The story of Local Power

Thinking of starting a solar panel bulk buying group? One community group undertook the mammoth task of getting solar power to over 100 households. Russ Holmes, Rob Farago and Helen Beazley from Local Power explain how it's done.

In April 2008 almost 140 homes in Brisbane began generating their own renewable energy as part of Australia's largest solar photovoltaic buying collective at that time. This is the short version of the nuts and bolts story of Local Power Buying Group number one, with Buying Group number two well underway.

Photo: Michael Davies - Wide Bay Solar

The idea

In June 2007 we began to explore the idea of a buying group for solar panels in West End, Brisbane. Installing solar panels through normal retail channels is expensive, even with government rebates. If we could get the price down for households through a bulk buy, and thereby entice another 50 or so households to install panels, we would be doing something much more valuable.

We were hoping that greater adoption of photovoltaic systems in homes would both boost renewable energy generation in South East Queensland and increase our members' 'energy consumption literacy' so that they would reduce their household's energy use.

Goals

We wanted the following specific outcomes for participants:

- Significant savings compared to going with a retailer, not just 10% off the best retail price
- Good quality installation. This meant using products and installers with a good track record.
- Participation by people who would not otherwise have installed solar panels due to the high retail price. The best retail deal at the time was around $3700. Our aim was to provide an entry level price for a 1kW system of under $2000.
- Participation by people who would not have installed solar panels due to the complexity of product choice and too much paperwork to obtain the rebate.
- Maximising the PV system size participants could purchase. Households could purchase a 1.5kW system through Local Power for not much more than the cost of a 1kW system from other retailers.

A good deal

Once we started speaking to suppliers and installers we gained a sense of the costs of the various elements of the installation process. We realised we could adopt one of three broad buying group models:

Model 1: Negotiate a bulk installation with a supplier or installation business who would project manage the entire installation including rebate paperwork.

Model 2: Negotiate a bulk installation with a supplier or installation business who would project manage the entire installation, but do the rebate paperwork ourselves.

Model 3: Negotiate a bulk buy of components and project manage the installation process and rebate paperwork ourselves, contracting the PV installers and electricians to install the systems.

We quickly worked out that if we were just offering a large number of customers to a supplier or installer, we

would only be given a small discount off the regular commercial price of installation. This is probably because no-one had installed such a large group in a short period of time (almost 140 within three months of rebate approval) and didn't appreciate the efficiency advantages of geographic clustering for inspections and installations.

We found we had to pull the whole process apart to achieve significant savings, leading us to pursue Model 3.

Making the savings

Savings ended up coming from:

- Bulk buying one brand of solar panels and components from one supplier/distributor.
- Taking on tasks that would normally be done by the installer at a higher fee, in particular administration, initial house inspections, project management, logistics and delivery to the place of installation. Sounds easy when you say it like that but we've learnt a lot.
- Geographically clustering consumers to bring down installer price, mainly through the advantages of reduced travel time and enabling installers to have teams in the same area.
- Bulk selling RECs for a higher price. We did allow members to keep their RECs, but no-one did.

Affordable but high quality

We decided to offer only four solar array sizes with a minimum number of options, partly because our business experience taught us that 'complexity kills' and increases the price. We used the following strategies to reduce barriers to purchasing at the entry level.

Offering an under $2000 option. We decided on a configuration for the best entry level price we could get, without compromising quality. An option under $2000 would enable people to participate who otherwise wouldn't be able to consider solar panels. In the end we were able to offer $2461 for a 'standard install', not including selling the RECs, and after selling RECs our lowest price came in just under $1500.

'Carrying' the rebate if required. We charged a $165 finance fee for those who could not wait the six weeks or so between full payment of the panels and payment of the federal government rebate. However, we did ask that people carry their own rebate if at all possible to reduce the amount of capital we needed to find.

Cross-subsidising smaller systems. This meant imposing a higher administration fee on the larger systems as a form of cross-subsidisation for the smaller systems.

We deliberately chose Sharp panels over cheaper Chinese panels. While this option was more expensive, we wanted to know that these panels would have the best chance of lasting the 25 years of their performance warranty.

A rip off?

We were asking people to pay the cost of systems before installation (at least $1500 deposit and the remainder a week before installation). We hoped that organising as a community group rather than as a business would help people make this 'leap of faith'. So we negotiated to become a program of an existing not-for-profit incorporated association that we knew well. We also decided to hold a public meeting so that people could get a sense of our honesty and competence.

However, we must admit that we were quite staggered that people were willing to give their money to strangers. We had people that we didn't know delivering fliers on our behalf, getting local news coverage on our behalf, nominating us for a particular environmental award, and entrusting us with almost two million dollars in funds for their PV systems. We were very encouraged that trust was so high and we suspect that it came largely from people who were also involved in volunteer networks.

In our opinion, the skills and experience required to run the Model 3 Buying Group we adopted would be a technical understanding of PV solar panels and the industry, business nouse, access to capital, hours to give voluntarily or at a modest wage compared to trade rates, good risk management strategies and the capacity to bear risks that couldn't be avoided or minimised.

In hindsight, it would have been much less work and possibly risk if we chose Model 2, which is probably what we would recommend to other community groups. Nowadays, with many commercial companies running community-based clustering, Model 1 is also viable to someone who can find nine other friends in their suburb wanting solar electricity. ✻

A longer and more detailed version, including the outcome of Buying Group 2, will be available via the Local Power website in early May 2009. Go to www.localpower.net.au

Photo: Michael Davies - Wide Bay Solar