

COMMUNITY PAYMENTS

Case studies from across Europe
2nd edition

Renewables 
Grid Initiative

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FOREWORD

Many Transmission System Operators (TSOs) pay money to communities present in the vicinity of new grid infrastructure. These payments (also known as community compensation/gain/benefit) are seen as a way to supply an “appropriate benefit” to communities that host grid infrastructure, and to increase local acceptance of a project. At the same time, such payments have been criticised as a tool to ‘buy’ local community support. Finding the right, legitimate approach to such payments is therefore of high importance.

The practices used to design and administer payments to the community with regards to new grid infrastructure are diverse. RGI has received requests from many of its Members and external partners who are curious to understand what current practice in this field looks like and how it is being shaped by local circumstances. These requests come from a desire to improve practice through the sharing of real world “on the ground” experiences.

This brochure, therefore, looks to act as a knowledge-sharing tool by presenting six case studies of community payments from across Europe. Five of these case studies are from the electricity grid sector (Ireland, Germany, France and Italy) with a sixth coming from the wind energy sector in Scotland. By creating a common understanding of how TSOs and energy companies across Europe are designing and implementing their community payment mechanisms, we hope to improve practices.

This is the second version of this brochure, building upon the original that was published in 2016. This version includes updates of the original case studies and adds some additional examples of community payment mechanisms from France and Germany. It also includes a summary of the different practices and some potential positives and negatives of the practices presented. A project's inclusion in this brochure does not indicate an endorsement of the project or the specific community payment type used.

INTRODUCTION

Community payments for grid infrastructure are payments made by the TSO to provide a direct benefit to communities in the vicinity of a new or upgraded high voltage electricity line. These payments, as part of the project offering, can be defined as a “goodwill” contribution by the TSO for the benefit of communities affected by development. Such payments are rooted in the desire of the TSO to redress the lack of local gain that people often experience from new grid infrastructure.

Offering community payments is also a way for TSOs to meet their corporate social responsibility aims and to create or maintain a positive public opinion towards current and future projects. Such payments are a separate offering from compensation monies given to landowners, or any actions necessary for the project to receive the required planning or environmental permissions. Consequently, these payments are also not considered by the planning authority when determining the outcome of planning applications.

Community payments share some of the following characteristics:

- They fund local projects of community benefit with a pre-determined one-off or yearly contribution.
- Local/regional authority either controls the money or assists in the payments set-up, management and dispensation.
- Amounts made available by the TSO are initially based on the project characteristics (length of line, number of pylons, total project cost etc.).
- They are geographically limited to activities or projects that are a pre-determined distance from the line, or within a local authority's jurisdiction through which the line passes.

Although often similar, mechanisms for distributing community payments are being designed in a number of ways. The methods used to define the geographical scope, who is chosen to manage the funds and what these funds are finally used for, varies. Setting up community payments as a way of creating local value can be challenging. Ensuring transparency and equity have to be the two primary concerns of any TSO and supervising authority.



GERMANY – 50 HERTZ

In 2012, the German TSO 50Hertz introduced its policy of “community compensation” in cooperation with the national regulator (“Bundesnetzagentur – BnetzA”) and state and national governments. This policy complements the environmental compensation measures done by the company. Payments are offered for all overhead line projects that have a new footprint (the physical location of a pylon). 50Hertz is the first TSO to introduce community compensation of this kind in Germany, with the process detailed here a pilot case.

50Hertz’s policy was designed in line with a piece of German legislation (StromNEV,§5(4)) that was issued by the German government and which was reviewed by the German regulator. This piece of legislation gave TSOs the opportunity to pay a limited amount of money (a maximum of 40,000€ per kilometre of line depending on the number of transmission systems on a line) to the local communities (“Landkreise”, county/parish council) through which a planned line would cross. Compliance issues were reviewed checked and discussed with 50Hertz’s compliance ombudsman and the responsible authorities, to avoid any legal risk for 50Hertz, its employees as well as for local authorities and their employees.

Usually, 50Hertz begins the community compensation process by informing affected communities in the early consultation phase, so that they will have the opportunity to claim compensation from

50Hertz. As the project becomes more advanced, uniform contracts are signed between 50Hertz and the participating “Landkreise” that guarantee the amounts calculated and secure the rights and responsibilities of both parties. Amounts are calculated strictly on the basis of the length of the line that crosses the community territory, the strength of the line and the number of electrical systems, with no negotiation on amounts possible. The communities themselves then either choose to accept or reject the contract offering as it is.

