

13<sup>th</sup> April 2010

To Whom It May Concern,

As you will be aware, Little River Landcare Group (LRLG) is one of the most respected, awarded and progressive Landcare groups in the state. We have had great success in applications for Government funding for projects over many years, and have an exceptional management team that is largely responsible for bringing this about.

Due to the uncertainty of continued income from Government grants, we have been looking, with the assistance of Otto Hirsch, Executive of Advanced Strategy Centre, and Andrew Baulch, Managing Director of Andrew Baulch Consulting, at other ways of generating regular annual income to LRLG, through sponsorship and strategic projects.

The first of these strategic projects is the LRLG Solar Initiative. The management team and Andrew have been working for the last two months on ways LRLG and its members can benefit from the generous NSW Gross Feed-in Tariff (FIT). LRLG has thoroughly researched this initiative and has concluded that it offers great benefits to the group and its members.

Attached is a proposal that we are encouraging you all to participate. In short we have negotiated with Suntech, the largest producer of quality solar panels in the world, to supply us with a choice of 3, 5 and 10kW systems that all qualify for the FIT, at a price that means they can all be paid off within the 7 year period for which the FIT has been legislated to run. The systems will then continue to produce electricity, and significant income, being warranted to continue producing at least 80% of their original output after 25 years, with a life-expectancy of 40 years or more.

This initiative has great environmental and community benefits, is an investment that withstands the strongest scrutiny and will go a long way towards securing a strong LRLG for years to come.

There is some urgency with regard to the take-up of this initiative as the FIT is likely to be fully subscribed within six months, given the current rate of take-up.

I commend the initiative to you, remind you that we have done a great deal of research for you on it, and ask that you read the background materials. To register an expression of interest please contact –

Andrew Baulch direct on (02) 6367 3290, 0412 265344 or the LRLG office with any questions.

Yours sincerely,

Rob Lee  
Chairman

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Little River  
Catchment Area:

- Cumnock
- Baldry
- Yeoval
- Obley
- Arthurville
- Curra Creek
- Suntop
- Toongi

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**LITTLE RIVER LAND CARE GROUP INC. ("LRLG")**  
**Solar Initiative**

**Background to the Initiative**

The "*Farming the Future*" report handed down to the Commonwealth Government on 17<sup>th</sup> March highlights the significant interest in developing alternative energy supplies as a supplementary income stream for rural communities.

As you may be aware, there has been a bewildering array of government policy both state and federal, concerning alternative energy. There has also been considerable debate as to the most efficient means of generating power and what is the most cost-effective.

What LRLG hopes to do in this document is to describe as simply as possible the current situation and the opportunities it offers to LRLG members.

**Solar vs. Wind**

Wind will generate more power but obviously not all places are suitable (not enough wind). Wind generators have moving parts and the long term maintenance implications are somewhat unknown, but some of the reports coming out of Germany indicate that caution is needed.

Solar on the other hand, especially in the Little River catchment area, would prove to be reliable because of the amount of sunlight hours, and would generate electricity at peak times which make it attractive to electricity providers, as confirmed in discussions with Country Energy.

Solar involves no moving parts and panels are guaranteed to be providing at least 80% of their initial capacity after 25 years. Anecdotal evidence indicates that the panels will continue to generate that level of electricity for 40 years or more.

**NSW Gross Feed-in-Tariff (FIT)**

The FIT undertakes to pay a solar electricity producer a minimum of \$0.60c per kW for all the electricity your solar installation generates, regardless of your farm or house's electricity consumption. (This is what is known as GROSS feed-in tariff - a NET feed-in tariff which operates in some states like SA only pays you at the superior rate for the electricity you produce over and above that which you consume).

The NSW system is in place for seven years from the beginning 2010 until the end 2017, and they have placed a limit on the amount of electricity that can be produced through this scheme before it is reviewed (50mW). It is very hard to get a clear answer, but word has it that 25% has been allocated already, so if LRLG members are to benefit from the scheme we need to move fast.

As a general comment, this NSW scheme is too generous, and is placing much pressure on the manufacturing and installation industry, and guarantee of supply is paramount. The Government has indicated that the scheme will be reviewed in July this year. A target of 50MW has been set, but is unlikely to suspend it even when this target is reached despite the economic cost, because the political cost may end up being even greater. The NSW Opposition is likely to continue with a FIT should it win the next election.

What will happen after the 7 years? (Keep in mind that if you install a solar generator at the end of 2010, you then have only 6 years of the guaranteed \$0.60c left - another reason to move swiftly). The price of electricity from all forecasts will be much closer to the FIT rate by the time the 7 years are up, so it will continue to produce great returns.

