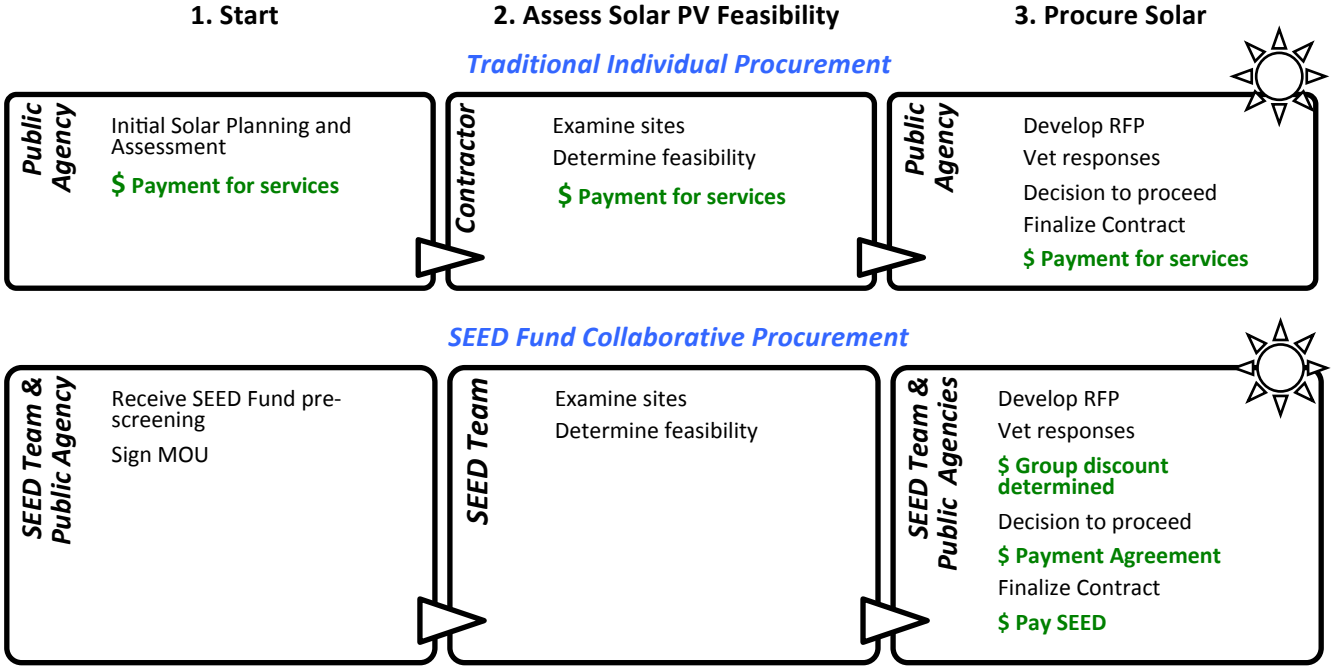
SEED Fund Solar Procurement: Steps, Roles, Benefits/Risks & Savings Examples

This document is meant to help potential participants understand the side-by-side benefits, risks, costs and savings of traditional versus SEED Fund collaborative solar procurement processes.

I. Traditional vs. SEED Fund Action Steps

The following diagram features the primary differences in procurement action steps and payment timing between traditional and SEED Fund collaborative procurement.



II. Benefits and Risks

The following table summarizes benefits ands risks associated with a traditional procurement approach (where the agency contracts for assessment services directly) versus the SEED Fund Collaborative approach.

Traditional Individual Solar Procurement
Benefits • Agency can independently manage procurement • Potential to pay less for solar feasibility assessment service
Risks • Must commit resources and costs prior to actual viable project • Support and expertise for RFP development and evaluation of vendor responses not maximized • Smaller total PV in RFP may reduce responses by vendors and volume discounts
SEED Fund Collaborative Solar Procurement
Benefits • Free pre-screening assessment without obligation to participate • Participation in group purchase can generate significant cost savings • Can assess financial/environmental opportunity in proposals before decisions are made • No payment for assessment until total costs are known • Receive support for evaluation of vendor responses • If NOT a lead agency, others do most RFP development work • If a lead agency, get significant support for RFP development • Can amortize assessment costs into solar procurement contract
Risks • Potential to pay more for assessment support, but always less than group savings

- Procurement timeline dependent on all participants scheduling

IV. Potential Cost Savings from SEED Fund Participation

In the following tables, we provide two examples of potential costs and savings from collaborative procurement versus traditional individual procurement. Under collaborative procurement, group purchase of Solar PV is estimated to generate a 10-12 % system discount through group purchase. To illustrate the costs and benefits from Collaborative procurement we provide two examples in which the collaborative procurement generates 10% (within expected range) and 5% (significantly below expected range) system savings respectively. For the purposes of comparison we make the following assumptions:

- Basic Solar PV system cost is $4.50/watt installed
- Contractor costs for stand-alone procurement services can be over 1.0% of total project costs.
- SEED Fund procurement services are 2% of total project costs. [*Actual costs will range 1.5-2%].*

Example A – Collaborative Group Purchase nets **10%** discount

Costs	Traditional	SEED Fund
Solar System (1 MW at $4.5/watt)	$4,500,000	$4,500,000
System Discount through group purchase (**10%**)	0	**$ -450,000**
Assessment & Procurement Services (1.0% for contractor vs. 2% for SEED)	$45,000	$90,000
Total costs	**$4,545,000**	**$4,140,000**
Difference (SEED Savings)		**$405,000**

Example B – Collaborative Group Purchase nets **5%** discount

Costs	Traditional	SEED
Solar System (1 MW at $4.5/watt)	$4,500,000	$4,500,000
System Discount through group purchase (**5%**)	0	**$-225,000**
Assessment Service (1.0% for contractor vs. 2% for SEED)	$45,000	$90,000
Total costs	**$4,545,000**	**$4,365,000**
Difference (SEED Savings)		**$180,000**

IV. Determination of Percentage for Reimbursement

To establish future rounds of the program, participants or vendors will pay 1.5-2% of total project costs to reimburse program for project evaluation, procurement, and contracting costs. Reimbursement costs in monetary terms will be determined prior to the participant's decision to proceed. The Range of 1.5-2% will be based on a combination of factors including total number of participants and total size (in MW of the collaborative solicitation).

V. Organization Roles in SEED Fund

- **SEED Fund Team**: SEI and Optony Inc provide technical and logistical support to facilitate solar potential evaluation of participant sites
- **Public Agency Participants:** Local governments, schools and special districts that want to install solar PV on their facilities
- **Lead Agency:** One participant willing to use their legal and/or fiscal staff for development and issuance of a collaborative RFP/RFQ