

Minutes from Harlaw Hydro Annual General Meeting

In The Ogston Hall and via Zoom 17th June 2022 at 7:30pm



The best way to read these minutes is in association with the PowerPoint presentation used at the AGM.

Housekeeping – The Hybrid AGM (slide 1)

Martin Petty welcomed all those who had joined Harlaw Hydro's first hybrid AGM.

All the basic housekeeping information was on the screen. Those joining remotely via Zoom were asked to mute themselves. The chat option was available throughout the meeting for comment and questions.

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

Agenda – Martin Petty (slide 4)

Also taking part in this presentation are Gordon Grassick (Finance), Alister Skinner (Maintenance), Andrew Clark (Engineering), Emma Galloway (BVT) and Lynn Molleson (Hosting Zoom)

Present

4 members joined via zoom and 12 were present in the Ogston Hall.

Apologies

12 members tendered their apologies.

Minutes of previous AGM

The minutes from 2021 AGM were approved by the members present who voted 16 in favour and 0 against. Due to a technical hiccup with Zoom polling most votes were handled by a show of hands in the room and online.

Chairman's Remarks - Slides 6 - 9

First of all a quick but important reminder that Harlaw Hydro was setup for the community and is run by community members and for the benefit of the community.

SLIDE 7 The year in Summary

As you know we felt we had to restate the accounts this year. One of our members pointed out that the way we were reporting the funds set aside to repay members didn't conform to the accounting rules for reporting. Ironically what we are providing each year to ensure members can be repaid shouldn't be shown as a provision. Gordon has the details, but we believe it is all now sorted.

SLIDE 8 Power Purchase Agreement

Our revenue comes from 2 places, the Government through the Feed in Tariff and the firm that buys our electricity which changes from time to time. At the moment we are selling our electricity to Limejump but from August we will be selling it to OVO. A silver lining to the rise in energy costs is a commensurate rise in the price we receive for what we can generate. With the selling price now providing over 40% of our revenue it is becoming more significant.

SLIDE 12 Sustaining Harlaw Hydro

One of the responsibilities of the Harlaw Hydro board is to look ahead and try to ensure a sustainable future for the society. As you have heard in previous years there have been detailed improvements to the way the system operates, all designed to improve reliability and aid recovery if something unexpected happens.

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We borrowed over £400,000 from our members and we are in the position to pay some of that back; we aim to do that progressively, completing it all before our Feed in Tariff ends in 2035. If we are not paying members interest, there is more money available for the community. These are the twin reasons why we are asking members to consider selling some, or all, of their shares back to the Society.

In parallel with the financial aspect there is the question of who will be running the society in 10 or 15 years' time when some of us will not be here. The society is owned and run by its members and while we have no immediate need for fresh capital we would like to open the door to new members who are interested in supporting the society. To this end we are now inviting any who are interested to buy 1 share and become full members.

Finance – Gordon Grassick (slides 11 - 31)

Good evening everyone, from Gordon Grassick - Treasurer of Harlaw Hydro. Martin has circulated the Financial Statements to 31 March 2022, along with a Q&A. My apologies for the need to issue amended documents.

I have prepared several slides and will make a few brief comments on each. I hope the Q&A has answered any finance questions you may have had.

SLIDE 12 The pictures I have included were taken during regular dog walking, or mountain biking visits to the Pentland Hills. I hope you find these of interest. The Turbine house is on the left, with the snow covered Harlaw dam towering above.

The picture is of the impressive cascade comes from the Threipmuir canal, which is opened occasionally by CEC when Threipmuir is too full. The canal by-passes Harlaw. We will be generating at maximum when this happens.

SLIDE 13 The orange pipe to the right is the huge inlet pipe from the dam to the turbine. The water jet comes from the by-pass valve, which is activated during maintenance or during unplanned shutdown of the turbine.

SLIDE 14 This slide illustrate The Financial Statements submitted for Verification suitably amended to reverse £40,000 of Share Provisions included in Expense over the 7 years from 15/16. The reversal included amending the comparative figures for last year.

