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# Overview

## Expression of Interest

[*Insert name*] is seeking expressions of interest from retailers to participate in social access solar gardens (**SASG**) to provide the following services:

* procurement of electricity from the solar farm to be developed in the SASG via a power purchase agreement (**PPA**);
* billing services for member participants in the SASG to receive discounted electricity in lieu of a dividend for their ownership share in the SASG; and
* customer recruitment and marketing.

## EOI Contents

This expression of interest document (**EOI**) contains the following sections:

* Background – provides an explanation of a SASG and gives an overview of the [*insert name*] SASG;
* Retailer Requirements – details the capabilities required and services to be performed by the retailer; and
* Retailer Response – sets out the information required to be submitted by the retailer in response to the EOI.

All information in respect of the [*insert name*] SASG is [attached to this EOI]/[will be made available via email/data room] for interested respondents.

[***Note: SASG group to consider how background to the project etc will be made available. We recommend providing the business model reports and all ARENA produced materials as background reference material to understand how the scheme works. This may be available via a virtual data room or website links also.***]

## EOI Timetable

The EOI process will follow the timetable set out below. [*Insert name*] SASG retains all rights to amend the timetable, provide additional information or terminate the EOI at any time during the EOI process.

[***Note: This timetable may be shortened or extended as required. These activities are indicative and we recommend a 2 month process. SASG group should make as much information available as required. Depending on the number of bidders approached, a shortlisting stage may not be required.***]

| **Stage** | **Date** | **Comment** |
| --- | --- | --- |
| Release EOI |  |  |
| Q&A Process |  |  |
| EOI Submission Date |  |  |
| Shortlisted Bidders |  |  |
| Retailer Interviews |  |  |
| Preferred Retailer Selected |  |  |

## EOI Contact

All enquiries in respect of the EOI should be directed to the following contacts:

|  |  |  |  |
| --- | --- | --- | --- |
| **Name** | **Role** | **Phone** | **Email** |
|  |  |  |  |

## EOI Submission

Lodgement of the EOI response must be provided by 5:00pm on the EOI submission date (as specified in section 3 above). Lodgement is to be via email to the contacts specified in section 4 above. Any EOIs received after this time may not, at [*insert name*] SASG’s complete discretion, be taken into consideration by [*insert name*] SASG unless the delay in submitting the EOI has previously been agreed by [*insert name*] SASG. Should an extension to the EOI submission date be agreed by [*insert name*] SASG or any other respondents, the right to offer the same extension to any other respondent shall be in [*insert name*] SASG’s sole and absolute discretion.

## Acknowledgement

This EOI is not an offer capable of acceptance and the issue of the EOI shall not bind [*insert name*] SASG, or be capable of binding [*insert name*] SASG in any way whatsoever. [*Insert name*] SASG makes no warranty whatsoever in this EOI in respect to its contents or whether it will accept any expressions of interest in respect to the contents of this EOI.

# Background

## What is a SASG?

SASGs are an innovative model for supplying renewable energy to households and businesses. The intention of SASGs is to replicate the benefit of behind the meter rooftop solar to retail customers unable to have rooftop solar on their site.

Broadly, the aims and objectives of SASG are to:

* raise sufficient capital or finance to develop solar farms (with funding sources from members and potential external funding from commercial or alternative sources e.g. grants, loans);
* distribute benefits to their members (in the form of credits on electricity bills); and
* enable participation from low income consumers, renters and apartment dwellers (whether self-funded or via funding support from independent third parties).

A central solar system is installed, often in close proximity to the expected membership, and at small to medium scale. The solar system is owned and funded by a community member-based organisation, in this case [*insert name*] SASG, where members pay to own a share of the solar system. The electricity generated from the solar system is then sold to a retailer via a power purchase agreement who then sells the electricity to the member customers by way of a credit or discount to their electricity bill, in lieu of a dividend from the community organisation. The intention is that although the solar panels may be located off-site, the household receives a financial outcome on their bill, similar to having solar on their own roof. This mechanic is further described below.

Some solar gardens may seek to target socially disadvantaged or low income customers to participate in the scheme who would otherwise be unable to benefit from renewable energy.

Solar gardens are common in the US solar industry and contributed approximately 200MW of new photovoltaic capacity in 2016. However, solar gardens are now becoming established in Australia. In 2018, UTS Institute of Sustainable Futures ran a SASG prototype project to test a range of structures to develop and deliver SASGs across Australia with grant funding from ARENA and NSW Government.

