

Community Solar

Risk Management and Mitigation in Community Energy Projects

Community Solar Model – Clear Sky Solar Investments



ClearSky connects investors to renewable energy projects in need of financing

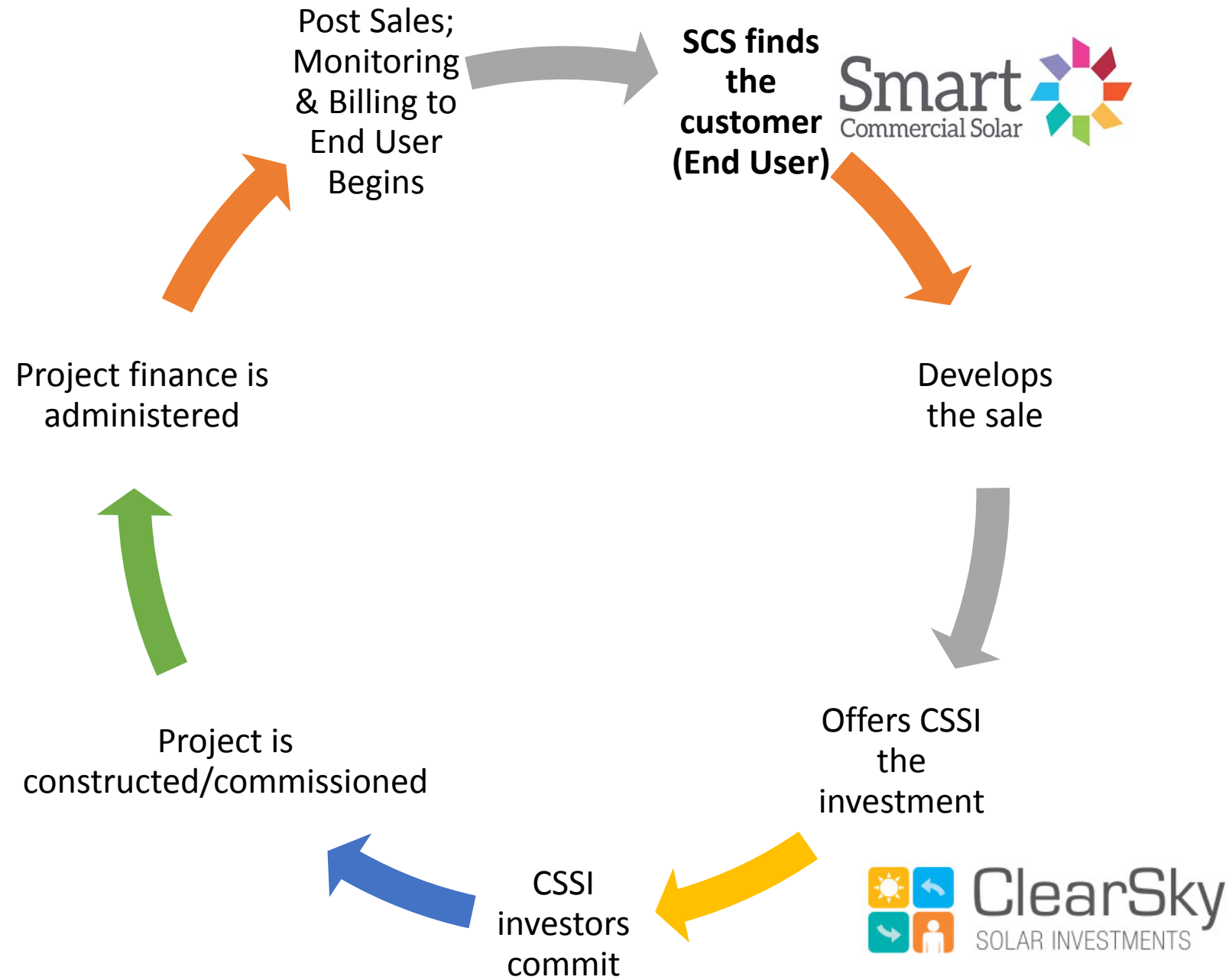


As the project produces clean energy it generates revenue by selling power to the end-user



As the project earns revenue, investors are paid back with interest

In Detail



FEATURED PROJECT



Swifts Leagues Club

90% of a 54 kW system on Swifts Leagues

Club in Booval Qld

Trina panels

SMA converters

Commencing late July 2016

Average daily output 231 kWh

Estimated IRR 7.1%

Ten year term

To be opened soon!



Who is the Customer?



