Benefits

It is estimated that over the first 20 years of the life of the project, the scheme will generate a turnover of £5.04m and net proceeds of up to £2.4m will go into the Waterfall Fund for a variety of projects that will benefit the communities of Mull and Iona.

The Waterfall Fund has now been accepted by OSCR as a single tier SCIO and is now an official charity in its own right. This will be controlled by a committee that will consider applications on their own merits subject to criteria such as:

- Addressing a specific community issue or need
- Improve life in Mull & Iona for a significant number of people

Commenting on the scheme

Moray Finch stated

“The weather on Mull is not great at the moment - given that it is mid-summers day today it feels more like a chilly April with intermittent showers. Of course every cloud now has a silver lining for us. Garmony Hydro has exceeded the amount of power generated that our business model anticipated for this month!”