The money itself is paid by 50Hertz to the qualified community upon the commissioning of the project, with the community free to use the money as they see fit. According to the legislation, 50Hertz plays no further role in directing how the money is spent and is reimbursed through the grid tariff.

Schwerin-Hamburg “Wind Bus Bar” project

The 88 kilometre Schwerin-Hamburg “Wind Bus Bar” project is a 380 kV line connecting new wind energy capacity to consumption areas across northern Germany. 50Hertz made clear that they were willing to offer compensation on this project during early consultation meetings with the local authorities, with contracts then drafted for agreement with each of the communities.

23 “Landkreise” in all were eligible for compensation, with 22 deciding to take the money on offer.





One of those eligible did not receive the necessary feedback from the supervising body (the state authority) due to disagreement on competencies and responsibilities, and, as a consequence, did not ask for the payments. The project was commissioned in 2012 with a total of €1.62 million paid out that year. The money paid went into the general operating budget of the local council, whose main areas of responsibility include, among others:

- Public parks
- Social welfare
- Youth welfare
- Public libraries
- Building and upkeep of regional roads
- Financial support for cultural activities etc.

50Hertz sees the money given as a way to redress a lack of local gain in such projects. 50Hertz considers local authorities to be the best conduit through which to spend the money in the public good because they are elected community representatives.



KEY FACTS

- Payments are made directly into the operating budgets of the county/parish council, at a maximum of €40,000 per Km of line. 50Hertz publishes the payment scale on its website.
- 50Hertz plays no role in deciding how the community spends the money.
- The organisation and amounts paid for “Community compensation” are defined by German law, but remain optional for the TSO.
- 50Hertz has paid community compensation on two projects so far and plans to roll it out on all following projects.
- Other German TSOs are currently at an earlier stage of implementation.
- Money to be used for public amenities, support schemes for the youth and elderly, tourism and cultural activities.

LINKS

- **The StromNEV, §5(4) legislation (German)**
https://www.gesetze-im-internet.de/stromnev/__5.html
- **50Hertz policy on compensation for municipalities**
<http://www.50hertz.com/en/Grid-Extension/Compensations-for-municipalities>
- **Details of the Wind Bus Bar project from 50Hertz**
<http://www.50hertz.com/en/Grid-Extension/Projects/Wind-Bus-Bar>



IRELAND – EIRGRID

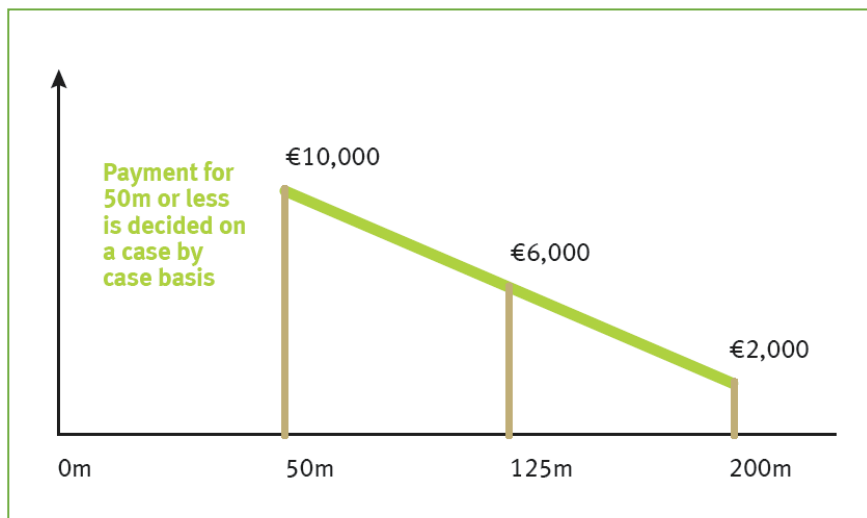
EirGrid's "community gain" measures were developed in response to a 2012 policy statement released by the Irish government on the "Strategic Importance of Transmission and Other Energy Infrastructure". This policy statement looked to promote ways of increasing public acceptance of grid infrastructure by supporting community gain approaches, with the emphasis on landscape, biodiversity and civic amenity benefits that could be brought to impacted communities. In response, EirGrid developed a community gain package that would be deployed on new development projects in the coming years. The package contains two elements:

The community payment is part of EirGrid's response to public concerns about new grid infrastructure. The payment looks to share the benefits of new and upgraded network infrastructure with the communities whose cooperation is needed to improve the Irish electricity grid. For each grid improvement project EirGrid creates a dedicated fund, which dispenses payments to communities who are closest to new transmission infrastructure. These payments are used for projects of local value and are dispensed in the form of grants.

