



torrshydro
NEW MILLS

Annual Report 2008

Welcome to the first Annual Report of the UK's first community-owned micro-hydro project!

Our first year has been utterly hectic and a steep learning curve for all concerned. With support throughout from Helen Walker and Steve Welsh at Water Power Enterprises (h2oPE) – who initiated the project long before Torrs Hydro existed – we have raised funds and built a plant which is already supplying power to the local Coop Food Store.

Funding has been raised in part through a community share issue allowed for by incorporating as an Industrial and Provident Society rather than a traditional company. Torrs Hydro New Mills is owned by its members: the individuals, community organisations and businesses who are its shareholders.



(Photo: Steve Essex)

Overview diary of the past year

- 20th September 2007 – THMN incorporated as an Industrial and Provident Society (IPS) for the Benefit of the Community
- 23rd November 2007 – launch of our prospectus or invitation to invest, aiming to attract £126,000 through community investment
- 31st January 2008 – closing date for applications for our first share issue: nearly £100,000 of applications received
- 3rd March 2008 – Western Renewable Energy, the civil engineers, arrive from Devon and construction begins (with the Archaeologist as the foundations of the old mill are excavated)
- 8th June 2008 – the Big Lift: the Archimedean screw arrives from Germany and is lowered into the Torrs from the Union Road bridge
- 21st August 2008 – the system is linked up to the Coop Store and the first units of power generated during commissioning
- 4th September 2008 – Hand-over day
- 6th September 2008 – Flash flood and our first experiences of what can go wrong!

Torr's Hydro's experience of attracting community investment

Attracting community investment started with our prospectus – an invitation to invest. We wrote it literally line by line to ensure that it was clear and honest and spelt out how risky the investment was and that the benefit was a social and not financial one.

We launched the prospectus on 23rd November and it ran until 31st Jan 2008. We received over £98,000 in share applications but why was it so successful?

We attracted national as well as local media coverage, which generated interest from around the country. We made sure that our website was up and running before the launch and updated regularly so that anyone wanting to know more could find us quickly. Every weekend in December and January saw "Torr's Tours" where a director of Torr's Hydro showed people the site, talked about the scheme and answered questions. Many tour participants subsequently became shareholders. With one week to go to the closing date we had only 86 share applications. The "One Year On" exhibition at the Heritage Centre at the end of January staged by h2oPE provided a great reminder for people and brought a further 115 applications in the final few days.



'One Year On' - Steve Welsh of h2oPE shows Tom Levitt MP how the screw will work (Steve Essex)

Legal aspects of the project so far

Completing a number of legal agreements became a major challenge for THNM directors. Throughout this process, THNM directors relied on the expert legal advice of DLA Piper, Coffin Mew, and a local contract expert.

The most important of these agreements was the completion of a new lease for the site in order to satisfy the requirements of the Bank and adequately protect the property rights of THNM shareholders. Uncertainty about the Town Council's title to the land in the Torr's proved to be a complicating factor. In order to resolve this issue, THNM financed the completion of the necessary statutory declaration which allowed the Town Council to register its claim to the land

in the Torrs. We are grateful for the support of the Town Council and its solicitor throughout this process.

Besides the lease, THNM entered into a long-term agreement with the Co-operative Group regarding the sale of electricity to their store on Church Road. H2oPE negotiated this agreement on the behalf of THNM. Under this agreement, the price will be tied to the average wholesale price of electricity plus a premium for the next 20 years.

In addition to the lease and power purchase agreement, THNM negotiated and completed a loan agreement with the Bank and a number of subsidiary agreements. THNM directors had hoped to enter into a service agreement for the management of the site. Despite our efforts it proved impossible to conclude such an agreement providing the service level required within our limited maintenance budget. Therefore THNM directors decided to make our own maintenance arrangements using local volunteers and expert support from WRE & Mann Power Consulting.



The Big Lift: Helen Walker (h2oPE) shows staff from the Coop Bank where the screw will be lowered (Steve Essex)

Where is Torrs Hydro going next – the coming year

After such a busy year, it would be tempting to pause and draw breath. However there is still much to be done in consolidating what we have learnt and moving to the next phase.

