

Mynydd Clogau wind farm

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Wales' 14.5MW Mynydd Clogau wind farm - Novera Macquarie Renewable Energy's (NMRE) first such acquisition - lies somewhere mid-table in terms of generation capacity but sees the Novera Macquarie joint venture stamp its mark in the UK, writes Max Thompson.

However the Welsh wind farm – located 15km north west of Newtown in the region of Powys – is a significant project because it has been at the heart of several important developments in the UK's wind power sector.

Mynydd Clogau has borne witness to the inherent bureaucracy of the UK's planning system, it has been owned by the pioneers of the country's 'windrush'. The Welsh wind farm is more significant than its relatively modest capacity suggests.

Background and rationale

Wind energy developer Renewable Energy Systems (RES) – a subsidiary of UK construction giant Sir Robert McAlpine – was quick to recognise the potential of the site and the then nascent wind power market.

Late in 1994 the project – for which RES formed a JV with Ambient Energy – was awarded a 15-year PPA under the government's Non-Fossil Fuel Obligation (NFFO).

Then, following a six-year hiatus, caused largely by the UK's planning legislation, in May 2002 RES and new JV partner Novera Energy – which took over Ambient Energy in 2000 – finally received planning permission for erection of seventeen 850kw Vestas turbines at the site which is located 440m above sea level.

However, the protracted nature of the delay was still a sore point for RES' managing director Dr Ian Mays. At the time, Mays warned of the detrimental effect that legislation was having on the industry:

'We are delighted that this project, can finally be built. But it's a sad reflection of the problems the British wind industry has been experiencing that it has taken this long. Wind power's true potential - in terms of job creation and emissions reduction - has yet to be realised here because of delay and inconsistencies in planning policy, particularly in England and Wales, while elsewhere in Europe the wind industry is booming, ' Mays said.

Following Novera's acquisition of Ambient Energy and the eventual receipt of planning permission for the site, the Mynydd Clogau project had only a brief respite before it was again embroiled in the ebb and flow of the renewables market.

In February 2005 RES' 50 per cent stake in the facility was acquired for £14m (US\$27m) by the then newly formed NMRE joint venture - a JV between Novera and Macquarie – which hit the headlines in December 2004 when it announced its presence on the scene through the acquisition of the UK's United Utilities Green Energy's (UUGE) landfill gas assets for £123m.

Barclay's Bank provided £92.5m in debt facilities to NMRE for the UUGE acquisition. It was from this financing that the

construction of Mynydd Clogau - and an undrawn working capital facility of £5m - was facilitated.

The Project

The project company for the development of the wind farm is Mynydd Cloggau Wind Farm (MCWFL) which is wholly-owned by Ambient which, as mentioned above, is owned by NMRE.

Vestas Celtic Wind Technology will operate the wind turbines for a period of five years under an operations, maintenance and warranty agreement.

RES was awarded the EPC contract and work on the project’s sub-station at Tregynon started on 10 January 2005 with turbine delivery planned for the end of the year. The facility – which will power 8,700 homes and reduce greenhouse gas emissions by around 32,700 tonnes a year – is expected to come on line in April 2006.

In August 2013 the Mynydd Cloggau deal switches from its current NFFO3 status to RO status and in doing so will join the 'benchmark' 15-year forward sale portfolio signed with UK energy giant Centrica on 20 December 2004.

The electricity generated by the facility will be transmitted to the grid by a 7km underground cable which will connect to ScottishPower Manweb distribution system via the Tregynon substation.

Barclays Bank was sole mandated lead arranger and Steve Read, director of Barclays environmental services team, told IJ News that the debt facility had a debt:equity ratio of 75:25.

Conclusion

The financial close of this deal represented NMRE’s first wind farm acquisition and as such is regarded as a symbolic statement of intent for a group which is set on becoming one of the major players in the European greenfield sector.

David Scaysbrook, managing director of Novera Energy’s business development operation in the UK – Novera Ventures – and a founding director of NMRE, told IJ News: 'By successfully completing development of our first wind farm and achieving the sale to NMRE, we have demonstrated our development capabilities in wind energy.'

'This will enable Novera, via the JV with Macquarie, to progress our plans for building one of Europe’s largest diversified renewable energy portfolios. We are excited about the opportunities coming to us across the UK and Europe and look forward to further growing our asset portfolio.'

Mynydd Cloggau (NMRE acquisition of RES 50 per cent share) at a glance

Project Name	Mynydd Cloggau wind farm
Description	17 wind turbine development
Location	Powys, Wales, UK
Sponsors	Mynydd Cloggau Wind Farm (MCWFL) therefore ultimately NMRE
Operator	Vestas Celtic Wind Technology Limited
EPC Contractor	RES
Total Project Value	£14m (US\$27m)
Pricing	Undisclosed
Tenor	Undisclosed
Mandated Lead Arranger	Barclays Bank
Participants	N/A
Total Mezzanine	Undisclosed
Debt:Equity	75:25
Total Equity	US\$6.75m
Legal Advisor to Banks	Hammonds
Legal Advisor to Sponsor	In-house Novera-led team
Date of Financial Close	25 February 2005

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