## What is the [insert name] SASG structure?

[***Note: SASG group to provide details on the SASG structure including the following information]***

* Insert overview of key parties, relationships and contracts under the proposed model (each group should be able to draw this from their business model report)
* Highlight briefly the role of the retailer, which will be elaborated on in the next section

## Who are [insert name] SASG?

[***Note: SASG group to provide background to the group including the following information]***

* When founded and legal form (i.e. co-operative or company), where located and membership size/governance structure
* Current business model, aims and objectives
* Recent projects, initiatives, activities
* Why establishing SASG and key roles SASG group will play
* [Goals/vision for the future]

## Details of the solar project

[***Note: SASG group to provide status and key specifications of the project.***]

[*Insert name*] SASG [are currently developing/have developed] a [#] MW project located near [insert]. It is proposed that the retailer will buy [[#] MW/% generation] supplied from the project under the PPA. [***Note: It is likely the retailer will buy 100% due to the smaller scale size of the projects. Please detail if other arrangements are anticipated.***]

Project specifications:

|  |  |
| --- | --- |
| **Parameter** | **Project details** |
| Size (AC/DC) |  |
| Annual generation (MWh) |  |
| Location |  |
| Land arrangement (lease/own) |  |
| Development approval (Council/state) |  |
| Grid connection (NSP and status) |  |
| Contractor to build |  |
| Key technical suppliers |  |
| Timetable | Commencement of construction:  Energisation/first generation: |

## Commercial terms

[***Note: SASG group should have an internal financial model that can be run to determine accurate price points and commercial terms to make the project viable. It is anticipated that indicative range for terms can be provided here and retailers will be asked to propose preferred commercial terms in the retailer response below.***]

Indicative commercial terms for the sale of electricity are set out below. During the shortlisting round of the EOI process, [*insert name*] SASG will negotiate the terms with retailers based on preferred commercial terms submitted in the retailer response.

The ranges set out below give an indication of the commercial terms to make the SASG viable for the project vehicle and membership group.

|  |  |
| --- | --- |
| **Commercials** | **Indicative terms (range)** |
| Price |  |
| Term/tenor |  |
| Volume |  |
| Management service fee |  |
| [***insert any other key commercials for the SASG group***] |  |

# Retailer Requirements

## Overview

As set out in this EOI, the retailer is required to provide the following services:

* procure electricity from the solar farm to be developed in the SASG via a PPA;
* provide billing services for member participants in the SASG to receive discounted electricity in lieu of a dividend for their ownership share in the SASG; and
* customer recruitment and marketing.

To deliver these services, the role of the retailer includes:

* managing the transaction;
* undertaking real time netting off;
* providing the customer with an on-bill credit for both its netted off electricity generation and the appropriate amount of the export value equivalent to its share of the solar farm;
* entering into retail contracts with the customer; and
* actively recruiting customer to participate in the SASG and advising [*insert name*] SASG if customers terminate their arrangements with the project.

[*Insert name*] SASG is seeking interested and innovative retailers to participate in the implementation of the SASG. The retailer plays an important role to facilitate the supply of electricity generated at the solar garden and enable the ‘benefit’ to be passed through to SASG member participants.

The minimum term for participation in the SASG scheme is [3] years. [***Note: SASG group to determine minimum term for participation. Due to transactional costs for both parties, minimum 3 years would make it viable.***]

## Power purchase agreement

It is anticipated the retailer will have a standard form PPA that may be used between the relevant solar farm entity (as seller) and the retailer (as buyer). [*Insert name*] SASG has prepared example drafting that needs to be incorporated into the PPA. It is expected that the retailer’s legal team will work to enable the intention of the example clauses to be appropriately addressed in the PPA.

[The example drafting is available at [*Schedule 1*].]

1. Revenues

As indicated in the example drafting, it is not expected that the solar farm entity will receive revenues for the majority of project generation purchased by the retailer. For contracting simplicity, the solar farm entity will be the counterpart to the PPA and is intended to issue a payment direction back to the retailer to the relevant customer member class to receive revenues proportional to their ownership (either as a ‘Benefit Charge’ or ‘FiT Charge’ as described below at retailer requirements item 3).

