

## MEETING MINUTES

**Date:** 28<sup>th</sup> May 2019 @ 19:30

**Present:**

Sheila Clark (Chair)  
Peter Thomas (Director)  
Carol Thomas (Director)  
Chrissie Sugden (Director)

**Via conference call:**

Sam Marshall (Company Secretary)  
Cath Auty (DiG Representative)  
Michael Odumosu (Director)  
Andrew Swann (Finance Director)

**Meeting Type:** Board Meeting #030 covering April '19

**Location:** The Old School, Dalavich

### 1. Apologies

Agnes Fleming (DIG Representative), Libby Foy (Director), Adrian Shaw (Director)

### 2. Approval of previous minutes (draft issued 23/04/19)

Approved. Carol Thomas proposed. Sam Marshall seconded.

### 3. Matters arising not covered by agenda

- a. It was suggested in the last meeting that the Board meet every two months. This was approved by the Board.
- b. Sheila Clark responded to Mark Russell. Irene to check on the AKCC scheduled council meeting dates but as she was not present in the meeting there was no update on this action.

**Actions:** Sheila to send copy of Mark Russell communication to Carol for filing. Irene to check on the AKCC scheduled council meeting dates.

#### **4. Board decisions made by email**

Approved AGM related material, the purchased of multi-user license for Team Viewer. The software is available to any Board member and all Ops Team members.

#### **5. Communications**

- New Stream Renewables Triad warnings
- Generation updates
- Finance updates
- FCA online portal
- 30 Shareholder Returns
- Various ANM discussion documents between Carol, Ricardo and Twin Deer Law

#### **6. Chair's report**

The AGM went well. Not a large turn out but some travelled great distance to be there and we had a positive response. One of the partners from our accountants, Armstrong & Watson attended the AGM and was impressed with the operation and administration side of what we're doing.

#### **7. Company Secretary's report**

We had a successful AGM. All resolutions we put forward were unanimously agreed. Thanks to Mark Potter-Irwin and Peter for sorting out the sound system and to the Scottish Fire Brigade for offering their projector and laptop for the meeting.

We won an award for best community project from SHREC, at the 10 year anniversary conference. We were awarded the best Highlands and Islands Community Energy Project. The award was sponsored by Harper and McCloud. Carol and Peter went to the award ceremony to collect the award and it is proudly sitting in the Community Centre for everyone to see.

At the AGM there was a resolution passed to find out how Shareholders want to be contacted by us. Some responses are coming back already and are being actioned by Sam and placed in a Shareholder Directory.

We have received two questions from a Shareholder that were put to the board for comment.

**Q1) Can AGM minutes be sent out earlier May/June 2019 instead of April 2020?**

Response to Q1: Sheila said she was not inclined to do it. Sam said that in previous organisations she worked with they sent minutes out 3 weeks before the next AGM because if you send them out immediately people forget what was approved by the next AGM.

Peter, took the opposite view, saying that a year goes past and no one can remember what was in the meeting and we then ask people to approve a set of minutes and they may not remember the detail. Why can't the board approve the minutes after the AGM and represent them at the next AGM for approval by the Shareholders?

Sheila said that if we send them out after the AGM they will only be draft minutes.

Andrew saw two problems about sending them out now. One being the time and cost of posting them out twice. The second being that if you send them out after the AGM and someone who receives them is being picky, then you have a year of back and forth before the next AGM.

Carol checked the rules to see what we should do. As it doesn't stipulate anything in the rules, we can say to the shareholder who asked the question that it has been custom and practice that the minutes are approved at the next AGM. If we are to change this we will need this to be approved by a resolution at the next AGM and so nothing can be done before then.

**Action:** Sam to reply to the Shareholder.

**Q2)** Could we (Shareholders) have the daily target and generation figures on a regular basis?

Response to Q2: Carol will be sending the generation figures out as soon as she can. It was suggested that we should only send this kind of information out only when requested and not as a general rule.

Back to contact details being updated. Sam will manage updating the contact directory but asked if Carol or Chrissie can take care of updating the Shareholder bank details, as she doesn't have access to the Triodos system yet.

**Action:** Sam, Carol and Chrissie to create the process for managing Shareholder bank details and put in place over next 2-3 weeks. As part of this process there needs to be a statement sent to Shareholders saying what is being sent to their bank.

Sam clarified that she is not adding bank details on the main directory, only contact details and bank preference.

The Annual Return is due to the Mutual Society on 1st June. Sam has all the information, but has had issues with password for Mutual Society web access, but this should be rectified soon.

On 15th May Sam went to the All Energy Conference and chatted to SSeN, waved at Historic Scotland, went and visited Gilkes Hydro and received an invite to Gilkes Hydro open day in July at Kelty Water. If any one wants to attend then let Sam know.