Our Investor

- Meet Graeme Jessup,
- Self Managed Super
- Ethical Investor
- Believes in the product & science
- May or may not have deep knowledge of the industry, end user or product.
- Needs to be protected
- Wants a good return

Perceived Risk	Issues
Sun wont shine	So Far, So Good
Poor investment return	What is a reasonable return?
System may fail	Installer may do a poor job and use cheap components
Poor system performance	Once operational the actual performance may not match the predicted output

The panels may degrade and returns to me may decline	Revenue may fall over time as the panels degrade
Hail and vandalism	Will I lose income if the system gets damaged
Host company using the power may fail	If the Host fails there will be no revenue.
The community Investment company may fail	Is there a plan to minimise the impact if things go wrong
Retailer tariff may fall in time	Retailers may restructure the tariff structure and lower their energy costs. Can the Host back out?
I wont be able to get out early if need to	In an emergency I can I withdraw my money
Contractual agreements between parties may not work	How tight are the contractual agreements between the parties

Too much hassle	Will there be too much paperwork and emails
Friends will rubbish me	They may wonder why I'm so keen to promote renewable energy.
I wont feel good	I may regret an unconventional investment
If I don't do something useful with my money	I'm only alive once
Too much hassle	Will there be too much paperwork and emails
Friends will rubbish me	They may wonder why I'm so keen to promote renewable energy.
I wont feel good	I may regret an unconventional investment

Our End User

- Wants to save money
- May or may not have the capital to spend on this
- Has many barriers to entry, cap-x, internal pressures, multi levels
- Needs to make a decision
- Has expensive (and often rising) energy bill
- Has external risks on his business
- Is being asked to make a 10 year commitment
- But Likes the idea of low risk acquisition
- What happens if grid price goes down?

Our End User

A group of business professionals, including men and women of various ethnicities, are seated around a table in a meeting. They are all smiling and looking towards the camera. The image is slightly faded and serves as a background for the text.

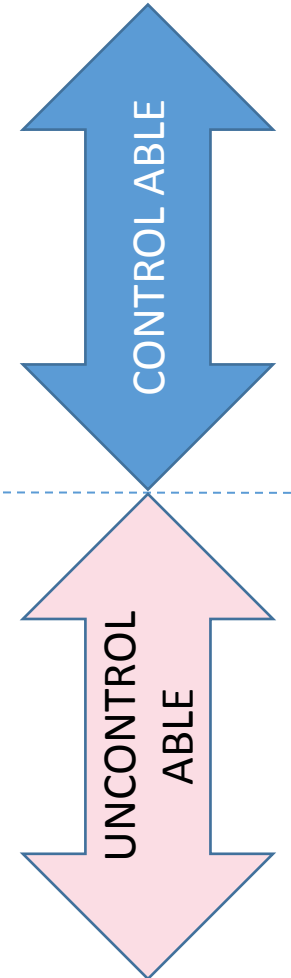
- Alternative Options:
 - CAP-X
 - Lease/Rent/Finance
 - PAYG-PPA
 - Do nothing