1. Time of use

As described, the intention of the SASG is to emulate the financial benefits and mechanism of having rooftop solar on a customer’s site without a solar system physically being installed for that customer. It is intended that ‘time of use’ netting off will be applied, where the customer pays only network charges and an administration fee for electricity consumed while the solar system is generating, and is paid a ‘FiT’ for residual electricity that does not coincide with use, but is part of the customer’s proportional share. This can be calculated as:

For example, on a day when the customer uses a total of 60 kWh, 30kWh is their proportional share of the solar generation, and 20 kWh of that generation coincides with their own consumption, the daily charge would be:

**DC = 20 x BC + 40 x SC – 10 x FC**

Where:

DC = Daily Charge

BC = Benefit Charge is the rate applied for electricity co-incident, equal to applicable pass through charges (network charges, market and environmental fees), plus any Retailer Charge for billing per kWh.

FC = customer ‘feed-in tariff’ equivalent for electricity not consumed while solar system is generating

NC = per kWh network charges and market pass throughs (AEMO, RET)

SC = Standard Charge = all electricity consumed by customer when solar system is not generating charged at standard retailer rates (peak/off-peak etc)

Alternative arrangements for billing and netting off may be considered by [*insert name*] SASG and should be proposed by the retailer in the retailer response, for example where the retailer discounts the total equivalent discounted electricity for all trading intervals/billing periods from a quarterly bill, rather than time of use netting off.

1. Volume

Due to the typically small-scale size of the solar systems, it is anticipated that the retailer will purchase 100% of the offtake electricity generated from the solar system and the customer member base will equate to the majority portion of electricity supplied. As mentioned below, [*insert name*] SASG may seek to retain a minority portion of electricity to receive income as ‘Excess Generation Charge’ (as described below at retailer requirements item 3).

1. Commercial terms

Indicative commercial terms for the PPA (range) are set out above at background item 5. Retailers are required to respond with preferred commercial terms in the retailer response item 6.

The structure detailed above is the preferred PPA structure for [*insert name*] SASG. Alternative mechanisms, terms and structure may be proposed by the retailer as part of the retailer response. [***Note: SASG group to amend as required if alternative PPA structures are preferred.***]

## Billing services

Key to the implementation and innovation of the SASG is the ‘benefit’ pass-through mechanism between the SASG group and the retailer. Retailers provide a billing service to customers and for this reason retailers are best placed in the SASG structure to provide this service.

The proposed charging arrangement is set out as follows. For the purpose of these calculations, each customer’s share of the solar system represents a portion of the electricity supplied by the solar garden to the retailer under the PPA.

1. Benefit Charge

The benefit from the customer’s share of the solar system will appear on the customer’s bill by way of discounted electricity (**Benefit Charge**). It is anticipated that retailers will develop a method to offset electricity generated from the customer’s share of the solar system against their co-incident consumption. Co-incident consumption refers to time of use consumption against the time of generation from the solar system. Electricity which is co-incident with the generation from the customer’s share of the solar system will therefore be discounted. The Benefit Charge is the rate paid from the customer to the retailer.

1. Feed-in Tariff (**FiT**) Charge

Any generation from the customer’s share of the solar farm which exceeds the customer’s co-incident use will also incur a charge (**FiT Charge**), in the same way that a FiT is paid for rooftop solar which is in excess of the customer’s consumption in an ordinary rooftop arrangement. The FiT Charge is paid from the retailer to the customer.

1. Retailer Charge

Usual charges for network and market fees will also apply, and any management services fee to cover retailer costs of participating in the SASG (**Retailer Charge**). The Retailer Charge is paid from the customer to the retailer. [***Note: SASG groups to consider whether management fee should be passed through to customers or be paid by the SASG group and administered centrally i.e. via the PPA/information sharing agreement.***]

1. Excess Generation Charge

The PPA will be entered for a fixed volume of electricity. It is anticipated that [*insert name*] SASG will receive a charge for generation from the solar system which is in excess to the aggregate demand from customer shares (**Excess Generation Charge**). A portion of volume will be retained (and not sold onto member customers) as an ongoing revenue stream for [*insert name*] SASG to be received through the Excess Generation Charge. The Excess Generation Charge is paid from the retailer to [*insert name*] SASG.

1. SASG Lease Charges

Where customers are on a lease rather than upfront purchase basis, the retailer would pass through the charge to the customer so that the bill credit was net of lease payments, and the lease payments would be aggregated and passed to the [*insert name*] SASG.

For customers intending to lease a portion of the solar garden, lease payments will be added to the customer bill.

## Customer recruitment and marketing

[*Insert name*] SASG has undertaken market analysis and research as part of a project implemented by the ARENA to identify strategies to target customer segments and promote the SASG scheme, in particular to low income and socially disadvantaged customers (**ARENA Project**).

