

Minutes from Harlaw Hydro Annual General Meeting

Virtually using Zoom 25th June 2021 at 7:30pm



Housekeeping – The Virtual AGM

Martin Petty welcomed all those who had joined to Harlaw Hydro's second virtual AGM.

All the basic housekeeping information was on the screen,

- The AGM was recorded.
- Everyone, apart from the speaker, was asked to mute themselves.
- The chat option was available throughout the meeting for comment and questions.
- Members attending were asked to vote 'yes' or 'no' to board recommendations when the time came.

The pictures are of the overflow from Threipmuir Dam flowing into Harlaw Dam and winter in the Pentlands regional Park.

Agenda – Martin Petty (slides 4)

Present

21 members joined the zoom conference.

Apologies

5 members tendered their apologies.

Minutes of previous AGM

Graham Ellis proposed and Jill Gillard seconded. The minutes from 2020 AGM were approved by the members present who voted 21 in favour and 0 against.

Chairman's Remarks - Slides 4 - 9

Also taking part in this presentation is Gordon Grassick (Finance), Andrew Clark(Engineering), Val Reid (BVT) and Lynn Molleson (Hosting Zoom)

I think it's important to remind ourselves each year that Harlaw Hydro is a Community Success showing what can be done when people in the community come together. A big thank you to my fellow board members who take an active interest in the society and look after the finance and the day to day operation of the turbine as well as to all the members whose interest and capital made this project possible.

In terms of rainfall and electricity generation this year was not a bumper year like last year nor a drought like the year before, this year was simply a good year and we were able to donate a healthy £30k to BVT - more later.

SLIDE 7 After the trauma of 2019/20, when Solarplicity went into administration owing us £11k, this year was quite calm. With Gordon keeping a close eye on it the Power Purchase Agreement (PPA) with Limejump worked well. However, when it came to establishing a PPA for 2020/21 the wholesale prices were below the OfGem safety net, the FiT Export rate, so for the last year we have been selling our electricity at the FiT Export rate. Wholesale prices have recovered, and we will be back with Limejump for 2021/22.

Work on refining the control system has improved performance and the operational resilience work done by Andrew and Alister, two of our directors, has been put to good use this year - more later.

SLIDE 9 AND 10 It was during routine greasing that an unusually high level of noise and vibration was noticed, power was reduced until the vibration stopped, and our maintenance engineers were called.

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Proterra Energy, our maintenance engineers, responded promptly, checked the system thoroughly and discovered a 5lb trout, less its head, trapped on one of the guide vanes. How the fish got through our 20mm fish grill we don't know but order was restored, and no damage was done.

Finance – Gordon Grassick (slides 10 - 16)

Welcome Good evening everyone FROM Gordon Grassick - Treasurer of Harlaw Hydro. This is my 4th Annual Finance Report.

Finance Highlights Martin has circulated the Statutory Annual a/c's to 31 March 2021, along with a short Question & Answer. I hope the Q&A has answered any questions you may have had.

Being Treasurer has been an interesting experience over the last few years. I have enjoyed relating the raw "Numbers" to the operational environment of Harlaw. As I regularly mountain bike past the reservoirs on the way to the hills, I often stop to picture the water level gauge on Threipmuir, as this can assist with control decisions.

The Annual a/c's have been Independently Verified by Gordon Mavor. No issues were reported, and Gordon is willing to act again for the current year.

SLIDE 11 You will note Electricity Generation is down £24,000, or 18%, from last year. Weather patterns, especially rainfall and water flow significantly affect Generation. Consequently the Surplus has reduced significantly, also by £24,000. The routine elements of Expense remain similar to last year.

We have 3 bank a/c's - A Current a/c and 2 Savings a/c's. The combined balances total £163,000 - a very similar position to last year end. This position is despite making additional Investments of £34,000 during 20/21.

It is felt necessary to create Provisions for major repairs, and for Share Redemptions. Such Provisions are an important protection in the Balance Sheet, as they are equalled by an equivalent cash balance. A healthy Gross Profit allows us to propose Provisions of £31,500 for the year.

Capital of £8,000 was repaid to members. Capital and Reserves now total £395,000, which remains a healthy situation.

SLIDE 12 This slide illustrates the Average daily Power and the Reservoir Level. The black dotted line is the reservoir level. The blue curve represents the daily average generation in KWh's.

Generation typically TRENDS with the reservoir level during Oct to March. During these months water flow and turbine pressure are much better. Out with Oct to March, there tends to be a large gap between level and generation. This slide was captured from the Power Meter on the Harlaw website and is therefore available for anyone to view online.

SLIDE 13 An uninterrupted level of electricity generation is vital to Harlaw Hydro success. The Quarters highlighted in yellow are the best Quarter in each of 5 years. It is obvious that there is not a clear pattern of generation between the quarters or years. Annual generation has varied hugely over the 5 years shown.

The 18/19 year was a comparative disaster - hopefully not to be repeated!