In practical details, there is still landscaping to finish off and fencing to make the site safe. We are also planning to

- Get the community more involved in our activities, whether or not they are members of Torrs Hydro
- Recruit volunteers to help with maintenance – daily checks of the site are needed, and from time to time debris has to be cleared from the water intake
- Develop the educational aspects of the project and involve volunteers in promoting and delivering these. Representatives of THNM have already spoken at several conferences including Friends of the Earth, the Centre for Alternative Technology and the Development Trusts Association's East Midlands Regional Seminar
- Work on how we manage our investment into the community (the grant scheme)
- Work with h2oPE on how we can best support future community projects

Financial Overview

Note	Project Cost	In Prospectus	Cost to 30/9/08	Expected costs after 30/9/08
1	Capital expenditure	£200,000	£292,000	£17,500
	Technical service agreement to h2oPE	£15,000	£15,000	-
2	Consultancy Costs to h2oPE	£6,000	£9,039	-
3	Company setup costs	£5,000	£5,000	-
4	Company running costs	-	£2,592	£1187 then annual budget
5	Maintenance / Repair	-	£522	£608 then annual budget
6	Legal / Consultancy costs	-	£11,001	£11,033

Notes

- 1) The capital expenditure was significantly higher than expected. The re-routing of the sewage overflow (£15,000), private wire (£30,000) and electrical connection (£5,000) were not included in the prospectus budget. The fluctuating exchange rate meant the screw cost an additional £13,500 and safety grills and several smaller items cost more or weren't anticipated. WRE Ltd, the civil contractor, finished the project at a cost of £135,000 against the budget of £127,000. Future costs are for fencing the plant and surrounding landscaping
- 2&3) Actual costs total £14,039 and are split to mirror the prospectus. Charged at cost.
- 4) Includes bank charges, postage, FSA fee, subscriptions and stationery.
- 5) Includes track improvements and the first oil change.
- 6) Consultancy includes £3615 for the archaeological survey.

Note	Finances	In Prospectus	Up to 30/9/08	Expected income after 30/9/08
7	Grants	£75,000	£165,000	-
8	Loan	£25,000	-	£70,000
9	Equity (shares)	£126,000	£100,551	£25,500
	Income	-	-	£24,000 for next year
	Donations / Interest	-	£681	-

7) Grants and income:

- £75,000 – East Midlands Development Agency (EMDA);
- £45,000 – the Cooperative Fund
- £30,000 – the Coop Group for the private wire to the Food Store on Church Road
- £15,000 – the Sustainable Development Fund, paid to h2oPE for capital expenditure.

8) The loan will be for £70,000 over 10 years, from the Co-operative Bank.

9) THNM is seeking additional share investment initially from existing members.

Now that the scheme is running, the expected annual income from power generation is £24,000, with expected annual costs of £8,200 and annual loan repayment of £10,000. This gives us an expected net profit of £5,800. The annual insurance costs in particular are much higher (at £3500 per annum) than expected.

Two of the key contractors in the project write:

Western Renewable Energy – the civil engineers

Construction of the hydro-electric scheme at The Torrs, New Mills was an exciting, challenging and altogether enjoyable project for Western Renewable Energy. From the initial excavation work with an Archaeologist on-site, through concrete works, machinery installation and commissioning the project has been varied and unique.

Access constraints caused the biggest problems with the need for transshipping materials, using smaller machinery than desired and not least the delivery and installation of the screw turbine itself. Each of these problems however were overcome and in a six month construction period the project was operational.

Local support was fantastic – not just from residents, but from local suppliers and businesses too. As a result of this, we are proud to document that 60% of the total construction costs were spent locally. Community-led schemes such as this are a forward-thinking way of bringing sustainability issues to a wider audience and making best use of local resources for local people. We are delighted to have been involved in this innovative project and wish Torrs Hydro New Mills every success.

Chris & Yvette Elliott

www.westernrenew.co.uk



Chris & Yvette of Western Renewable Energy (left) with some of the crew on the Big Lift day (Paul Devereaux)

Mann Power Consulting Ltd.

We first brought the Archimedean screw generator to the UK in 2006, and since then its proven fish-friendly and efficient operation has resulted in a surge of interest from all over the country.

There are now 6 systems operating, 5 more under construction, and nearly fifty more moving through the planning stages.

THNM has been an extremely important project for MPCL and a fantastic example of a community-led investment in renewable energy. One of the pioneers of this particular technology in the UK, THNM are an exemplar of good practice in communication and dissemination of information: the blog and website keep everyone up to date with progress at all times and help instil a sense of ownership even when people cannot be 'hands-on' on site.

It has been a real pleasure working with the Torrs Hydro team, and I look forward to their next project!

Dave Mann

www.mannpower-hydro.co.uk

None of this project would have got off the ground without the supreme determination of staff at h2oPE, Steve Welsh and Helen Walker. We are hugely grateful to them and the many others who have contributed in their many different ways to bring the project so far so quickly.



The directors of Torrs Hydro New Mills with h2oPE staff: left to right –

Sean Whewell, Maggie Cole, Steve Welsh, Esther Jones, Till Geiger, Helen Walker and Richard Body.

If you would like to follow our further progress, you can do so via

- the Torrs Hydro 'blog': www.torrs-hydro-new-mills.blogspot.com , or
- visit the Torrs Hydro web site on: www.torrshydro.co.uk