



AGM 2022 FAQs - Westmill Solar

Should we consider a percentage trading dividend as opposed to a flat rate?

The Board did initially consider a percentage trading dividend, which is more usual. However we felt that this implicitly encouraged higher energy use, which runs counter to the energy-efficiency aspects of Westmill Solar's Rules.

Will the increase in electricity prices mean that our income / profit goes up significantly for 2022?

No - our PPA income is a relatively small part of our income and the (approximately 20%) price increase which took effect in February 2022 and which is fixed for 18 months, was agreed last year before the more recent surge in energy prices. The loss of generation from the transformer issue will also reduce our PPA income in 2022 - although we believe that most of these losses should be covered by our business interruption insurance.

Are you planning to issue further bonds to pay down the Pensions Partnership funding, which looks expensive given that it's RPI linked, and burdensome?

We may do so - but we are fortunate that the current increase in RPI benefits us overall as the increase in our Feed-in-Tariff payments is likely to be greater than the increase in our interest payments to LPPI. We anticipate offering a bond to replace the existing 2019 bond which expires at the end of 2024 and a key focus for any bond will be to expand our membership, particularly amongst younger people.

I would like further explanation of why you have reduced the interest payment to 10% when you could have kept it at 12% and still had a surplus of about £170,000?

The reasons for this decision are set out in our 2021 accounts - the Board felt it was appropriate to take a prudent position on this pending resolution of the transformer issue. It is also worth noting that by not returning capital to members in 2021 (as we had previously envisaged), the 10p per share interest is being paid in respect of more shares than would otherwise have been the case - had we returned share capital, a payment of 12p per share would have been more likely.

I think I've asked/suggested before, but can we consider doing more, at least in the way of possible technical etc., advice, support - or even consider some form of consultancy - for beyond the immediate hinterland maybe we do so, perhaps less structured or more informally - for small-scale as well as medium projects and those looking to build and run more community oriented, or even community based small enterprises, wind, PV and other schemes?

This is an interesting idea. We know we have a large amount of technical expertise among our members and the concept of sharing our expertise fits well with our co-operative status. The problem at the moment is that we simply do not have the management bandwidth to establish and manage this kind of operation - and it is a pretty competitive area - so the Board needs to understand whether this is something members think we should prioritise. One to keep under review as we develop our strategy over the coming months.



With energy prices rising, what is the scope to expand the solar and wind investments (Westmill-2) to a second site? ... Returns must now be similar to the levels when we invested with government insensitivity.

The big constraints on expansion are (a) finding a site and obtaining planning consent and (b) connection to the grid - and there is obviously a big question mark about how long energy prices will stay at their current very high levels. Westmill Solar and Westmill Wind are both keen to encourage more community renewable generation, whether we do it ourselves or by helping others do so (as we did a few years ago with Southill Solar and last year with Reading Hydro and the Schools Energy Co-op).

As a general update on PPAs, it would be helpful to understand how the tension between increase in electricity prices (owing to rising gas costs) and ability to supply solar power at a low marginal cost might affect access to lower tariffs from renewable energy supply.

Given what has happened in the supply market over the last 12 months, with many smaller suppliers going out of business, the reality is that remaining suppliers are being even more careful about hedging their future needs - and will be reluctant to offer specific (and cheaper) renewable-only tariffs while their margins are so squeezed. Judging from the high PPA prices that are currently being offered for 2023/4, a vicious circle appears to be emerging (for consumers at least) with high prices locked-in for some time even if the price of gas falls and even though the costs of renewable generation have stayed (broadly) unchanged.

Will the recent engineering and logistic supply problems materially affect whether we can make the community grants in 2022 that were so successful last year? In other words will the same community grant award scheme happen in 2022 at the same level or will it have to be cut back?

Our community funding is generally spent the year after it is allocated in the accounts and some of our 2020 community funding was allocated to the new visitors' centre project and ultimately not used in 2021. This money will be carried forward into 2022 and means that the amount available under this year's community grant scheme is expected to be at a similar level to last year.

Will all the transformers at Westmill be tested for winding insulation faults? Is there any condition monitoring that would help?

We are checking this with BSR and will confirm in due course.

Your votes in the past are carried on the number of shareholders voting. Each individual shareholder holds different numbers of shares.? Can you give results on the percentage in favour in future?

The rules of Westmill Solar state (and it is a key principle of being a co-operative) that all members shall have one vote only on each of the motions put forward irrespective of the number of shares held. We can provide percentages in favour but this can only be on the basis of the number of votes received, not the numbers of shares held by those members voting.



How do you anticipate the rapidly escalating electricity prices will be reflected in Westmill's revenue for 2022/23?

We agreed to extend our Power Purchase Agreement with Octopus Energy in May 2021 before the most recent and dramatic increases in wholesale electricity prices. This extension covered the period from February 2022 to July 2023 and the price we receive for our generation increased by approximately 20% from 1 February 2022. In general, the Board aims to achieve fair and consistent pricing over the long-term and to limit Westmill Solar's exposure to short-term price volatility.

Do you propose to return to "in person" AGMs in future?

Very much so - we had hoped to have our AGM 'in person' at the Westmill site this year but it was not possible to do that as well as including on-line attendees. We are planning an autumn event in Didcot, partly to celebrate Westmill Solar's 10th anniversary, and look forward to seeing as many members in person as possible then.

If money is not given to charitable causes, will members be given a payout better than 10p per share?