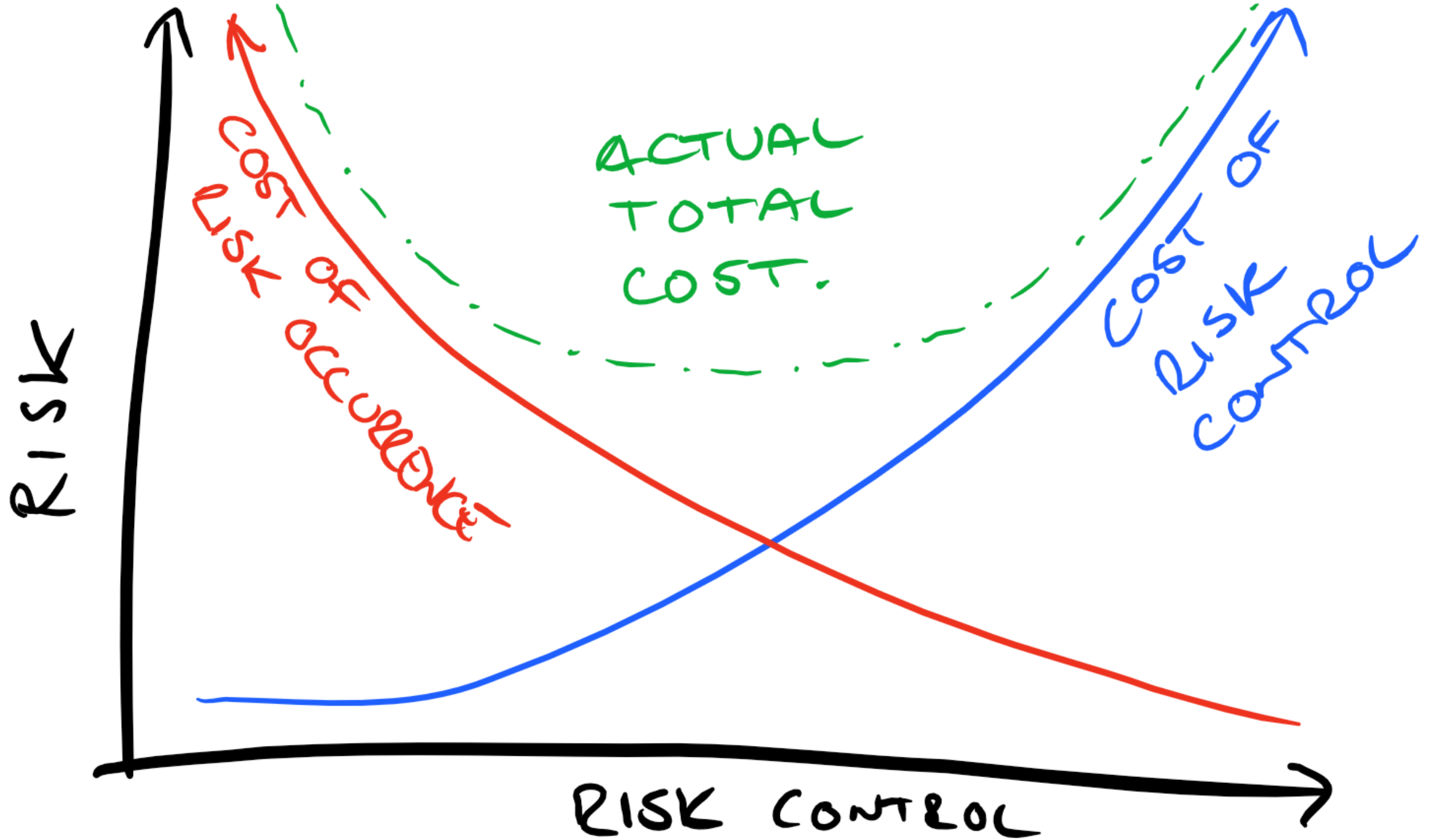
Key Benefits:

Capital free,
Risk free (relatively)
Known future

Risk areas:

1. Product performance
 2. Installer performance
 3. Cost of System
 4. System performance
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5. Need of Investor Liquidity
 6. Customer paying bills
 7. Customer viability - staying in business
 8. LGC's, Energy Markets, Government