It is anticipated that retailers will work with [*insert name*] SASG to advertise, recruit and retain customers to participate in the SASG via existing and new marketing and promotion channels. Recruited customers will then register and pay fees as members of the [*insert name*] SASG to own a share in the relevant solar farm.

If customers leave the SASG scheme, the retailer and [*insert name*] SASG will work together to recruit new customer participants. Where the SASG customer base is reduced, interim payments will be made to [*insert name*] SASG as Excess Generation Charges (described above).

## Information sharing arrangements

To enable the SASG arrangement to occur, information will need to be shared between the retailer and [*insert name*] SASG . To the extent [*insert name*] SASG is a party to the PPA, these information covenants will be provided in the PPA. If not, an alternative agreement will be entered between the relevant parties.

Key information to be shared will include:

* amount of dividend payable to the SASG member customer proportional to the member customer share ownership – which will be translated into the Benefit Charge (see retailer requirement item 3);
* SASG member customer proportion of shareholding in the SASG – to be equivalent to consumption and therefore discount of the proportion of total offtake purchased under the PPA;
* generation data and metering information from the solar farm – typical PPA information covenants to be included;
* quarterly customer acquisition or departure updates, including location and customer segment, size of shareholding in SASG etc.; and
* any other information as required and agreed between the parties from time to time.

# Retailer Response

The retailer is required to address the following information in its response.

1. Corporate information
2. Current customer base, segment sizes, overview of marketing strategy
3. Rationale for participating in the SASG and management approach
4. SASG design requirements: PPA, billing, marketing
5. Charges: Benefit Charge, FiT Charge, Retailer Charge, Excess Generation Charge
6. PPA commercial terms

The [*insert name*] SASG may request additional information at any time during the EOI process at its discretion.

## Corporate information

[***Note: SASG group to request relevant corporate information. This may include the following information.***]

1. Provide a copy of the retailer corporate organisational structure.
2. Provide a high level overview of the retailer financial performance for the past 3 years.
3. List relevant other partnership, community and innovative arrangements the retailer has participated in for the past 3 years, or is intending to participate in the next 12 months.

## Customer base

[***Note: SASG group to draw on any other marketing requirements suggested as part of marketing study]***

1. Provide data of current customer base, location and segment sizes – residential, business, low income.
2. Provide an overview of retailer marketing strategy.
3. Identify retail products currently available to low income customers of the retailer.

## Rationale and management

1. Describe rationale for retailer interest in participating in the SASG.
2. Explain how participation in the SASG aligns with retailer corporate objectives/goals.
3. In addition to the PPA (and information sharing agreement, as required), describe any other contractual arrangements anticipated to be entered into between the [*insert name*] SASG and the retailer.
4. Provide rationale for indicative management fees the retailer would anticipate charging for participation in the SASG as Retailer Charges (see below at retailer response item 5).

## SASG design

PPA

1. Provide a copy of the template retail PPA proposed to be used for the SASG offtake.
2. Identify volume of solar supply currently contracted from other generators.
3. Provide proposed commercial parameters/requirements for retailer to enter into offtake arrangements as identified in retailer response item 6 below.
4. Comment on the example clause provided in [*Schedule 1*] and comment whether any other bespoke clauses may be required under the PPA to implement the SASG scheme.
5. Provide any other comments to the structure and mechanics proposed at retailer requirements item 2 in relation to the function of the PPA arrangements.

Billing

1. Describe how the retailer will ‘net-off’ the electricity from the customer share of the solar garden. Explain the calculation and any technical mechanisms required.
2. Provide proposed charges for retailer (as set out below at retailer response item 5).
3. Provide an example bill illustrating the relevant customer charges (as set out below at retailer response item 5).

Marketing

1. Describe the proposed marketing strategy to reach target customers (in particular low income customers).
2. In terms of managing the contractual relationship with the customer, describe the services and terms and conditions the retailer would offer, for example signing up customers, exit clauses, terms of contracts etc.
3. Provide suggestions on how to target business customers to participate in the SASG scheme.

General

Please provide any other comments on the SASG model, design and implementation as appropriate.