EirGrid deliberately keeps the structure of the payments flexible in order for them to suit a variety of local contexts.

The proximity payment aspect looks to provide direct benefit to those impacted by the line. This consists of a payment made to all homeowners whose occupied building is within 200 metres of the centerline of 220 kV and 400 kV lines, or within 200 metres of a new pylon for 110 kV lines.

The proximity payment is dependent on the voltage of the line and is based on a sliding scale; the highest amounts are given to those at 50 metres decreasing in amount per metre to 200 metres.





The process used by EirGrid involves the following steps:

- Once the route has been agreed upon, EirGrid approaches homeowners and explains the offering and application details.
- EirGrid assesses applications and will either confirm the offer or explain reason for rejection.
- Homeowner reviews and either accepts or rejects offer.
- EirGrid pays 20 % of amount when construction starts.
- EirGrid pays the remaining 80 % when the line is energised.

Both elements are defined as “ex-gratia” by EirGrid and are considered a gesture of goodwill by the company. This means that EirGrid does not recognize any obligation to pay this money and is therefore not legally bound by its choice to do so. Individuals and communities will only be offered money in this way when impacted by one of EirGrid’s “Greenfield” projects, meaning that the package does not apply to upgrades of existing lines or substations.

Mullingar-Kinnegad Community Payment

The Mullingar-Kinnegad project is a newly constructed 110 kV line which was used by EirGrid to pilot the community gain package. The project runs between two existing substations for a length of 24 kilometres, alongside two existing 110 kV lines. A total of 125 double wood pole structures and 23 steel towers have been constructed along the length of the proposed development with associated upgrade works also planned. Several rounds of public

consultations were undertaken for the project between 2009 and 2012, with the line completed and energized in March 2017. The project was identified by EirGrid as a good candidate to pilot the rolling out of the community gain package, as construction works coincided well with the introduction of the mechanism.

The community payment element of the project was made available in April 2016 to non-for-profit, community or voluntary organisations with potential projects located within a defined boundary around

KEY FACTS

- The “Community” Gain package was introduced in response to a guidance document released by the Irish Government that encouraged the implementation of such measures.
- € 15,000 per Km were made available on the initial pilot of the fund.
- Part of the fund is to be managed by the local authority (smaller grants) with larger, regional grants managed by the “The Community Foundation for Ireland” (a grant managing NGO).
- Involves an independent proximity payment element for all those whose main dwelling is within 200m of the centerline or pylon (depending on voltage).
- Money to be used for employment, education, environmental and community facilities.

the new transmission line. The community payment made available for the project was set at € 360,000 (€ 15,000 per km x 24 km of line.)

The payment was broken into two streams of grants based on differing amounts on offer to the applicant:

€ 1,000 to € 10,000 - These grants are targeted at smaller initiatives and were administered by Westmeath County Council (the local authority) on behalf of EirGrid.

€ 10,000 to € 50,000 - For these amounts, the payment looks for benefits proven to last over the medium to long term. The Community Foundation for Ireland and Westmeath council administered these larger awards on EirGrid's behalf and have advised EirGrid on the main issues within the Mullingar-Kinnegad area.

Projects seeking funding had to be within 2.5-3 kilometres of the new line. A total of 37 community organisations in the counties of Meath and Westmeath were chosen to receive funding.

The Mullingar-Kinnegad Community Payment was evaluated in 2017/18 by an independent researcher. The scheme was considered a success in its goal of engaging local people with the project and EirGrid. This being so, several proposals to improve future mechanisms was given, including:

- Better harnessing of local knowledge when designing the fund's application boundaries.
- Clearer communication and guidance on what projects can apply for the money.
- Robust evaluation mechanisms to measure a funded project's impact

LINKS

- **EirGrid Mullingar-Kinnegad Community Fund details**
<http://www.foundation.ie/wp-content/uploads/2016/04/Criteria-EirGrid-Community-Fund-Mullingar-Kinnegad-110-kV-Line-1.pdf>
- **Details of the Mullingar-Kinnegad project**
<http://www.mullingar110kvproject.ie/index>
- **"Strategic Importance of Transmission and Other Energy Infrastructure" policy statement - Irish Government**
<http://www.eirgridgroup.com/site-files/library/EirGrid/GovernmentPolicyStatementontheStrategicImportanceofTransmission.pdf>



FRANCE – RTE

Since 2005, the community support mechanism plan (Plan d'Accompagnement de Projet "PAP") has been implemented for each of RTE's new overhead line projects. This mandatory mechanism is defined by a Contract of Public Service between RTE and the government.

