Participant Guidance

Act in character throughout. Do not worry if you do not understand everything - the role play itself will help you clarify what you may not understand on first reading. Experienced role play and FairShares experts will brief you before the role play begins.

About You

You are a member of Future Energy Ltd, which is structured as a FairShares Company. You are being asked by the housing association and community groups to supply panels and share engineering skills to make the panels efficient. They are proposing that all partners contribute time and technology without making 'up-front' labour charges, and that costs savings and Feed-In Tariff payments will be shared when energy is generated.[1]

During the role play you will exercise your right to vote on major business proposals that could change the company's turnover by more than 12.5% in an accounting period.

As a member, you share in the distribution of surpluses each year which are allocated as follows:

- £1m is converted to co-operative capital (an indivisible collective reserve) to fund Future Energy's development.
- The remainder is paid out as follows: Employee members (35%), Customer Members (35%) and Investor Members (30%)

About the Decision You Have to Make

A consultant has worked out that a household participating in a scheme will – on average – save £226/year in energy costs and generate a payment of £81/year for exporting surplus energy to the national grid. The proposal is that the housing association reduces the energy bill to tenants by £1,500 (£75/year) over 20 years and treats the remaining £1,212 of cost savings plus £1,620 from electricity sales as revenues. These will be shared 50/50 with Future Energy Ltd so that over the life of the project, there would be earnings of £232/annum per property.

The housing association in this project has 20,000 properties, but only 7,500 are 'south facing' and fully suitable for installation. A further 2,500 might be suitable if the housing association does some work before installation work begins. This means that the scheme can save *at least* £562,500 a year in energy costs for residents and generate *at least* £1.74m of additional revenue to be divided equally between the housing association and Future Energy.

Future Energy would normally charge £4,000 per installation, but after training community members in the self-build technology, it estimates the cost will drop to an average of £1,600 per installation (for the solar panels themselves and transportation costs). Currently, the cost of producing solar panels is falling at about 30% every 5 years.

The consultant estimates that each household can generate an average 3,454 kWh of energy, cut CO^2 production by 1,061 Kg/year and earn £6,140 in revenues over its lifespan (20 years). Of this amount, £1,500 goes to the household in energy cost savings. This leaves £4,640 to be split between the housing association and Future Energy Ltd. The total earnings (based on 7,500 homes) would be a half share of £34.8m (£17.4m), rising to £46.4m (£23.2m) if 10,000 installations can be made.

However, Future Energy Ltd would spend £12m in materials and transport costs so the nett return is between £5.4m (7,500 homes) and £7.3m (10,000 homes). The consultant estimates that working capital of £2m will be needed from (social) investors to initiate the programme. As a FairShares Company, the first £1m of surplus is allocated to reserves. The rest is split between Investors (30%), Employees (35%) and Users (35%). Over the life of the project this would generate:

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[1] The government's feed-in tariff scheme has now ended, but the Energy Saving Trust provides a 'Solar Energy Calculator' to calculate likely benefits, http://www.pvfitcalculator.energysavingtrust.org.uk/

1. Between £1.32m and £1.89m in earnings for Investor Shareholders (30% share of nett surplus).
2. Between £1.54m and £2.21m for both Labour and User Shareholder (35% share of nett surplus).

The proposal to members of Future Energy Ltd

A scheme has been proposed in which Future Energy Ltd licenses its technology for this and *other community groups and housing associations* to use on a non-commercial basis (i.e. they are not allowed to sell the technology or anything based on it without Future Energy's permission).

You have to decide whether to support the proposal.

You will be allocated to one of four shareholder groups. Discuss the proposals with other members of your group and decide how to vote.

You vote as an individual, not as a group, and you are also free to refine the proposal, or suggest a different proposal.

About the shareholder groups

Founders: There were four founders of Future Energy Ltd (three scientists who did PhDs together and a former-GP who became a social entrepreneur). They formed Future Energy Ltd to bring the scientists' research to market. The social entrepreneur provided seed funding. Whilst each wants some financial return for their efforts, they are motivated by *providing low cost / free energy for everyone*.

Employees become members of Future Energy Ltd after 1 year of service. There are trainers, engineers, sales representatives, administration and technical support staff alongside social marketing experts. As members, employees share in the surplus and vote on key decisions. Although most are sympathetic to the pursuit of sustainable development (which is checked at recruitment), most are principally interested in advancing their career and ensuring a quality lifestyle for their families.

Customers: Domestic property customers become members when they buy their solar panels. They receive all cost savings and income from electricity generation. The new scheme would add housing associations as a second type of customer member, and the proposal is that each association would have two member representatives (one elected by tenants, one appointed by their Board of Directors) who would attend and vote in Future Energy General Meetings.

Investors: Future Energy has an investment community of social and impact investors who collectively made an initial £5m investment. Whilst they are all sympathetic to sustainable development, most are under an obligation to achieve a 5% or better return on the financial capital stakes they have made (either in the form of dividends or increases in the share price).