## Charges

Outline the proposed approach to calculating charges for SASG participants by completing the table below on a cost per customer basis. The below table is intended to indicate charges as line items that would appear on a customer’s bill. Provide any other relevant comments to the calculation of the respective charges.

|  |  |  |  |
| --- | --- | --- | --- |
| **Charge** | **Definition** | **Retailer calculation** | **Proposed charge** |
| Benefit Charge | Charges on electricity consumption which is co-incident with that customer’s share of generation (i.e. benefit pass-through) |  | **($/kWh)** |
| FiT Charge | FiT to be offered to customers owning a portion of the solar farm for generation in excess of their co-incident consumption |  | **($/kWh)** |
| Retailer Charge | Network costs, market charges and management services costs  Indicate line item charge for each |  | **($/day)** |
| Excess Generation Charge | Charge for generation from the solar farm which is in excess of customer shares, that is, which is paid to the [*insert name*] SASG |  | **($/kWh)** |

## 

## PPA commercial terms

In response to the indicative commercial terms (range) provided above at background item 5, provide proposed retailer commercial terms to the PPA.

|  |  |
| --- | --- |
| **Commercials** | **Proposed terms** |
| Price |  |
| Term/tenor |  |
| Volume |  |
| Management service fee |  |

1. – Sample PPA clauses

This Schedule 1 sets out drafting principles for clauses and concepts to be included in retailer provided PPAs to enable the SASG arrangement to take effect. As noted in the EOI, the legal teams of successful retailers will work with [*insert name*] SASG to agree the final wording and terms of the PPA. For the purpose of this Schedule, the retailer is the ‘Buyer’ and the solar farm entity is the ‘Seller’ (noting in some cases the solar farm may be owned by the SASG group). The principles set out below are indicative only and not exhaustive of the terms required to be included in final form PPAs.

| **Concept** | **Principles** |
| --- | --- |
| **Pass-through benefit mechanism** | * Buyer to enter into retail agreements with members to the SASG group who will become customers (**Retail On-Sell Agreement**). * Buyer must notify Seller when Retail On-Sell Agreements are entered that contract up to [75]% of total output of Generator (assuming SASG group intends to retain [25]% output as Excess Generation) * Buyer must bill customers to Retail On-Sell Agreements in accordance with Charges (as set out in Schedule) |
| **Volume** | * Buyer is anticipated to purchase 100% output from Generator (unless otherwise agreed between the parties). * PPA may specify floor or minimum volume to be either sold under Retail On-Sell Agreement or retained as Excess Generation to be paid back to the Seller. * If SASG Group intends to develop multiple projects, Buyer may have ‘right of first refusal’ to purchase additional generation from expansion of Generator or new projects developed by SASG Group. |
| **Information sharing** | * Various information covenants will be included to permit information to be shared on a confidential basis (standard confidentiality provisions to apply). * Buyer and Seller acknowledge and agree that the following information must be provided [upon request/on a quarterly basis]: * amount of dividend payable to the SASG member customer proportional to the member customer share ownership – which will be translated into the Benefit Charge (see retailer requirement item 3); * SASG member customer proportion of shareholding in the SASG – to be equivalent to consumption and therefore discount of the proportion of total offtake purchased under the PPA; * generation data and metering information from the solar farm – typical PPA requirements to be included (see below); * quarterly customer acquisition or departure updates, including location and customer segment, size of shareholding in SASG etc.; and * any other information as required and agreed between the parties from time to time. |
| **Payment** | * Standard invoice clause will apply. * Assume Buyer pays fixed price only for electricity (note, contract for difference to be discussed, but not anticipated). * Buyer to pass through charges under Retail On-Sell Agreement in accordance with Charges. |
| **Pricing** | * Pricing will be set out in a schedule and will set out the pricing for various charges as set out in item 5 of the retailer response. |
| **Generation data and metering** | * To allow billing under the Retail On-Sell Agreements, Seller must provide access to data from the Generator, including:   + for each Trading Interval occurring during a Month, the total quantity of Sent Out Generation for that Trading Interval; and   + for each Trading Interval occurring during a Month, the total quantity of Sent Out Generation purchased by the Buyer for that Trading Interval, in accordance with the terms of the PPA. * For each Year, Seller must provide Annual Generation Forecasts for the Generator. * Buyer may conduct an audit of Sent Out Generation as reasonably agreed with the Seller no more than once per year. |
| **Marketing** | * Buyer and Seller agree to promote (and jointly promote) SASG scheme and recruit and retain customers. * Marketing materials shall be produced with the consent and agreement of either party. |
| **Default or non-payment** | * Obligation to pay monthly invoice sits with Buyer. If customer fails to pay or defaults under Retail On-Sell Agreement, risk is with Buyer who must continue to make payments to Seller. * If there is a default by Buyer, standard non-payment provisions will apply. |
| **Term and termination** | * To be commercially agreed, SASG Groups would look for minimum [5] year PPA. * Standard termination rights apply (default, reasonable notice, insolvency etc.). |