This action can be considered a "Technical adjustment", with nil effect on the integrity of the numbers.

In summary, on the Balance Sheet, "Long term Creditors" have reduced by £40,000 and Reserves have increased by £40,000 to compensate.

I feel it is very important to note these adjustments have no effect on Member funds.

SLIDE 15 Independent Verification is used in preference to Audit, as a small organisation Harlaw Hydro is entitled do this and avoid an unnecessary and expensive audit.

Gordon Mavor has confirmed the standard of record keeping is more than adequate. No questions were raised by the Verifier, so a clean 'Bill of Health' was issued.

Gordon is willing to continue to provide his services to Harlaw Hydro for another year.

SLIDE 16 It is many years since I was at the 'sharp end' of using Accounting software however, I am pleased to say Xero is an excellent product, and easy to learn.

Xero is very suitable for Harlaw, and supports succession planning, as the data is held 'in the cloud'.

From 1/4/22 HMRC require all Harlaw Documents to be held digitally. The annual VAT Return for 22/23 will be submitted digitally by 31/5/23.

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SLIDE 18 Harlaw Hydro is all about Electricity Generation, for the benefit of the Community. Due to the daily diligence of the board, there is seldom any lengthy generation downtime.

Servicing is carefully planned, and control techniques are constantly reviewed making process improvements and system tweaks are a regular occurrence.

In the last financial year £74k was generated - 15% less than average (PriorYr £109K).

Sadly, water supply was below average last year, limiting the potential generation.

Unfortunately, the current year has not started too well either, as April and May are well below historical generation averages. Perhaps a wet winter lies ahead?!

SLIDE 19 This slide shows the average kWh generated throughout a month, over the years. I think you will agree there are huge variations!

If you focus on the Green and Yellow numbers, the better months are obvious.

The Monthly Averages shown in the middle row below the line, really hide the extremes.

e.g. Looking at the November column - A low of 3.6kWh and a high of 70.5kWh with an average of 38.5kWh over 7 years.

SLIDE 22 The largest cash outflow is, quite rightly, the Donation to the Balerno Village Trust. Depreciation of £17,195 is the next largest expense, but depreciation is not a cash outflow.

Shareholder Interest paid was £15,240, including £2,692 generously donated to BVT.

Other significant costs are Insurances, and Repairs (primarily servicing).

All other, and much smaller, costs are very similar to prior years.

SLIDE 23 The Bank balances continue to grow, despite Investments this year of £24,000. Future repayment of Share Capital will of course start to deplete the Bank Balances.

When Harlaw began Generating in 2015, Share Capital was £403,000, it has now dropped by £30,000 due to repayments, down to £373,000.

Positively speaking, any reduction in Share capital reduces Expense and cash outflow.

SLIDE 25 It is pleasing to say that Harlaw Hydro has been able to allocate 'free funds' to invest in a variety of Community Benefit Societies. The main focus has been on Hydro, Solar and Wind. Especially pleasing is to note the investment in Housing for Homeless, in Edinburgh.

We now have investments in 15 Societies, with a minimum of £4k, and a max of £8k.

There is always a potential risk with investments, but we hope the spread is sensible.

SLIDE 26 Vat is an optional aspect of Harlaw Hydro accounting, being Vat Registered, but below the Registration threshold, does allow Vat on expenses to be off-set against Vat on Electricity sales from our PPA. Doing so reduces cost and cash flow for just a little extra Finance effort.

Harlaw Hydro Limited submit an Annual Return to the FCA (the Financial Conduct Authority), within 7 months of the Year end, as is required.

SLIDE 30 Finally, I feel it important to comment that Harlaw Hydro is carefully managed by Volunteers.

I much appreciate the ongoing support received as Treasurer, at our regular Board meetings, and especially on a day to day basis, when issues arise, as they often do.

You will see I have mentioned Martin, Andrew and Alister, but all Board members contribute when necessary using their varied backgrounds, expertise and skills.