SLIDE 14 Converting generation to £'s we averaged £85,000 over 5 years. There was a serious low of £50,000 in 2018/19, and a real high of £133,000 last year. Such variations make budgeting an almost impossible task!

The key numbers proposed in the a/c's are :

- Balerno Village Trust £30,000 - as last year

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- Provisions £31,500 - last year just £14,000
- Share Interest 4% - last year 5% due to exceptional generation

Over £2,200 of share interest was generously Gifted by members to the Village Trust.

AGM21-FinanceReport.xlsx Gordon Grassick Page 4 of 6 Printed : 27/06/2021 20:33

A few general comments :

1. Harlaw are not required to register for Vat, but doing so reduces costs, for little effort.
2. During the year I converted the Finance records from Excel, to Xero Accounting software.
3. I hope to develop use of Xero Accounting further during the current financial year. Doing so should enhance Board reporting, Vat reporting and provide Annual a/c's.
4. Harlaw Hydro have a statutory obligation to submit an Annual Return to the FCA, The Financial Conduct Authority. The FCA report the a/c's on their website.
5. The board are actively reviewing Risk management for key activities. I am therefore developing written Finance procedures, including web access.
6. Income and expense are roughly equal this year. Approximately 50% of the total Expense relates to depreciation and provisions i.e. non cash flow accounting entries. Therefore, unspent cash becomes available annually from non-cash entries. Finding a good home for such cash has led on to considering investing in other startup organisations.

SLIDE 15 Carefully selected Investments are a way of utilising 'free funds'. I am happy to report our investments now total £60,000. The Investments are spread over 11 projects, with an average of £5,000. The geographic spread ranges from south-west England to north-west Scotland. The main focus is to support electricity generation from Solar, Water and Wind.

You will note 1 Solar, 4 Hydro and 2 Wind projects are in our small portfolio. The target Interest receivable is in the range 3.5% - 5%, which is a decent return. All investments are considered to be for a minimum of 4-5 years. As with Harlaw Hydro, capital redemption is possible, subject to funds.

It is expected Harlaw Hydro will continue to have 'free funds' in the coming years. Further investment opportunities are therefore likely to be considered, but only within defined parameters.

SLIDE 16 Finally, I hope I have given you confidence that your share capital is being well managed.

I would like to repeat my thanks from last year to all on the Board of Harlaw Hydro Ltd for their ongoing involvement with the company, which is doing an excellent job creating funds for Balerno Village Trust.

My special thanks to Martin Petty as Chair for all his Administrative activities, which include ensuring an active Board exists. Also special thanks to Andrew Clark and Alister Skinner for their regular technical input, and associated activities to ensure all equipment runs smoothly and efficiently.

The ongoing support from everyone involved is very valuable to Harlaw Hydro. Thank you too, for investing in Harlaw Hydro, to help make the scheme a success.

Voting on Finance

26 members voted to approve the statutory accounts, 0 voted against.

25 members voted to approve an interest payment of 4%, 1 voted against.

26 members voted to approve the verification of the accounts, 0 voted against.

Engineering - – Andrew Clark (slides 21 - 28)

SLIDE 22– A lightning strike took out the router and the internet connection on the TV in the Visitor Centre. The spare pre-configured router was quickly installed, and the system was fully operational

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again. Another router has been pre-configured as backup and we have made some other upgrades to the resilience of our systems.

SLIDE 23 – During the past year as well as upgrading our grid controller, a National Grid requirement (paid for by the National Grid), we made a number of changes to optimise our operational performance, these have smoothed the power curve and improved the efficiency of the system.

SLIDE 24 - 26 – If we could get more water through to the turbine we could increase our output. Which is why we are looking at the feasibility of running a second pipe.

You may recall a photo from the AGM last year. As you can see, the flow conditions around the Inlet valve are far from ideal. This is Victorian engineering with 18” thick stone walls and quite restrictive valve shapes. And a ladder in the way! The tower Outlet valve is even more restricted as you can see. Behind this is our 24” dia Penstock Pipe – much larger than the valves that feeds it.

The two tower valves together cause quite a significant reductions in flow as well as the head loss.

It’s a basic principle of fluid hydraulics that head losses are proportional to the square of the velocity of the water passing through. So if you double up the pipe area, you half the velocity and thus reduce the head losses to a quarter

SLIDE 27 Longer term, now that CEC has operational telemetry on Threipmuir Dam, our main source of water, the possibility of integrating this information into our control systems is being considered.

Andrew shared a video of Harlaw Reservoir and the powerhouse.

Election to the Board (Slides 30 - 31)

We can elect up to 9 directors from the membership and at present have 7. Each year 3 directors retire in rotation and are eligible for re-election.

This year Mike Molleson, Ian Hynd and Simon Dormer have retired and are standing for re-election. Their election was proposed by David Bewsey and seconded Jane Petty.

Special Motion (Slide 33)

Where members have not given any instruction on how their interest should be paid the default will be to pass the payments to Balerno Village Trust for the benefit of the community.

20 voted in favour and 4 against.