Governed by the local state's representative ("Préfet"), the community support mechanism aims at financially supporting local projects. Proposed by institutional or public stakeholders, such as municipalities, regional authorities, NGOs and other public bodies (e.g. nature parks), these projects are expected to generate positive economic, social or environmental outcomes at the local level. The amount of money made available is linked to the total investment cost of the line, and depends on the voltage (10% of the investment cost at 400 kV or 8% at 225 kV and less). This money is divided amongst the beneficiary local authorities whose territory would be directly affected by the future power line (with the amount of money available decided by the length of the line crossing their territory). Other stakeholders, such as regional communities, NGOs and national parks, can also benefit from the community support mechanism under the condition that they operate in areas which are close to the future power line.

"My territorial projects": Participatory crowdfunding

Since 2015, RTE has been working to enhance the existing community support mechanism with a participatory dimension. This follows three goals: first, to support projects promoted by individual stakeholders living nearby the future power line, in addition to those promoted by public and institutional stakeholders; to involve the public in the selection of the projects to be funded, thus favouring empowerment; and finally, to highlight RTE's positive financial footprint in a territory.

To achieve these goals, in some of RTE's projects, a part of the PAP money is being set aside for the "My territorial projects" mechanism. This mechanism is built around a crowd funding platform where project promoters (local people) can propose projects to be funded, provided they would be of benefit to the community affected by the future overhead line. The public then choose and contribute, through donations, to the projects which they think are the most worthwhile and valuable.

Each Euro given by citizens on the platform to support a project is matched by a euro taken from the portion of the community support mechanism plan dedicated to "My territorial projects". At the beginning of each project, a financial target is defined by the promoter, with the possibility to go beyond depending on the amount of contributions. The

financial support provided by RTE can cover up to 50% of the initial financial target set by the promoter.

To be eligible, a project must be related to social solidarity, or have an environmental or cultural dimension. It is also expected to generate positive outcomes for the local territories, to develop the local communities' pride and cohesion and to address priority local needs. RTE sees this mechanism as helping to unify communities, to empower individuals and to strengthen their relationship with RTE. Considered by RTE to be a success, this mechanism will be implemented in further grid projects.

Examples of territorial projects:

- Creation of pedagogic suitcases to be shared between several villages of a rural area to provide 1000 pupils with equipment related to photography and filmmaking, cooking, environment etc.
- Organisation of a five-day international university theatre festival to encourage intercultural dialogue and create links between university theatres and local NGOs in France and abroad.
- Development of a micro-methanation plant which, by producing energy from the unsold fruits and vegetables of a local biological shop, promotes a better understanding of green energy processes.



- Construction of a nesting tower for swallows in a protected area to both contribute to the preservation of the species and raise awareness on avifauna issues.
- Renovation of a non-profit space, housing free cultural events (e.g. concerts, plays, exhibitions, conferences).



KEY FACTS

- 32: the number of projects funded through the “My territorial projects” mechanism (July 2018).
- 1422: the number of projects’ supporters.
- 94,850: the amount of money (€) provided by RTE.
- 208,413: the total amount of money (€) collected.

LINKS

- **My territorial website crowdfunding site (French)**
<https://www.mesprojetsterritoriaux.fr>
- **RTE’s Public Service Contract (French)**
https://www.rte-france.com/sites/default/files/20170505_contrat_de_service_public_rte_final_signe_par_sroyal.pdf





ITALY – TERNA

In Italy local authorities are given the right to stipulate agreements with the TSO in order to request “compensation measures” (Legislative act 239/2004). These compensation measures look to offset residual impacts and supply an environmental balance to those areas that are impacted by either a new grid line project or by the upgrading or conversion of existing infrastructure.

After a project has been proposed, the national TSO Terna approaches various local authorities (provinces, municipalities, national parks) in order to negotiate agreements on the nature and scope of the compensation activities. After discussions, an initial “Protocol of Understanding” is signed identifying the eligible authorities and defining the project route and rationale (upgrading of old power lines etc.). The total amount of money for compensation measures is set by Terna and based on a percentage of total project costs (approximately 6%). The money is then allocated to local authorities based on a methodology provided by the consultants CESI (Centro Elettrotecnico Sperimentale Italiano). This allocation is based on project parameters and the areas physical characteristics (number of kilometres of new lines, voltage, substations, environmentally sensitive area etc.).