Under the current Feed-in Tariff regime of the NSW Government, coupled with the upfront payment of RECs (*Renewable Energy Certificates*) by the Commonwealth, the capital outlay for the types of systems indicated above will be paid off within 5-6 years, then continue to produce you income for the following 20 years and more.

### **Commonwealth supplied Renewable Energy Certificates (RECs)**

Under recently passed regulation, RECs are to be valued (as of 1<sup>st</sup> January 2011) at a flat rate of \$40 per unit. This is great improvement on a price that varied from \$30 to \$54 before. Polluters (mainly electricity companies) must buy RECs to offset the pollution they generate.

The paying of RECs up to 15 years in advance to solar and other alternative energy providers is the Commonwealth's incentive for us to install solar systems, and reduces the overall price considerably.

Because the amount of RECs are paid on a sliding scale, the smallest systems will be cheaper, but whichever way you choose to go, this represents a great return on your investment.

As outlined above, the RECs are paid by the Government directly to the Certified Installer to ensure the cheapest possible net price for your system, while significantly reducing your burden of paperwork.

### **LRLG Solar Initiative Proposition**

The LRLG is giving its members the opportunity to reinforce their environmental and community membership credentials by buying top quality 3, 5, or 10 kW Solar systems at a considerably reduced rate. Each of these system purchases is designed to take full advantage of the Commonwealth RECs and the NSW FIT, and represents a significant and extremely competitive return on investment.

If this program is successful the future of LRLG and its continued capacity to deliver top quality programs to its members will largely be assured.

### **Income**

In round terms the electricity generated will yield the following;

3kW system	\$2752*
5kW system	\$4489*
10kW system	\$8948*

\*These ***approximate*** incomes are guaranteed from the beginning of 2010 for 7 years under the NSW Gross FIT (feed in tariff) which pays \$0.60c per kW.

The amount of electricity generated, and therefore income, will vary slightly from system to system in accordance with the orientation of the roof, amount of sunlight in a given year and the age of the panels.

If your electricity provider is Country Energy, they will pay an extra .812c per kW in addition to the FIT.

*\*Please see tables following for more information.*

### **Finance**

LRLG is negotiating with a number of financial institutions with the aim of securing special finance packages for the purchase of solar systems for LRLG members.

## Panels

There are many solar panels on the market, and the quality varies considerably. LRLG has gone for quality and has developed a special relationship with market leader, Suntech. The major long-term advantages of quality Solar systems are the complete lack of moving parts, which ensure an extremely long working life backed up by exceptional warranties.

The approximate cost of these three packages is contained in the Cost table attached. Some price variation will occur according to the distance of the panel mounting from your meter and the accessibility of the roof on which the panels will be mounted.

## Inverters

The inverters are generally recognised as the best on the market and are guaranteed for 10 years with a life expectancy of 20 years. It is important to keep them as cool as possible and out of direct sunlight for longevity.

## Meters

Gross Meters measure all the electricity going out and credit the customers for all that amount at a rate of .60c kW under the NSW FIT. A separate part of the meter measures all the electricity consumed and bills the customer accordingly (see Country Energy below).

## Installation

Suntech do not install the systems themselves but have a nation-wide coverage of Suntech accredited installers. The installers do the final assessment of the individual site and make whatever adjustments there may be to the quote - normally only the length of cabling required between the installation, the meter, the height and accessibility of the surface on which the panels are to be mounted.

The Certified Installers get the free replacement meter from Country Energy and are responsible for claiming the RECs from the Commonwealth. The net amount only is paid by the purchaser.

Only systems installed and signed off on by Certified Installers will be eligible for the Commonwealth RECs payment. DIY (do it yourself) is neither appropriate nor advised for these systems.

## Warranties

Component	Warranty Details
Module	<ul style="list-style-type: none"><li>Limited product warranty - 5 year repair, replacement and refund.</li><li>25 years Peak Power Warranty<ul style="list-style-type: none"><li>Panels still to produce 95% of rated output after 5 years,</li><li>90% after 12 years,</li><li>85% after 18 years,</li><li>And 80% after 25 years of the rated output.</li></ul></li></ul>
Inverter	10 years - The warranty can be extended for an additional fee (Life expectancy if properly installed and maintained is 20 years).
Mounting System	10 years
All other items e.g. cables, DC breakers	2 years
Installation Workmanship	5 years

## **Country Energy**

Country Energy does not need additional special contracts for solar providers. LRLG purchasers just fill in an application form and Country Energy provide the Certified Installer with a free gross meter, which the installer will fit for a fee of \$300.

Country Energy is prepared to give our members a separate account for the electricity generated so they will receive a separate cheque for the electricity they generate and be billed for the electricity they use.

