Principal Risks and Uncertainties

Risk	Risk Management Objectives and Strategy
Liquidity risk: Liquidity risk is the risk that the Society is unable to meet its debts as they fall due because of insufficient liquid assets, for example due to cloudy weather resulting in reduced generation.	The risk management objective is to ensure that the Society always has sufficient cash reserves to meet its financial obligations. The Society manages its exposure to liquidity risk in two main ways: • Firstly, in advance of each year a budget is set on expenditure and anticipated revenues from solar generation, including a number of downside cases to ensure availability of cash • Secondly, the Board has implemented a policy around capital and cash reserves to ensure that there is always sufficient available cash to meet the committed and potential outgoings of the Society
Pipeline development: The Society's core strategic objective to quadruple its generation capacity over the next four years is reliant on sufficient sites. Therefore, there is a risk that this pipeline fails to materialise.	There is a risk that the Society is unable to develop further pipeline due to either an inability to identify suitable sites or insufficient sites being available. To manage this risk, and ensure the objectives around pipeline delivery can be met, the Board has: • Evaluated volunteer and other resourcing requirements • Designed a screening and pipeline development strategy; and • Continued to deepen relationships and partnerships with key site sourcing partners
Operational risk: This risk is the risk of damage to the success of the Society due to operational failures, for example failing to file accounts in a timely manner.	As a volunteer led organisation the Society is particularly susceptible to operational risks. As such, in order to mitigate these and ensure a high level of continuity and operational resilience the Board has been exploring strategic options to outsource all administrative and finance functions of the Society.

	While several potential operating partners have been identified, the process remains ongoing, and as an interim measure the Board have engaged paid support on a temporary basis.
Credit risk: Credit risk is the risk that counterparties fail to make payments in a timely manner resulting in adverse financial impacts.	The Society has a number of revenue counterparties including site hosts, export providers and FiT counterparties. Credit risk with site hosts is managed by monitoring the aging of receivables and maintaining good relationships with the sites. For FiT and export sales, credit risk is managed by ensuring that the Society both has a diverse range of counterparties and deals only with creditworthy counterparties in order to ensure that the risk of counterparty default remains insignificant.
Inflation: The Society, like other organisations, is exposed to inflationary pressure around the cost base and therefore there is a risk that the Society may be adversely impacted by prolonged high inflation.	Other than in relation to its solar sites, the Society does not have long term contracts that it is unable to terminate. While inflation remains a risk, this enables the Board to evaluate the current suppliers and service providers in order to ensure they remain cost competitive while delivering a high level of service or product. Additionally, due to the relationship between energy prices and inflation the Society expects there to be potential benefit as a result of higher inflation over the longer term.
Energy prices: The Society, as a producer of energy, is exposed to fluctuations in its revenue as a result of energy prices.	The Society is exposed to fluctuations in market energy prices which it seeks to minimise. In order to manage this risk, the Society: • Defines the contractual terms under which power is sold to host sites, which is typically based on retail energy prices, and therefore mitigating the risk of wholesale energy price volatility; and • Entering into fixed price PPAs where there is non-FiT export exposure.

Interest rate risk: This is the risk of adverse financial impacts due to fluctuations in interest rates.	The Society does not have exposure to variable rate borrowings and therefore there is no significant risk to the cashflow of the Society as a result of changes in interest rates. While there is no direct exposure, the ability of the Society to raise further funds is linked to the rate of interest available in the market and there is a risk that if interest rates increase significantly, the interest rate on community shares may not be sufficiently attractive to compensate members. The Board is conscious of this and monitors the rates on offer for similar share issuances, as well as the appropriateness of the cap included in the current Society rules, in order to best ensure the success of future share raises as required to deliver the Society's strategy.
Regulation: The Society operates in two sectors where there is involvement of one, or more, regulators. Firstly, as a Community Benefit Society PUNL is directly regulated by the FCA and secondly, as an energy producer, there is indirect exposure to the wider regulation of the UK energy market.	As the Society is unlikely to be able to influence policy and regulation the risk management objective is to ensure potential regulatory changes are identified early to facilitate appropriate response. To this end, the Board monitors the regulatory environment for changes that impact either on mutuals or community energy generation such as the recently announced Local Electricity bill.