

## Activity – Commoning – FairShares Live Action Role Play

*This live action role play is designed to enable you to consider and answer (for yourself and others) the following questions about FairShares Commons Companies.*

- 1) What are the differences between commons and private property?
- 2) How would the wealth of each stakeholder (member group) in Future Energy Ltd be affected by conversion to a FairShares Commons Company?
- 3) How would stakeholders, wider society and the environment be affected if Future Energy's solar panel designs were made available as a commons resource?

### Introduction

**Future Energy Ltd** is a fictional co-operative company based on a real case study that occurred during a knowledge exchange project in 2011. Future Energy Ltd is a specialist in renewable energy production that established itself successfully as a supplier of solar panels to the domestic (private consumer) market. After a government funded venture/collaboration with a network of community groups in deprived urban areas, Future Energy Ltd agreed contracts with a housing association to license its self-build solar panel technology to community groups.

### The Role Play Scenario

You are a member of Future Energy Ltd. A General Meeting has been called to consider a proposal from housing associations who are Customer Members of Future Energy Ltd. They have put forward the idea – supported by the Housing Associations Charitable Trust (HACT) – that Future Energy Ltd should convert into a FairShares Commons Company. Their goal is to secure open source access to Future Energy's solar panel IP for HACT's entire membership.

### Background

Future Energy's Founder members' (three scientists and one businessperson) created low cost renewable energy products. Initially, the co-operative company sold solar panels to private domestic buyers. Later, the co-operative expanded through 3-year contracts with the housing associations. Private customers pay directly for solar panels, and indirectly for a 20-year maintenance contract (typically around £10,000 split 50/50 between hardware and services). Housing association customers contract with community groups to install and maintain Future Energy's solar panels in their properties. They are sold at cost (to support each association's social goals) with income derived from selling electricity to the national grid. Electricity sales income is shared 50/50 by each local housing association and Future Energy.

### Business Model

Future Energy has three revenue streams: hardware sales; service sales; energy production:

- 1) **Hardware:** private sales of solar panels to domestic customers have a 'mark-up' of 40% on the cost of manufacture). Typically, an installation charge of £4,500 produces a nett surplus (after labour costs) of £800. With 86,000 domestic customers, the co-operative has earned £387m from hardware sales, netting £68.8m in surpluses. In the last accounting period, hardware sales produced an £8m surplus.
- 2) **Services:** Maintenance contracts exist for all domestic installations (charged at the point of sale, drawn down at the rate of £250/annum for 20 years). For this fee, there is an annual inspection and free replacement of any defective panels for the lifetime of the installation. With 86,000 customers, the co-operative draws down £21.5m in fees each year, which (after labour costs) nets £4.3m/annum in surplus.
- 3) **Energy:** The co-operative receives 50% of the income from electricity sold to the national grid by housing association customers, in exchange for providing hardware at cost price. At present, electricity sales + public subsidies earn Future Energy £2,430/property over 20 years (roughly £121 per year, per property). With 120,000 housing association properties installed, this earns Future Energy Ltd £14.52m a year (its biggest source of revenue).

An expansion in the number of housing association installations would dramatically increase both the revenues and financial surpluses of the company without a commensurate increase in costs.