Terna provides a list of project categories that it is willing to fund and for the authority to realise, this includes:

Environmental measures:

- Conservation and improvement of habitats.
- Environmental restoration of areas of public interest.
- Energy efficiency/ energy saving.

Urban and infrastructure improvement measures:

- Construction/restoration of public buildings
- Construction of cycling paths.
- Improvement of local architectural/archeological/artistic heritage.
- Improving accessibility of public buildings to the elderly

Subsequent to this, the local authorities that signed the “Protocol of Understanding” suggest specific appropriate projects that fit into one of the provided categories. After the projects have been identified, a contract (Convenzione) is signed with each municipality to define and approve how the authority will receive and spend their respective money. This is done after a formal vote for approval is held within each provincial/municipal administration. The project itself has to be located on public soil within the boundaries of the authority that signs the agreement, regardless of its distance from the grid infrastructure.

The payments are structured in three steps: the first



25% is paid when construction begins, during construction the authority is then able to invoice as the compensation project progresses. Finally, the balance of the agreed upon sum is paid when the power line is operational.

The most common actions of public interest to be funded by Terna so far have been playgrounds, streetlights, pedestrian/cycling paths and the restoration of public schools and of cultural/artistic heritage.

Chignolo Po-Maleo 380 kV powerline

The 24km Chignolo Po-Maleo power line is a line upgrade that runs between the cities of Pavia and Lodi, both located in the region of Lombardy. The initial “Protocollo di Intesa” (MoU) was signed in June 2008 by the province of Lodi, the river Adda park authority and eight municipalities. Terna identified the total amount available for compensation based on the forecasted project costs and allocated this amount amongst the impacted authorities. These authorities then identified a set of compensation projects adhering to the list of possible actions set out by Terna, with each project being formally approved by Terna and the leading bodies of both the province and the municipalities.

The most common projects chosen for this project were:

- Maintenance of the roads pavements.
- Construction works for public gyms, stadiums, schools and municipality offices.
- Upgrade of heating systems (schools, public offices).

- Restoration of historical buildings and churches.
- Cycling paths and car parking areas.
- Recreation grounds.
- Remediation of waste disposal areas for ecological improvement.

The most effective compensation project has been deemed by Terna to be the project realised by the Municipality of Chignolo Po. This included the demolition, redesign and enlargement of a local secondary school (pictured) in order to allow the school to increase its capacity and host both primary and secondary school children.



KEY FACTS

- The total amount of money for compensation measures is set by Terna and based on the total project costs.
- Terna uses a methodology developed by a consultant (CESI) to calculate the division of compensation monies based mainly on the project parameters and the areas physical characteristics (km of line, substation etc.).
- Terna provides a guiding list of projects that it will fund, with the specific projects to be funded jointly agreed upon.
- The most common actions of public interest to be funded by Terna so far have been playgrounds, streetlights, pedestrian/cycling paths, the restoration of public schools and cultural/artistic heritage.



SCOTLAND – WIND ENERGY SECTOR

The wind energy sector in Scotland has a history of offering community payments on their projects (over 10 years). Although wind farms are contained “non-linear” projects, there exists a similar set of public acceptance issues faced by both the wind energy industry and grid development projects. The mechanisms used in Scotland regarding community payments are therefore of value to all those interested in developing appropriate mechanisms for grid infrastructure projects.

The Scottish governments guidance on community benefit mechanisms for wind energy developments is grounded in the belief that such mechanisms “present an opportunity for social, economic and environmental improvements to communities and

individuals in Scotland” Scottish Government guidance paper (2014).

Rather than promoting an approach that looks to tie funds to local authority budgets, project developers are encouraged to voluntarily set up structured community funds that are managed independently by a selected panel. The Scottish government’s position also seeks to encourage innovative approaches such as in-kind benefits (habitat improvement, industry apprenticeships) and broader regional development. Additionally, the mechanisms set up by wind energy developers in Scotland are voluntary and are separated from the decision-making planning and permitting process run by the local authorities’ planning department.



The Scottish government suggests that the geographical scope of the funds is based around the community/parish councils (local governmental districts), but no strict rules are provided to limit their geographical scope because it is considered important by both industry and government in Scotland to leave a certain amount of flexibility in the process.

How is the money spent?