No. As a co-operative we are limited in the levels of returns that we can offer our members and these are largely underpinned by the forecasts set out in our 2012 share offer document. The increase in our community funding payments over recent years reflects a consistent level of over-performance of the solar park compared to those forecasts - and so has complemented, not detracted from, the levels of return to members.

What were the main reasons for reappointing Critchley Audit LLP following the audit re tender last year?

Last year's Westmill Solar and Wind annual meetings agreed we should look to appoint a single accountant and auditor for 2021 accounts. The respective boards established a joint panel of Solar, Wind, Ethex and E4All Directors which was chaired by Mark Luntley with the objective to carry out tender of audit providers and report with recommendation to both boards.

The Panel agreed on a shortlist of existing auditors of wind and solar and another third firm with relevant cooperative accounting experience. The Panel received written proposals and then met with senior staff from each of the three bidders. The panel was unanimous that Critchleys offered the best balance of quality and price and recommended their appointment to a joint meeting of both boards.

Does the RPI increase of 7.5% in FIT affect the dividends for 2022?

It will certainly increase our revenue for 2022 and underpin our financial position going forward. It is also particularly welcome given the potential loss of revenue this year from the failed transformer. However, members should not expect a 'windfall' in their levels of future



interest payments - the Board's primary focus in this respect is meeting the levels of return that were forecast in the 2012 share offer document.

Why spending money on social / educational projects, which should be down to the state and/or individual citizen, INSTEAD of reinvesting in for instance alternative energy storage?

The Board intends to do both - a group has been looking at the possibility of installing battery storage on the site and the £500,000 reserve which Westmill Solar made in our 2020 accounts was intended to help support this kind of longer-term investment and/or other ways of developing Westmill Solar. We are also keen to extend the levels of financial support we provide to other community energy projects as we did in 2021 with Reading Hydro and the Schools Energy Co-op

Given the current increases in energy costs for consumers and the phrase "green taxes" in liberal use, I am trying to get an idea of the income earned and costs incurred in the operation of the solar farm. I am also interested to find out why the solar farm continues to be a much more lucrative investment than the wind farm, being a member of both coops. So could you please comment on the following:

For 2021 the solar farm earned approximately 45p per kWh generated, comprising approximately 5.26p per kWh from the sale of electricity, covered in the PPA and 39.6p per kWh largely covered by the FIT payment. Costs were approximately 18p per kWh or 19p per kWh including administrative costs, giving a healthy margin.

So is it correct that the FIT is currently £396 per MWh generated? This seems to dwarf the strike price of £100 for the Hinckley Point C nuclear station. I am aware that without a FIT payment, given the large capital investment and leap of faith required at the time of construction, that the solar farm would not have been economically viable. However, in hindsight, did the government set the FIT too high? If so, presumably this feature will diminish over time as the amount of solar generation which no longer qualifies for the FIT payment increases (and of course costs significantly less to install).

The biggest difference between the financial position of Westmill Solar and Westmill Wind is in the level of subsidy payments that each receives. Although Westmill Solar came after Westmill Wind, it was one of the first solar parks in the UK and benefitted from the substantial FIT rates which applied at the time it started operating. As you say, these were set at relatively high rates initially because of the perceived financial risk at that time - and were cut substantially from the end of July 2011 as the costs of panels fell and solar power became more established.

Can you please expand on the FCA's ruling that it did not consider West Solent Solar Co-operative Limited to fulfil the criteria for being a bona-fide co-operative and what impact this might have on Westmill Solar.

Unfortunately, we can't comment in any detail on the process that West Solent went through with the FCA as most of this was confidential. However, we know that it was very time-consuming and expensive for West Solent and that the FCA is concerned to ensure that co-operative status is not abused by organisations that are simply collective investment vehicles. We are also aware of a number of energy co-operatives that have been successfully established in recent years (through e.g., Energy Local and Ripple but also the



Big Solar Co-operative), most of whom have some kind of trading link between their members and/or the electricity that the co-operative generates. Westmill Solar and Wind Co-ops have consistently sought to provide this kind of trading link for our members and our trading dividend is a key part of this strategy.

Please can you update us on the transformer grid connection status/repair? Thanks

As anticipated, it was not economically viable to repair the faulty transformer and the new replacement is scheduled to be delivered in late September/October. However, we have had some good news this week in that, after extensive searches, we have identified a short-term replacement which (with some modifications) we are able to use on a hire basis until the new transformer arrives. Some further work is required but we hope that this transformer will be installed and operational by the middle of July. This will obviously reduce our revenue losses which we now expect to be around £400,000, most of which we believe should be covered under our business interruption insurance. A more detailed update on this issue is can be found in the same email.

The failure of a transformer is unfortunate. Has a reason for this failure been found? If so, is the cause likely to affect any more?

The faulty transformer has been inspected but it has not been possible to discover the precise reason for the problem - however there was a critical fault in the transformer core which is unusual. Further testing has been undertaken on the three other transformers and, as far as we can tell, there is no indication of any similar problems with them.

Should domestic PV be inspected for PID as were the panels at Westmill Solar? If so, how do you go about doing this?

Westmill Solar were notified of the PID issue by our O&M contractors British Solar Renewables and it was dealt with by them. Degradation is often worse at higher DC string voltages e.g. 600-1000+ so less likely to be an issue for domestic panels. It is also worse in high temperature and humidity so we think it is fairly safe to assume that given the degradation was rather low for Westmill Solar, domestic users should be ok.