**Action:** Sam to send invite to the board.

Sam is attending another renewable conference, "Fully Charged Live" in Silverstone, not sure if it will be Hydro related but if it is she will report back to the Board.

### **Open Share Offer**

Carol said all the documents are done. There was an agreement a few months ago for an open share offer. All documents are now on the



website. Inquiries have been coming in via Local Energy Scotland and other community schemes that want to invest in AED. Carol suggested that we let them invest but don't advertise it.

Andrew said as we have to pay 4% interest on money coming we need to know what to do with it and we need to look at cash flow on a regular basis, as this money will be a cost. It only becomes a benefit if we start paying something off (Loans).

All agreed to keep the share offer open with the documents available on the website.

Andrew asked if we have in mind an upper limit for shares? Carol said that it is 100K. If large number of shares requested the investment needs to be approved by board. If it's a corporate entity we shouldn't worry too much, we just need to find something to do with the money. We can pay back the loan in 50K tranches. Look at P/L and cash and see what we need to do. Carol suggested that to make it straight-forward the Board is told when an application comes in from the open offer then and we make a decision on a case by case basis.

Peter wanted to clarify that share money doesn't account to profitability. Andrew said it just sits on balance sheet as cash, but we have to pay interest on it without benefit to AED. It won't be income or for community benefit.

## **AGM**

Carol said that Adrian requested that we decide on the next AGM date now, so we can advertise it earlier in order to get a better turn out.

Andrew said he would also prefer it to be booked further in advance and later in day, to maximise attendance.

**Action:** Sheila and Carol to look at appropriate dates so we can get accounts and other documents ready and the book the Community hall.

## **Draft AGM Minutes**

**Action:** Peter to send redraft of operations report to Chrissie. If any one else has changes please send to Chrissie and she will recirculate for approval.

### **8. Finance report**

Andrew said that Carol circulated the management reports and they look very healthy because they represented income up to March when it was raining (after March we had little rain and so the income is in arrears). There are two items from the management accounts to talk about in particular.

### **Share dividend payments**

Andrew said that this has not quite been sorted out. At end of April we should have accumulated 5K for year to date but the accounts only show 4K. We should have accrued liability of 17K, (being 5K this year and 12K from previous year). This will be corrected.

Once Sam has collated all the information, we can send the share dividends out. Carol said we need to get this right and so the document that will be used to trigger all payments needs to be approved by Andrew and Sheila to make sure the dividends are correct. This should be done by end of July. We may have to send reminder letters to confirm address and banks details before we send out dividends. If address can't be confirmed, we will send a cheque to the address we have and ring fence money until we find the new details.

Andrew provided an update on the report from Cavetta Consulting.

The report was encouraging. They analysed every payment made by AED up to end of November 2018, (but not payments of interest, capitalised or actual), they found 1.2 million as being allowable for capital allowances. Nearly all of it under a special category, which gets allowances on 8% writing down basis. A small amount falls under 'normal' capital allowances. The assumption that the accountants originally made was that as very little of our expenditure fell into the

'normal' bucket of allowances we wouldn't get many allowances at all, but Cavetta have found 1.2 million that we get allowances on. That compares to the book value of fixed assets before depreciation of 1.6 million (at the end of November). If that was the end of the story that would mean there is 360K of capital expenditure which wasn't allowable for tax and that would imply we would have to repay an equivalent amount of borrowings, or share capital, out of taxed income.

That would boil down to us, at some point over the next 20-40 years, having to make an aggregate tax payment of 84K, or 3-4K per year. That wouldn't be too big a deal but that 84K is almost certainly an overestimate because on the balance sheet under fixed assets is 75-90K of interest, but there is no reason that this interest is not allowable for tax. His assumption is that this should be written off in the year it was incurred.

In addition, there are other items have been capitalised by us that Cavetta have said don't attract capital allowance but they are expenses that can be written off for tax purposes in the first year, including Carol's cost, Chrissie's cost, Accountant and Legal fees etc. More detail is needed, but the actual tax bill over 20-40 years is going to be pretty small, in the 10-20K rather than 84K over that time frame. It won't be smooth, but back ended.

Andrew asked how we kick this off with HMRC? Our current position is that Armstrong & Watson have put in return for 2016-17, which ignored all of this. Carol said that Cavetta's proposal said that part of what they will do is sit down with our accountants to go through that they have found.

Andrew agreed and said that the logical thing is to say that we don't put on capital allowance until the project is built. However, interest that is treated like an expense in first year needs to be looked at and explained to accountants.

It seems like we need meeting with Cavetta and Armstrong to decide what 2017-18 tax return should be and whether it restates the 2016-17 tax return or not. The outcome should be positive for AED, a modest amount of tax payable over life of project.