Several of the larger developers in Scotland manage the funds “in-house” and administer the fund on behalf of the community, while others are managed by independent charitable foundations (e.g. Foundation Scotland). The terms stipulated by the developer are generally “hands-off” and do not prescribe specific uses for the money, rather they define the Terms of Reference (ToRs) for the management of the fund, the amounts given and some restrictions on what the money can be used for (no political activity/anti-wind farm activities etc.).

The decision-making body that runs the fund usually consists of at least one local authority official. Who makes up the rest of the panel varies and can include a variety of people deemed responsible and representative. This panel reviews applications for the financing of local projects and judges on their

suitability, such activities have included;

- Environmental protection and improvement projects
- Building/Improvement of sporting facilities
- Education and training projects for local people
- Supporting culture and heritage

Management of the funds are ideally governed by local community action plans, which set community priorities through a consultation process, with reporting and review processes built into the fund’s ToRs.

Ensuring transparency

Both the Scottish government and developers are well aware that if transparency is not ensured then the funds are unlikely to have their desired effect, and possibly even erode local trust. The “Scottish Government Community Benefit Register” was set up as a voluntary way for communities and industry to publish what they are paying/receiving, how the fund is being administered and what it is being spent on. Apart from this mechanism, it is largely up to the developer as part of their offering to ensure that stakeholders understand all parts of the process and that they instill complete accountability and transparency.

SSE – COMMUNITY INVESTMENT PROGRAM

Since 2002, the energy company and wind farm developer SSE has funded over 1,500 community projects, with grants totaling over £16 million (~18 million €). SSE offers a community investment fund on all its onshore wind energy projects in Scotland, with the latest updated package offering published in 2012. SSE commits a fixed amount of money to each project, with the amount currently set at £5,000 (~5,600 €) per megawatt of installed capacity every year for up to 25 years. Of this money 50 % is ring-fenced for the “local community”, with the other 50 % set aside and pooled into a “regional” fund for the wider area.

The Local Community Fund: This half of the fund looks to focus on those communities living in direct proximity to the wind turbines. The local community is initially defined as being the community council areas within close proximity to the wind farm site, this definition is flexible as this can include community/parish councils where significant visual impact, or impact from construction activity, also occurs.

Once the project has full planning permission, SSE starts working with local community councils to set up a small panel of community representatives who decide on how the money is spent. The local fund is for use by communities, predominantly within their geographical boundaries (community/parish council

area), as they see fit. This has included projects such as: skills development and training, social enterprise, amenity, educational, charitable, or environmental purposes.

Smaller micro-grants (usually under £500) are administered by the community/parish council, any amount greater than this goes to the community panel for a decision. The process runs as follows:

- Memoranda of Understanding and ToRs are signed with the council (after planning permission received).
- Fund is made public and advertised to local people.
- Applications received from public and assessed (criteria of assessment are flexible).
- Panel meets and decides what to fund
- Money paid.

The money cannot be used for politics, religion, direct energy subsidies, or activities that are deemed by SSE to be harmful to their interests or the wind energy industry more broadly.

Regional Sustainable Development Fund: The second half of the fund is ring-fenced for the wider local authority area and is designed to support larger regional initiatives, with applications for funding coming from across the region. SSE looks to focus the money on projects in close proximity to the wind turbines, but applicants from farther afield can also apply. The money often supports larger initiatives such as:

- Skills development and training
- Built or natural environment projects (e.g. Building a tourist walk through the region)

- Community renewable energy projects/energy efficiency schemes.

Projects can be set up to tackle one specific regional issue, such as funding for apprentice schemes for the young.

Like the local community fund, all funds are managed “in-house” and assigned a fund manager who is an SSE employee. The management of the fund was brought in-house (it was previously managed by an external organisation) so as to build a more solid relationship with project stakeholders.



SSE manages the funds by receiving and assessing applications against the agreed upon criteria, preparing panel documentation, undertaking annual fund reviews, preparing fund reports, grant-making and publicising the fund and supported projects.



KEY FACTS

- SSE commits a total fixed amount of £5,000 per MW per year of operation (for 25 years of forecast operation).
- Divided 50/50 into a Local Community Fund and a Regional Sustainable Development Fund.
- Micro-grants (smaller than £500) are administered by the community/parish councils.
- SSE manages the larger grants “in house” with a separate panel of local politicians, community leaders, regional development experts and SSE representatives awarding the grant money.
- Funds are only set up after planning permissions is confirmed.