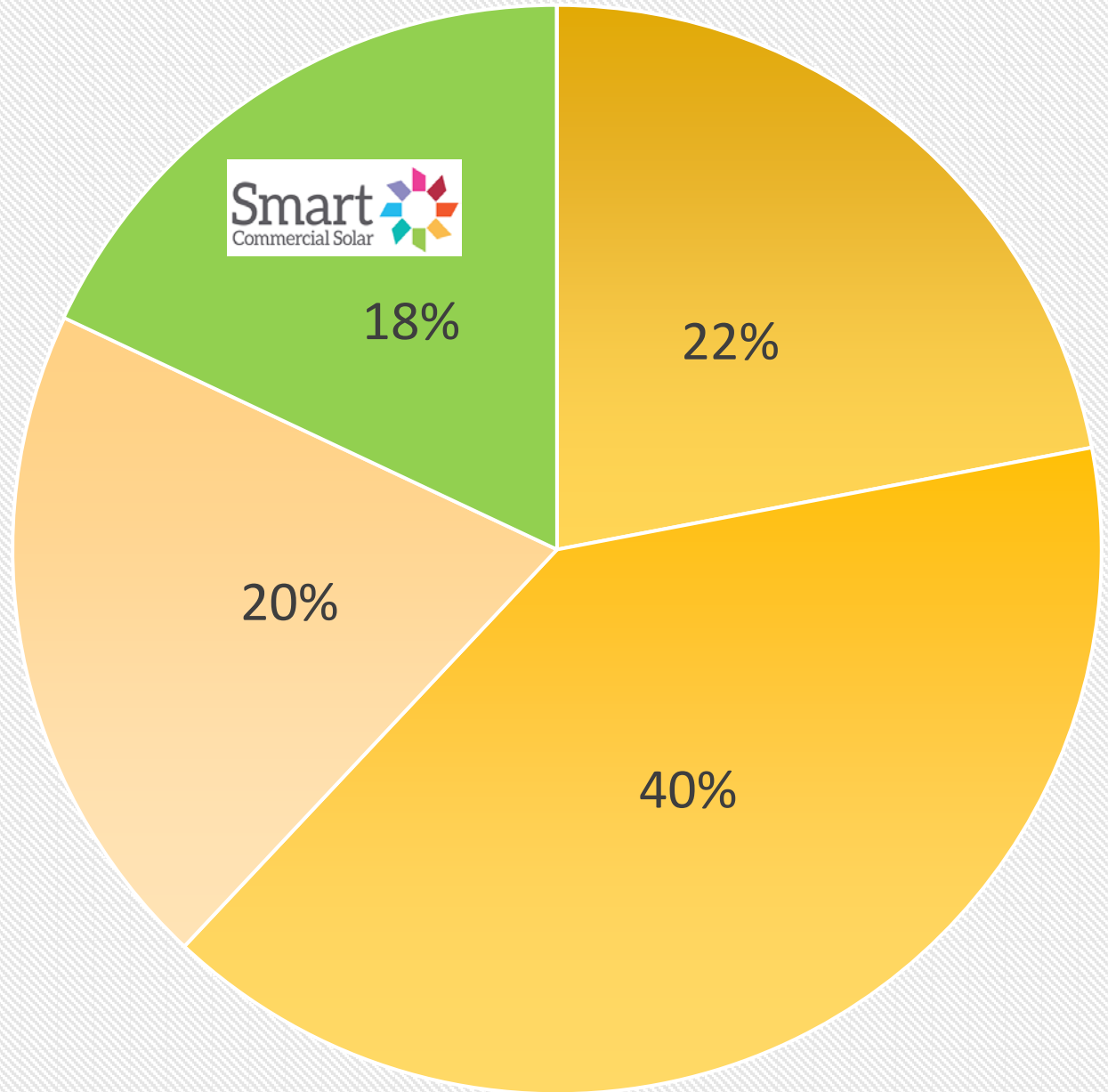
Playing the Balance Game – Mitigating Risk

- Product Selection
 - Low risk product selection
 - Good Value products
 - Market Stabilisation
 - Financial background more important than product
- Installer Performance
 - Managed by Smart
 - Photos of install provided
 - Underwritten by Smart
 - Easily fixed

Playing the Balance Game – Mitigating Risk

- Cost Of System
 - Balance struck
 - Dynamic structure
- System Performance
 - Ongoing stakeholder wide monitoring, monthly reporting
 - Performance auditing regularly
 - Service call as required
 - Underwritten by Smart

Shared Ownership



■ Graeme

■ Susan

■ Joe

■ Smart Commercial Solar Funded

Playing the Balance Game – Mitigating Risk

- Investor Liquidity

If the investor needs to get out for one reason or another, they can, through a buy out of their portion of the system. Early exit does mean some lost potential but other investors simply come in behind the exiting investor.

Risk areas:

1. Product performance
2. Installer performance
3. Cost of System
4. System performance

5. Need of Investor Liquidity
6. Customer paying bills
7. Customer viability - staying in business
8. LGC's, Government

CONTROL
ABLE

UNCONTROL
ABLE



Playing the Balance Game – Mitigating Risk

- End User Doesn't Pay Bills

This is largely covered in our contractual arrangement, our ability to reach into the End User's assets is limited and therefore its difficult.

- Access rights
- Contractual obligation
- Turn off the system
- Minimum billing amount

Playing the Balance Game – Mitigating Risk

- Customer Viability
= **Customer Identification**

1 Rule: Don't deal with thick heads

Playing the Balance Game – Mitigating Risk

- Customer Viability
= **Customer Identification**

How long in business?

What type of industry?

What is their credit history?

Financial trading history?

Ownership structure?

Reliant on?

Playing the Balance Game – Mitigating Risk

- What happens if:
 - Building Burns Down?
 - Solar Burns the building down?

 - Export Limiting occurs?
 - Power is cut?

 - Business changes hands?
 - Business changes load profile?

Playing the Balance Game – Mitigating Risk

- Government

10 years +

3 Terms both Federal & State

Probably 6 Prime Ministers

Mitigated By:

- Fixed Billing Rates
- Buy Out Clauses

Specific Keys to Community Solar Success

- Have passion for renewables, but don't be blind to the realities of energy, risk, NEM movements, the solar industry
- Core value to see all stakeholders succeed
- Installer should be part owner in every project
- High quality analysis
- System performance audit monthly
- Sound customer identification
- Transparent in all our interactions

