

A sunny year ahead for solar system financing*

by Geoff Hill, Project Sales Representative, Solari Energy Pty Ltd

2013 has been a banner year for solar power worldwide. A recent Bloomberg New Energy Finance study showed a 20 percent rise in worldwide solar capacity from 2012.

We believe solar installations within the Australian government sector will escalate, in part because a major roadblock of the past – lack of finance options – is no longer in the way.

Power purchase agreements (PPAs), OPEX and bespoke financing are becoming more widely available. Here's a look at how each works and the value they provide.

Power purchase agreement

A power purchase agreement is a contract to buy or sell electricity at an agreed price for an extended period of time, usually 15-20 years.

The financier builds, owns and operates the system for the length of the agreement. The government organisation purchases only the power, at a set price per kilowatt-hour.

- no upfront capital outlay, hence no impact on balance sheet
- no maintenance or repair responsibility or cost
- payments for generated power may be fixed over PPA term or increased at agreed-upon intervals and rates
- an important hedge against standard power rate hikes, because the organisation is purchasing electricity at a low, set or inflation-adjusted rate
- easy budgeting and long-term expense planning
- at the end of the PPA term, the system may be purchased at fair market value, the agreement extended, or the system removed.

OPEX Financing

Another choice is to pay for the use of a solar system out of the operating expense budget. Fixed monthly payments are set based on the system cost and lease term. Maintenance costs are built into the agreement. You can add equipment if needed during the finance term and renegotiate the monthly payment. Depending on how the OPEX agreement was written, your council may own the solar system at the end of the term. Other options are to extend the existing agreement, upgrade your solar solution and sign a new agreement, or have the system removed.

OPEX financing provides value in a variety of ways:

- no upfront capital investment and easy budgeting due to fixed payments
- an important hedge against continuing electricity rate hikes

- pay the same amount paid for system-generated energy each month, regardless of how much power is used
- bundling: installation and equipment costs can be included in the lease or finance package

- if a regular OPEX finance agreement is struck, your council can depreciate the equipment.

Bespoke financing

Government organisations have organisational and budgetary needs that businesses do not. Bespoke

financing is therefore another viable finance option.

The financier works to specifically understand your organisation's financial position, cash flow and long-term budgetary strategy. The finance package and repayment schedule to acquire a solar

system is tailored to those specific requirements.

The result is better control of organisational cash flow, easier budgeting and peace of mind. If the bespoke arrangement works well in the first instance, the financier is likely to work with your organisation on

other bespoke agreements.

Not all solar companies can provide access to this array of financing options, so it's an important factor to consider as your council investigates potential solar energy vendors and solutions.

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About Solari Energy

- Australian owned and operated renewable energy business with nationwide and international reach
- Focused on renewable energy projects for commercial, industrial and government clients
- Support small, medium and large-scale solar projects 30 kW to 1 MW and above
- Highly skilled staff with technical and management expertise needed to ensure quality renewable energy solution design, development, installation, performance efficiency and management
- Subsidiary of Solar Inception Pty Ltd, an established nationwide and international provider of professional services and quality solar products via distribution
- Flexible support tailored to the client:
 - **All-in one-approach:** provide all needed quality products, engineering and other professional services to analyse, cost justify, design, build and manage a solar power plant
 - **Individualized service:** Unlike other companies, Solari Energy will provide specific services as requested by the client, such as feasibility studies, engineering consulting, etc.

Services

Project Design/Feasibility/Construction

- Engineering services consultancy
- Energy assessment and feasibility studies
- Customised & innovative renewable energy project design
- Project management and quality assurance to ISO 9001
- High-quality products
- Turnkey solutions build with full EPC capability
- Installation by CEC-accredited professionals

Owner/Operator Services

- Solari Energy will build, own, and operate major solar projects where a long-term power purchase agreement is in place

Financing

- Options include lease, rental, funding of solar installations connected to a power purchase agreement, and bespoke financing, including plans tailored to the needs of government organisations

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