As always many thanks to you, our Members, for your Investments in Harlaw Hydro.

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Voting on Finance

Approval of our accounts - 8 in room + 4 online - YES.

Interest Payment approval at 4% - 12 in room + 4 online (YES)

Verification of accounts (cf auditing) and Gordon Mavor - 12 + 4 YES

Maintenance – Alister Skinner (slides 38 - 43)

SLIDE 40 – Up to date operational information is visible to everyone through the hydro website. www.harlawhydro.org.uk and select Power-Meter

SLIDE 41 – The main control screen and a screen displaying temperatures measured by the various sensors from the schemes Control System are shown. This information is monitored daily.

The Control System screens can be used locally and remotely.

Engineering - – Andrew Clark (slides 44 - 56)

SLIDE 45– We again made some upgrades to improve the resilience of our systems to cater for failures. We Volunteers are not in the first flush of youth and could do with some younger ones. To help the next generation of volunteers we are documenting our procedures and keeping detailed records of all engineering and maintenance activities.

For example I produce the Monthly Generation reporting from an Access Database and have recently documented my processes for doing this

SLIDE 46 – In the event of an unplanned Shutdown the Control system sends out a warning email to a specified address giving the reason – Grid down, Low pressure etc. However, it stopped working last year, due to changes in the way emails are handled. This necessitated some changes to the Alerts system.

We are also looking at a more secure method of exporting our data to the Power Meter; one that uses a Push technique which is more secure than the current Pull method

We added a clever internet-connected device that allows us to reboot the DVR on demand or every 24 hours anyway. (These DVRs are notorious for poor software design causing them to run out of memory and lose their network connection). This fixes that issue.

SLIDE 48 -49 – These are the monthly reports produced from data imported into an Access Database. It is quite labour intensive involving a sequence of procedures, so we have been working with a small Scottish company called Energy Mutual.

Energy Mutual manage Renewable Energy projects for Community and Private organisations. They have developed an online reporting system with direct linking to their Client's Control systems – including ours; we have been working with them for the last 9 months as they develop the software.

SLIDE 50 This is one of the graphs the system produces. The green line is our Annual Average Energy Production (=LTA). The orange dots are our generation for the current Year to Date – so you can see this year is lower than average for every month except February. You can actually select comparisons with any prior year, or all of them!

EM also pick up the monthly average rainfall data from a gauge near Juniper Green

SLIDE 51 --52 The system contains a list of Project Tasks, budgets and Target Completion Dates which build up this History when they are completed.

This sort of log is invaluable when it comes to fault-finding as if a fault coincides with the date when a change was made that's the first place to look!

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The last item there - the DVR – shows when we fitted the Tapo Smart Switch.

SLIDE 53 The EM system also has a list of all our commercially agreed rates for FIT, PPA etc and the range of dates when they apply.

SLIDE 54 The Financial Matrix Report shows a lot of useful information. You will see that it uses the tables of rates in the commercials section to project revenue.

The Projections here for the Financial Year are based on,

1. Firstly actual monthly generation to Date
2. For the rest of year our LTA monthly generation at the relevant rate that month. Note the BIG change from Sept 1 2022 – new PPA rates (actually it shows that happening from August because someone input the PPA change as happening a month too early!)

This is used for our Financial Matrix Report – something that we specified for EM. 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.

SLIDE 55 As part of our Collaboration with EM we are also looking at getting data out of our Export Meter. We presently have to go up to the Powerhouse and press the big yellow button on the meter to get the readings.

The picture on the left shows a magnetic sensor that picks up the LED pulses from the meter that monitors Exported power

On the right is a bespoke unit developed by EM based on a Raspberry Pi and other components to count the pulses and compute the meter reading

This will allow us to know what we should be paid for and reconcile it with PPA invoices.

Election to the Board (Slides 58 - 59)

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

This year Andrew Clark, Gordon Grassick and Martin Petty have retired and are standing for re-election. The AGM voted to re-elect unanimously - 12 in room + 4 on Zoom YES.