## **Contracts/Agreements**

Please be aware due to booming solar environment in NSW, current order timeframes are 3 months minimum. Payment terms would be a small deposit - 10% on small and 5% on larger systems and Final payment is due on day of installation.

## **Depreciation**

Depreciation is a Standard 15% that applies to this equipment (please talk to your accountant).

## **Sheds and Free-standing frames**

Industrial Light Beams, in Orange, is preparing a list of special prices for LRLG members for sheds with Solar Ready Roofs or special lightweight frames to carry 10kW and 5kW systems using their award-winning light beams (60% lighter, 40% stronger).

## **Benefits of a successful Solar Initiative for LRLG**

LRLG has gone to great lengths to research the market, select quality systems backed by exceptional warranties and to negotiate special rates for the selected solar systems from Suntech and their certified installer, the Green Solar Group. As a result, LRLG has arranged to benefit from each transaction, and if enough LRLG members adopt the initiative, it will have a very positive effect on the long-term ability of LRLG to deliver extended services to members.

## **Benefits for LRLG Members**

LRLG has identified this opportunity for members to take advantage of the generous NSW FIT and taken steps to thoroughly research the potential for considerable long-term benefit of LRLG members

As the generosity of the NSW FIT has seen all sorts of companies' spring up to take advantage of the situation, much like the aberrations in the Home Insulation caused by the Commonwealth scheme, the market is a potential minefield for the uninitiated.

**Quality** - Please refer to the Suntech information attached

**Delivery** - there are many companies that don't have stock of necessary components to complete installations. We have taken steps to assure a timely delivery and installation process.

**Return on Investment** - the systems offer an exceptional return on investment (see table below)

System Size kW	SMA Inverter	No. of Suntech Panels	Roof Space m <sup>2</sup>	AVG Daily Output kW/h	Projected Annual Output kW/h	Projected 25 year Output kW/h*	Projected Annual Income (2010-2017)**	Indicative Retail Price ***	Annual Rate of Return (2010-2017)
<b>(3kW)</b> 2,960	SB3800	16	21	12.57	4588	104608	2752.83	<b>\$ 14,700</b>	18.7%
<b>(5kW)</b> 4,810	SB5000TL	26	34.3	20.50	7483	170601	4489.50	<b>\$ 23,940</b>	18.8%
<b>(10kW)</b> 9,620	10000TL	52	68.5	40.86	14914	340037	8948.34	<b>\$ 49,800</b>	18.0%

\* Output based on 25 year production at warranted levels

\*\* FIT (Feed in Tariff) income based on \$0.60 solar guarantee until 2017

\*\*\* This price is for a standard installation, extra costs may exist

### **Suntech The Company**

For Australians, Suntech is no ordinary Chinese Company. It was started by Dr Zhengrong Shi, who studied and was part of the solar research unit at UNSW before going to China to start up what is now one of the largest and most successful in the industry.

I met Dr Shi in Canberra a couple of years ago, and he explained that he has felt an obligation to give back to Australia, and hence has committed to an Australian arm, Suntech Australia. We are for them a very small market (albeit with vast resources of solar energy) and it would have been very easy for him not to make that commitment.

As a company they concentrate on quality and it is that combination of quality, price, ability to deliver and a firmly established relationship that makes them the preferred choice for this initiative.

I personally found him extremely impressive, and he is one of the recognised dynamic leaders in the industry.

(Andrew Baulch)

### **Action List**

In its most recent letter, the NSW Government has indicated that 1 July 2010 will be the earliest date that the program can be reviewed, so all systems that have been installed by then will be part of the FIT and receive \$0.60c per kW for all the green electricity generated. We have been working therefore to ensure that this initiative for LRLG members can be achieved within that time (approx. 12 weeks).

### **What you must do**

Complete Expression of interest form attached and return ASAP to LRLG (for assistance ring Andrew on 02-6367 3290, 0412 265344, or LRLG office on 02-6846 4569).

### **What then happens?**

1. An order can then be placed, and a property inspection by our Certified Installer arranged.
2. Once the order is placed, the installer will submit Permission to Connect application to Country Energy.
3. When Permission to connect is given and a contract will be signed.
4. Installation - Small systems take one day to install, large 2-3 days.
5. The meter in the meantime has been collected from CE and installed by a level 2 electrician (this has been a hold up through severe demand on level 2s. Our Certified Installer has in-house level 2's so the installation of the panels and the meter can be done at the same time - a big plus for us).
6. The installation is deemed to be complete when the meter is connected.

***Our arrangement with Suntech and their Certified Installer means that they have stocks of panels and inverters to supply the LRLG Initiative.***