LINKS

- Guidance Principles from the Scottish government on community benefits for onshore renewable developments
<http://www.gov.scot/resource/0043/00438782.pdf>
- Scottish Government - Local Energy Scotland - Community Benefit Register
<http://www.localenergyscotland.org/>
- SSE - Community Investment Review 2014/2015
http://sse.com/media/328462/CommunityBenefitReport_2014-15.pdf



INVESTMENT BASED MECHANISMS

TSOs have also attempted to create preferential opportunities for local people to become financially invested in a project. Such “investment-based” mechanisms are common in the wind sector, where local people are given the opportunity to invest in a project. When it comes to grid projects, such practices are still in the experimental phase.

TenneT’s “Citizens’ line”

In 2013, the German Ministry for Environment and Economic Affairs and the four German TSOs developed a financial instrument to allow local stakeholders (especially citizens) to financially participate in grid development projects.

The Dutch-German TSO TenneT was the first to pilot such a bond in the “citizens’ line” mechanism. Land owners and citizens living in the proximity of the newly constructed “west coast line” in the north of Germany were entitled to invest in the project through a type of bond. With the aim of providing a more attractive interest rate in comparison to market interest rates for conservative investments.

The mechanism was not as successful as envisaged by the German government and the TSO. After a review of the financial instrument, a set of practical and design issues became apparent:

- The bonds were not a stake in the respective power line but actually a credit to the operating company.
- Its subordinated character implied that in case of pay-back difficulties the citizens would be the last creditors to get back their money.
- The product’s design was hard to understand even for experts.
- The interest rate was described as being too low in relation to the risk of the bond and could be reduced in case of liquidity bottlenecks.
- The instrument did not have a fixed lifetime.
- It had an unclear market value and risked having a lack of actual tradability.

Due to the above issues, the number of local investors remained below expectations. So far, the concept has not been continued by TenneT or another German TSO.

LINKS

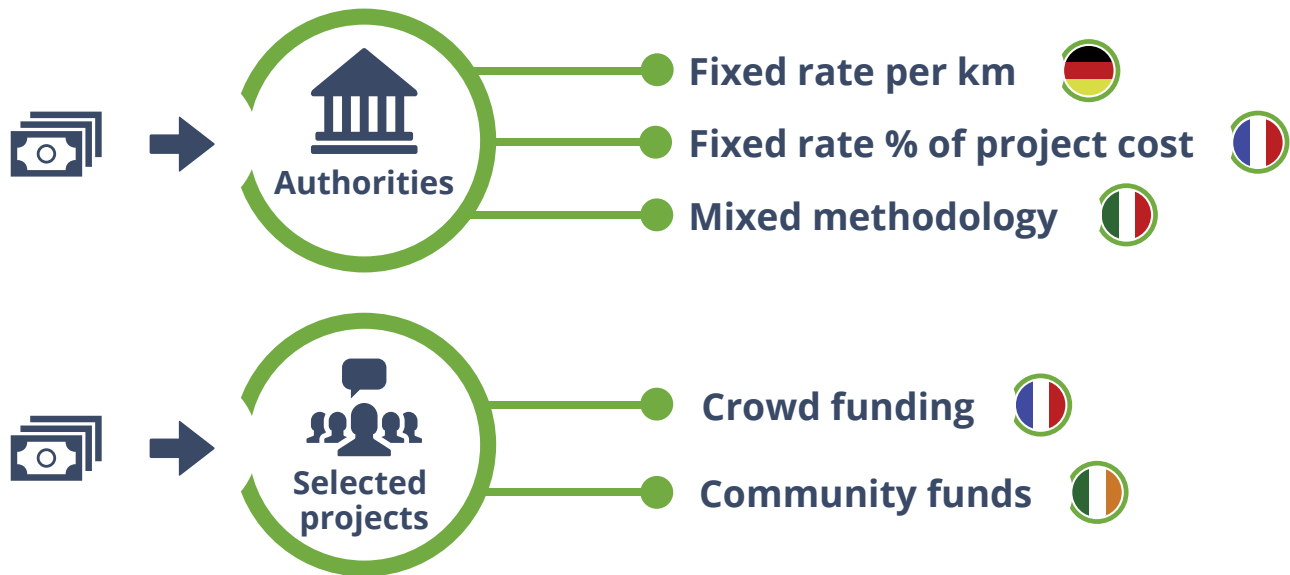
- RGI Factsheet on the citizens’ line: https://renewables-grid.eu/fileadmin/user_upload/Files_RGI/RGI_Publications/Citizen_Dividend_Germany_Review.pdf



