

# Scottish content reporting:

## Guidance notes

### Introduction

These notes accompany the spreadsheet BVGA-32512-Scottish content pro forma-rA. This spreadsheet contains the calculations needed to:

- Produce a Scottish content figure for a given wind farm
- Produce a Scottish content figure for a given year for wind farms reaching commercial operations.

### Glossary

Prices: Calculations are based on prices are in real terms. Since the calculations are in percentages, the accounting year does not matter

DEVEX: Development expenditure from agreement with landowner through to final investment decision

CAPEX: Capital expenditure from final investment decision to commercial operations date

OPEX: Operational expenditure from commercial operations date to the end of decommissioning. It includes fees such as land rent, business rates and transmission charges

TOTEX: Total expenditure, that is DEVEX + CAPEX + OPEX

FID: Final investment decision to proceed with the wind farm

COD: Commercial operations date

Buyer: Purchaser of goods or services, which may be a developer or a major supplier

Developer: the special purpose vehicle that owns the asset, which may have one or more equity partners

Major supplier: supplier whose aggregated contracts exceed X% of total expenditure

Subcontractor: A supplier to the developer or major supplier

Internal expenditure: Expenditure by the develop

### Scottish content figure for a given wind farm

The overall responsibility for producing a Scottish content figure for a wind farm lies with the developer. The data gathering to produce a Scottish content figure is undertaken by the buyer, which will be:

- The developer, and
- Major suppliers.

The calculations done by all parties are based on:

- The invoice address of subcontractors
- The operational location of internal expenditure.

Table 1 shows the categories of expenditure. The sections beneath describe the data inputs and calculations for each. The blue-highlighted rows show data that is gathered by the developer; the green-highlighted rows show data that s gathered by major suppliers. An explanation of how the data is gathered and calculated for each row is provided in sections beneath.

**Table 1 Categories of activity or expenditure.**

Buyer	Item	Activity or expenditure type
Developer	1a	Internal development expenditure to FID
Developer	1b	External development costs to FID
Developer	2a	Internal project management expenditure from FID to COD
Developer	2b	External project management expenditure from FID to COD, excluding major tier 1 suppliers
Major supplier A (turbine supply agreement)	3	Project expenditure
Major supplier B (civils contractor)	4	Project expenditure
Major supplier C (electrical contractor)	5	Project expenditure
Developer	6a	Internal asset management expenditure from COD to end of decommissioning
Developer	6b	External asset management costs from COD to end of decommissioning, excluding turbine service supplier
Major supplier A (turbine service agreement)	7	Project expenditure
Developer	8	Insurance
Developer	9	Land rent
Developer	10	Business rates
Developer	11	Community benefit fund
Developer	12	Transmission and distribution charges
Developer	13	Decommissioning

## DEVEX

### 1. Developer expenditure to FID

#### 1a. Internal expenditure

Internal expenditure in Scotland is calculated as a financial value from the employment costs of individuals working on the wind farm in Scottish locations, along with associated overheads.

#### 1b. External expenditure

External expenditure in Scotland is calculated as a financial value based on the aggregated value of contracts placed with Scottish suppliers, as defined by their invoice address. Developers should remove contracts from the calculation if they have reason to believe that no meaningful activity took place in Scotland.

Aggregate internal and external developer expenditure in Scotland to FID is divided by total developer expenditure to FID to produce a Scottish content percentage.

## CAPEX

### 2. Developer expenditure from FID to COD

#### 2a. Internal expenditure

As for 1a.

## 2b. External expenditure

As for 1b.

Aggregate internal and external developer expenditure in Scotland from FID to COD is divided by total developer expenditure from FID to COD to produce a Scottish content percentage.

## 3-5. Major suppliers

Major suppliers submit a single Scottish content percentage. Major suppliers' calculations are based on based on the same approach as item 1 for developers, that is considering internal and external expenditure in Scotland in turn then dividing it by the aggregate expenditure (not the contract value).

## OPEX

A Scottish content figure is derived for the total operating life of the wind farm, but OPEX figures must be based on budgetary figures for the first full year of operation. While Scottish content may change after the end of any initial service period, at the start of operations this would be speculation.

## 6. Developer asset management expenditure from COD to decommissioning

### 6a. Internal expenditure

As for 1a.

### 6b. External expenditure

As for 1b.

Aggregate internal and external developer asset management expenditure from COD to decommissioning in Scotland from FID to COD is divided by total developer expenditure asset management expenditure from COD to decommissioning to produce a Scottish content percentage.

## 7. Major supplier A

Major supplier A is the turbine supplier that delivers the service agreement. It submits a single Scottish content percentage for the first full year after COD using the method for items 3-5.

In calculating the overall Scottish content in OPEX and TOTEX, the developer applies this percentage to the lifetime OPEX. In doing so, the method assumes that the fraction of Scottish content does not change over time even if the service agreement is delivered by the developer or third party suppliers.

## 8. Insurance

The Scottish content in insurance is complex but it seems likely that insurance offered by a company registered in Scotland will be underwritten by companies outside Scotland. A pragmatic approach is:

- Insurance offered by a Scottish registered provider has a Scottish content of 50%.
- Insurance offered by a non-Scottish registered provider has a Scottish content of 0%.

## 9. Land rent

The Scottish content in land rent is determined by the payment address. If the payment address is in Scotland the Scottish content is 100%. If the payment address is outside Scotland the Scottish content is 0%.

## 10. Business rates

The Scottish content in business rates is 100%.

## 11. Community benefit fund

The Scottish content in community benefit fund payments is 100%.

## 12. Transmission and distribution charges

Transmission and distribution charges are levied to manage and maintain both local and UK-wide transmission and distribution assets.

A reasonable assumption is that the Scottish content in transmission and distribution charges is 70%, reflecting the need to source components globally and the UK-side management of the grid, which is based outside of Scotland.

## Scottish content figure for a given year

An annual Scottish content figure for a given year is calculated by aggregating the data for DEVEX, CAPEX, OPEX and TOTEX for all wind farms that reached COD for that year.

Individual wind farm Scottish content data for DEVEX, CAPEX, OPEX and TOTEX is weighted by nameplate capacity, as shown in the pro forma spreadsheet.

## Disclaimer

1. This document has been published by BVG Associates Ltd or BVG Associates LLP (jointly referred to as “BVGA”). To the extent permitted by law, BVGA assumes no responsibility whether in contract, tort including without limitation negligence, or otherwise howsoever, to any party who is in receipt of this document, and BVGA shall not be liable for any loss or damage whatsoever suffered by virtue of any act, omission or default (whether arising by negligence or otherwise) by BVGA or any of its employees, subcontractors or agents. A Circulation Classification permitting the reader to redistribute this document shall not thereby imply that BVGA has any liability to any recipient.
2. This document is protected by copyright and may only be reproduced and circulated in accordance with the Circulation Classification and associated conditions stipulated in this document. No part of this document may be disclosed in any public offering memorandum, prospectus or stock exchange listing, circular or announcement without the express and prior written consent of BVGA.
3. BVGA shall not be responsible in any way in connection with erroneous information or data provided to it by any third party, or for the effects of any such erroneous information or data whether or not contained or referred to in this document.