Balerno Village Trust and the Community Chest – Emma Galloway (Slides 61 – 85)

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

It is worth remembering that Harlaw Hydro started as a BVT project.

Emma, Chair of BVT, took the meeting through the varied activities and projects that are what makes Balerno Village Trust what it is.

While the Farmers Market is the flag ship activity there is much more as well. There are Malleny Gardeners, Friends of the Main Street, Balerno Bees, The Red Telephone Box, and events such as the Scarecrow Competition.

Two significant projects have recently started with Marchbank Park becoming a 'Field in Trust' park and Friends of Marchbank Park being setup to help develop and improve the park for everyone. The second is an ambitious plan to revitalise the Community Centre in the Main Street and transform its energy efficiency from what could be described as a black hole into an exemplar. A number of actions are planned to bring this about in the next year and significant grant funding has been obtained to help .

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Last, and by no means least, is the Community Chest which is run jointly by BVT and Currie & Balerno Rotary giving grants (up to £500) to help community organisations with their improvement projects. BVT contributes 10% of the donation that Harlaw Hydro gives to it each year.

Wine and Nibbles

Nothing grand or expensive, simply an opportunity to have a glass of wine and a chat.

Future Meetings

We were thanked in the Chat for persevering with this hybrid meeting, and we will aim to smooth out the technical hitches and continue to offer this option to our members. Thank you to all who attended whether it was physically or remotely.

18th July 2022

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Appendix 1

Annual A/C's to 31 March 2022 - Q&A

1) What are the main differences in the a/c's, compared with last year ?

	Year to 31/03/2022	Year to 31/03/2021	Down	Up
Electricity Generation	£74,668	£109,171	(£34,503)	
Profit (Loss) after tax	(£6,753)	£19,995	(£26,748)	
Retained Earnings	£38,728	£45,481	(£6,753)	
Investments	£84,000	£60,000		£24,000
Expense Provisions	£43,000	£35,500		£7,500

2) Why did Electricity generation decrease significantly?

The majority of rain falls between Oct and Feb, and has significant effect on generation. Generation has ranged from £50k in the year to 31/3/19, to £133k in the year to 31/3/20. The average generation over the last 6 years was £87k, so this year is 14% below average. We had minimal technical downtime, despite downtime including a lightning strike. With fine tuning, our software is able to maintain Harlaw water levels to maximise generation, and to satisfy both CEC flood control, and the fishermen from Apr to Oct.

3) What key Expense proposals are included in the Statutory Annual a/c's to 31/3/22 ?

	Year to 31/03/2022	Year to 31/03/2021
Donation to Balerno Village Trust	£30,000	£30,000
Provisions - Property, Repairs and Shares	£7,500	£16,500
Shareholder Interest	4.00%	4.00%

4) Any unusual items of routine Expense ?

None. Total Expenditure of £82,312 compares with £93,797 last year. The decrease is primarily due to the reduction in the level of Provisions.

5) Why is there a Loss this year ?

The level of Expense excluding Provisions remains similar to prior years. The Loss results from a balancing act decision to retain the prior year donation to Balerno Village Trust, and to maintain the Shareholder interest % payment.

6) Why has the proposed Share interest % been maintained, despite a loss?

The project prospectus indicated anticipated interest payments of 4%, when possible. The Board felt the Turnover level could justify maintaining the Interest % payable.

7) Why has the level of Expense Provisions been reduced?

The target level of Provisions set by the Board is getting closer and should be achieved over the next 2 years. The cumulative Share Provision of £40,000 has been reversed. Consequently, it was felt more important to maintain the levels of Share interest, and donations to Balerno Village Trust, than to further boost Provisions at this point.

8) Is the level of Investments about right?

Investments have been carefully chosen within the scope of available funds, and of potential future cash requirements. Surplus cash is again expected in future years. Risk has been minimised by placing a ceiling on individual Investments.

Gordon Grassick - Treasurer Prepared : 06-Jun-22