CONCLUDING REMARKS

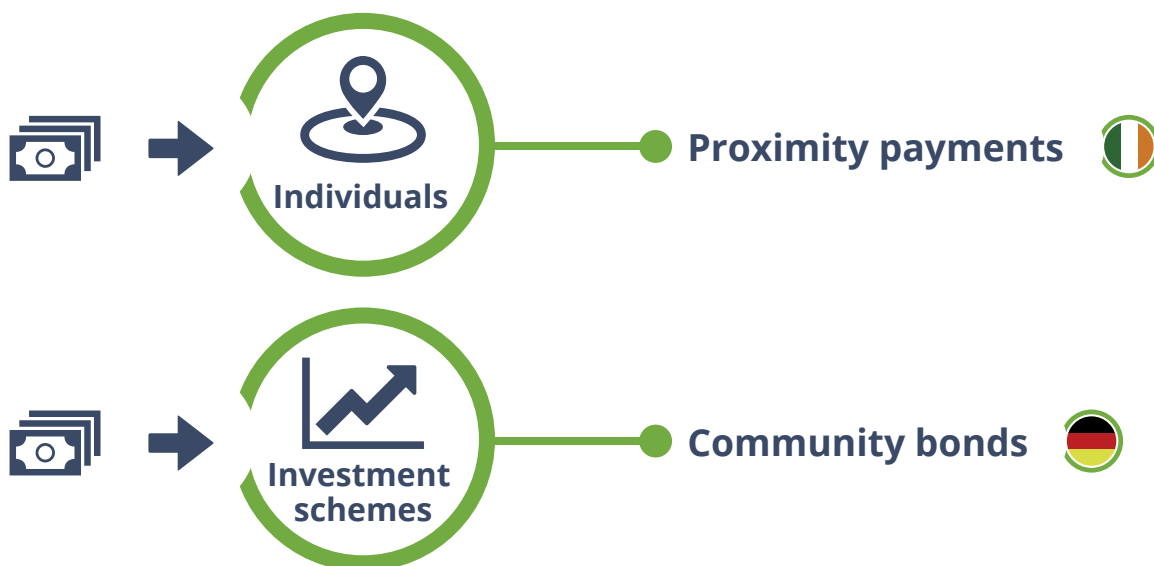
The practices detailed in this brochure show that the design and implementation of community payment mechanisms differs across Europe. They can be separated into four categories, shown in the graphic below.

During research for this brochure, some potential advantages and disadvantages of the practices were identified. These considerations (listed in the table below) need to be understood at the early stages when designing a community payment practice.



Although paying money to local authorities may be the easiest and potentially most transparent option, there is the risk that the reputational boost for the TSO and the opportunity to engage with local people is lost in a bureaucratic exercise.

On the other side, when done in a more participatory “project-focussed” way, the gains of learning from local people may be lost in questions of how the TSO sets boundaries for the mechanism and how transparently the money is managed.



The analysis of the EirGrid community fund mechanism shows that, although very successful, the mechanism needed to improve how it defined the boundaries of eligibility (i.e. who could apply) by better harnessing local knowledge.

If a TSO or authority chooses to implement a community payment mechanism, transparency and effective communication must be a paramount consideration. Especially if the practice is going to realise the goal of spreading the benefit more broadly and winning local support.

	Advantages	Disadvantages
€ to affected authorities	<ul style="list-style-type: none"> Local authorities elected to represent the community Local authorities can better assess the needs of the community Lower administration effort and legal risk for the TSO 	<ul style="list-style-type: none"> Little flexibility Lower visibility to locals. Money might “disappear” into local authority budgets
€ for selected projects	<ul style="list-style-type: none"> More opportunity for stakeholder input Higher visibility to locals 	<ul style="list-style-type: none"> Higher administration effort Less transparent
€ to individuals	<ul style="list-style-type: none"> Higher visibility to locals Benefit to those most impacted 	<ul style="list-style-type: none"> Higher administration effort Not in the “public” good
Investment based mechanisms	<ul style="list-style-type: none"> Higher community buy-in linked to economics of a project 	<ul style="list-style-type: none"> Complex to design and hard to promote



IMPRINT

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About RGI

RGI is a unique collaboration of NGOs and TSOs from across Europe. We promote transparent, environmentally sensitive grid development to enable further steady growth of renewable energy and the energy transition.

More information

www.renewables-grid.eu

