

Prospectus.

Introduction:

The development of the Wind Energy Sector in the North of Scotland has been characterised by the emergence of large numbers of independently managed projects, locally owned, and on a scale appropriate to the environments and landscapes in which they have their roots. Whether their equity is held privately, or through the medium of a community trust, both lay claim to the “community” title and both represent a healthy determination to retain local control of what promises to be a valuable, but also highly visible technology.

The local and independent character of these businesses is a source of both strengths and weaknesses.

Strengths - in that they have the capacity to mobilise and maintain local consent based on a sense of ownership.

Weaknesses - in that they compete, for the supply of equipment and for access to finance and to markets, against the huge advantages (of resources, expertise, and economies of scale) enjoyed by companies operating on a national or international scale. **North Wind Associates Ltd** has been formed to even things up a bit, by making some of those advantages available to the “community” sector. We are not Developers, ourselves, and are committed to supporting the independence of existing projects.

Procurement:

Turbine procurement is the number one challenge facing the Wind Energy Sector in the Highlands & Islands today. It is the common experience of all small developers in the Highlands & Islands area that, irrespective of the state of development of projects, manufacturers are reluctant to engage with us and that “normal commercial terms” are not available.

Background:

The prevailing “Sellers market” is the consequence of a rapid growth in demand, which has simply outstripped the Suppliers’ manufacturing capacity. Even favoured customers now face a three year waiting time before delivery of some of the industry’s leading models.

The manufacturers' response to these market conditions includes huge investment in new manufacturing capacity, which promises some respite from these market conditions in the medium to long term, but also an inflation plus approach to pricing (+10% annually) and an apparent withdrawal from the arguably more problematical sectors of their marketplace. Comparatively small projects, in "remote" regions, with a strong to extreme wind resource, are low on their list of priorities. Either the manufacturers will not supply at all, or their Warranty and Guarantee of Availability are diluted to the point at which they no longer meet investors or lenders' requirements and have lost their commercial value.

These circumstances threaten the continued development of the small independent and community sector in the North of Scotland in which so much time, money, and hope has been invested.

Analysis: (What makes our sector unattractive to Wind Turbine Manufacturers?)

Looking at the North of Scotland from the manufacturer's point of view, our market sector presents the manufacturer with a variety of challenges:

1. **Fragmentation:** Large number of small projects rendering supply complex, time consuming, and comparatively expensive.
2. **Remoteness -1:** While difficulties of physical access are often more apparent than real, the logistics of supply and erection are perceived as being more difficult here than elsewhere.
3. **Remoteness -2:** Remoteness from manufacturers' service teams and spare parts depots is undoubtedly a real issue. The economics of service team deployment depend on the achievement of a "critical mass" of turbines within range of a suitably sited base.
4. **Planning consent:** A high proportion of community projects are at an early stage of development, or have been delayed by the vagaries of a planning process which has lacked urgency and clarity. This leaves even those projects with planning consent, isolated and far short of "critical mass".
5. **Grid connection issues:** Uncertainty as to the long term Grid access of the region, characterised by the Beaulieu Denny enquiry and delays over commitment to the high voltage cable connections to Shetland and the Western Isles, raises doubts in manufacturers' minds as to the growth potential of the region. Novel connection systems, such as Registered Power Zones (RPZs), may also raise doubts as to project profitability and add to the complexity of turbine operation.
6. **High Wind Factor:** Turbines operating at the limits of their design parameters are undoubtedly more expensive to maintain than those operating well within those limits.
7. **"Amateurism":** Let's face it, most locally owned projects are being promoted by people who are doing this for the first time. This can make projects more unpredictable, time consuming and troublesome to deal with than the industry professionals, who do this day in day out.
8. **Access to Finance:** (What makes our sector unattractive to Lenders?) Looking at the North of Scotland from the Lenders' point of view, our market sector presents the Banker with a number of concerns, starting with all the above: Anything that deters the manufacturer deters the banker. In the case of the community trust sector, issues of

Security, Continuity, and Accountability have to be addressed. Lenders will require a **due diligence** check on projects applying to them for capital.

Conclusion:

In order to access the Capital and the Technology which they require to develop, community projects and the independent sector must both address the problems identified above – and be able to demonstrate that they have done so.

North Wind Associates:

The North Wind concept is to provide a **“one stop shop”** for the solution of these problems. Our team consists of four first class professionals covering key areas of **engineering, law, finance, and procurement**. Individually they can offer solutions in their fields; collectively they represent a solution to the procurement problem described above.

The Key to success in this endeavour is the consolidation of turbine procurement on behalf of a fragmented, disparate, and not always very experienced group of developers, so that one manufacturer, with the right range of Turbines (850-900Kw & 2-2.5Mw), the right design parameters (IEC class 1A), the right quality of manufacture and the right service ethos, can supply enough turbines over a 2 – 5 year time scale to achieve the “critical mass” which justifies the deployment of a Service Team in the North of Scotland.

Our offer to the manufacturer is to provide access to an organised and consolidated market, with **due diligence** applied to all aspects of individual projects, in which they can trade easily and profitably, rapidly achieving the critical mass which makes the deployment of a Service team viable.

Our offer to the developer is to arrange for a suitable range of turbines to be available to them, with a high standard of warranty and guarantee of availability (based on the local deployment of a Service team), and to facilitate supply and erection.