Balerno Village Trust and the Community Chest – Val Reid (Slides 35 – 42)

BVT exists to make Balerno a better place live, work and visit

SLIDE 36 Balerno Farmers Market resumed in July 2020 after a 3 month break where we ‘went virtual’! Stall holders very relieved to be back, many had little/no income for the 3 month lockdown period.

The Market had to be set up to comply with the Covid restrictions: a one way system, chalk 2m markings on the ground and stalls could only have one stall holder per stall unless they were from the same household/bubble. This meant a substantial drop in income due to the inability to offer half stalls.

However there has been a large increase in the number of people attending the market due to it being a ‘destination’ when walking and the lack of other local events.

SLIDE 37 Balerno Village Gardeners were able to return to the garden in Malleny in September – luckily one of our board members Annie Lacey and her husband who live at Malleny had managed to plant

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all our seed tatties during lockdown, so this gave the gardeners a crop to sell at the market from September through to November.

The boxes in Main Street have been looked after throughout the year and there are going to be hanging baskets on Main Street this year for the first time in a few years.

SLIDE 38 The Red Phone Box has continued its Lockdown popularity as a Share Box and source of local walk information. It does a roaring trade in books and jigsaw swaps, plants and seeds are also very popular. Sofia, who lives on Harlaw Road and looks after the phone box, with the others input also produced a Walks Around Balerno leaflet which has been very popular.

SLIDE 39 For the last year we have been working with Balerno Community Council to both protect Marchbank Park and to develop a Friends Group for the Park. There was a Zoom meeting on Tuesday 22nd to set this up. We consulted with the community in Autumn as regards what people would like to do/see to enhance the park.

SLIDE 40 The last year has seen a greater demand than ever before for people wanting to 'stay local', a far greater interest in Community due to the situation with Covid. Whilst we obviously have been very much hampered by Covid, we were able to help with a few local events; we assisted the Five Sisters Zoo with a plant sale on Main Street last July, helped Harmeny with the Christmas Tree Festival in December and just last month partnered with Balerno Children's Gala to run the annual Scarecrow Competition.

SLIDE 41-42 We currently pass on 10% of our income from Harlaw Hydro to the Community Chest, which we jointly coordinate with the Rotary Club, to support projects not just in Balerno, but also in Currie, Juniper Green, Kirknewton and Ratho. In addition to the money we send from Harlaw Hydro we also administer a donation from CALA homes.

Q & A

Before the zoom conference closed those attending had the opportunity to see faces and exchange comments.

- The Zoom conference had worked well and had been more open and inclusive than the previous years webinar.
- The geographical spread of those attending, Gloucestershire, Aberdeen, Lake district, Fife etc. reinforced the need to continue with a 'Zoom Type' AGM when we are able again able to hold a physical AGM.

15th July 2020

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Appendix 1

Annual A/C's to 31 March 2021 - Q&A

- 1) What are the main differences in the a/c's, compared with last year?
Electricity generation decreased by £24,029 (22%) to £109,171
The Shareholder interest accrual was reduced from 5% to 4% of Share capital
Expense Provisions were raised by £17,500 (125%) to £31,500 for the year
The Surplus of £4,995, compares with £31,277 last year (a drop of 86%)
Investments increased by £34,000 (130%) to £60,000
Accumulated Reserves improved from £6,486 to £11,481
- 2) Why did Electricity generation decrease significantly?
In context, Electricity generation of £109k is actually very good when compared with the 3 years to 31/3/19, which averaged just £69k.
Last year generation was exceptional, as regular rainfall over the 6 months to 31 March maintained water levels in Threipmuir and Harlaw, and more importantly provided good water pressure to maximise turbine flow.
- 3) Why has the proposed Share interest % been reduced?
The project prospectus indicated anticipated interest payments of 4%, whenever possible. 5% was paid last year due to the exceptional level of electricity generation.
- 4) Why was a significant uplift in Provisions considered necessary?
The Board intention has always been to create Provisions at levels adequate to deal with unexpected but possible Expenditure.
We are moving nicely towards the target level of Provisions for Repairs and Share capital repayments. A new property Provision has been created.
- 5) Why is the Surplus much smaller than last year?
The large Surplus decrease is primarily due to the reduced level of electricity generation, coupled with an opportunity to increase Provision levels.
- 6) Why is there a large increase in Investments?
Making best medium-term use of 'free' Bank funds, whilst retaining adequate funds to deal with catastrophic circumstances, such as turbine failure, is an objective.
Investments have been carefully selected, primarily in 'green' projects, to utilise 'free' funds, but with repayment potential and an exposure risk ceiling.
- 7) What proposals are included in the Statutory Annual a/c's to 31/3/21?
Donation to Balerno Village Trust £30,000 (as last year)
Provisions £31,500 (last year £14,000)
Shareholder interest £15,360 (last year £19,600)
- 8) Any unusual items of Expenditure?
None. Total Expenditure £108,797 compares with £107,132 last year.

Gordon Grassick - Treasurer