We can say to Cavetta that items like the 35K bond and repayment of DIG load aren't capital, but they may have realised that. We could write them a letter saying that looks fine, here is some information you may need and ask them where we go from here?

**Action:** Carol and Andrew to discuss what needs to be done and then Carol to contact Cavetta about next steps.

### **Performance Against Plan**

- Insurance cost came in over 1K under budget. Actual £6771 Budgetted: £8004. Carol will adjust budget from Q2 onwards to 7K per annum.
- CINK budgeted at £3996 and the actual bill was for £2204. CINK bill now paid through FEXCO.
- Carol mentioned that she has changed the budget on the insurance and is proposing to move the positive variants from the CINK maintenance bill into the Sinking fund, as the CINK bill will be higher in the future, so the fund is a method of ring fencing the cash for future bills.

### **9. Operational Report**

Peter said that we have had a long spell of dry weather. The turbine didn't run for 55 days, but we did get 12,000 Kw Hours, which was more than last April. May has been very quiet, and the turbine only started running on Sunday, consistently at 50Kw Hours, but this is traditionally a dry time of year. We did only 6300 Kw hours last May, so we're doing 1000 K/w per day at moment.

CINK came and did service and changed the oil in the gear box. They didn't change hydraulic power pack oil, as it's not due yet. They rebalanced the mountings on the gear-box, went through all electrics and signed it all off. They recommended a vacuum cleaner for the powerhouse, which Mark Potter Irwin is organising.

The whole Ops crew was retrained. We added to the team, Ricky Reid, Mark Potter Irwin and Sid Wright, as Jane stood down from the team and Tam has been working away so couldn't do the training. He has been taken off rota but is still there to help out when needed. Thanks to Jane and Tam for last year, which was really successful.

A local team ensure the running of the turbine, which makes this a cost effective option.

Coming up: We have the Pigging to do. We need to clean pipeline and check the seal on the scour valve, so drinking supply is of best quality.

**Action:** Peter to contact DA McDonald to schedule for this month.

### **Active Network Management**

Carol said at the AGM that she would work on how we deal with grid curtailment and cost impact on the company. In terms of operational expenses £17,700 annual expense to SGS, is the biggest single operational expense (aside from loan payment to SIS), but if we said we don't need it anymore, we would have to write off the outstanding 180K.

At the Cares Conference on 8th-9th May in Perth, Carol saw Andy Crumley (SSE) and he offered to put together a new flexible agreement, so we wouldn't need ANM.

It's also worth noting that SSE frequency of checking is not same as SGSs. The reason is there were a number of people using SSEs frequency to generate more than their license agreed to.

Simon Morris has now sent though list of options for what we could do and the risk factors. Johnny Bell, Simon Morris and Carol will have a discussion on Thursday to agree the position.

Carol has sent email to new account manager at SIS, Theresa Sharp and copied Rob Halliday. He has said our proposal is excellent and makes perfect sense. Once we have gone through options we can go back to Rob and he will ask Denton's if they have to look at it.

Most likely outcome is we get 10-15K of bill taken off, but because we have to keep the ANM management system operational we don't need to write it off. The target is to get it done by end of June.

Chrissie asked what the new flexible agreement would include?

Our agreement says we are curtailed to 50Kw with the ANM solution in place to generate up to 350Kw. Currently, our fail safe is set to zero, so we could stop instantly if we were generating too much by using emergency stop button. The SSE fail safe would be 350Kw and the maximum is 350Kw therefore the system wouldn't need to be monitored.

On 13th May Carol was requested by Local Energy Scotland to put the community's view on the challenge of grid connection and ANM to SSENs transmission people to help them put proposal to OFGEM for the RII02 (the next 5 year pricing strategy from OFGEM).

At this event Carol spoke to a Scottish Government representative who is responsible for putting together government strategy for renewables and community energy, she was horrified at what we've been through regarding ANM. That group will reopen discussion about what would happen if grid capacity was changed and whether they will force the buy back of grandfather connections that aren't used. They are due to circulate proposition for OFGEM by the end of May.

Carol's take on that meeting is there is no guarantee that they will sort out grid capacity on the West side of Scotland because they don't know how to do it. So, we're hopeful that the new flexible agreement will keep the cost down.

## **10. Other business**

Chrissie requested that someone else take on the minutes. Carol asked Sam Marshall if she would be available to share the task because the Board meetings and AGM meetings are recorded so they can be done by someone else. Thank you to Chrissie for taking the minutes for over 2 years.

### **11) Date of next meeting**

16th July 2019

**Meeting Closed at 9:00pm**

**Minutes approved at Board Meeting #031 on 16th July 2019.**

A handwritten signature in black ink, appearing to read 'Sheila M. Clark'.

**Signed by Sheila Clark**