RMIT SEEDS

SOCIAL ENTERPRISE FUND 2011
APPLICATION COVER SHEET

Team leaders to complete this cover sheet and submit it with your entry. Applications will only be accepted with a cover sheet. Please note Team leaders must be currently enrolled RMIT students

PROJECT WORKING TITLE: WATT ELSE

TEAM LEADERS PREFERRED NAME: MARTIN CARLIN

NAMES OF TEAM MEMBERS IN GROUP: RHODES WATSON; MELISSA MAGUIRE & GREG RUTTER

TEAM LEADER CONTACT DETAILS

FIRST NAME: MARTIN

LAST NAME: CARLIN

CONTACT PHONE: [redacted]

PREFERRED EMAIL: [redacted]

STUDENT NUMBER: [redacted]

PROGRAM/COURSE: MEng Sustainable Energy

FULL TIME/ PART TIME: Part-Time

Applications can be submitted by email to socialentrepreneur@rmit.edu.au

SEEDS - Social Enterprise Fund 2011

Watt Else
Project Leader: Martin Carlin

The Idea

The proposal is for an organization, "Watt Else", providing individuals with **lower cost, low effort, community focused access to green energy**. It involves co-ordinating bulk purchasing and installation of green technologies which, it is proposed, will see individuals take the benefit of the **buying power of a larger group**, while encouraging them to **engage in the issue** of high energy costs, and clean power options as a community.

What issue is it addressing?

The idea addresses three issues of importance to the community:

1. The impact of carbon emissions

Current fossil fuel dependent energy technology is a major concern in Australia. It is increasingly being recognized that society needs to move away from carbon dependent sources of energy, however, there are a number of barriers to this change.

Firstly, costs of implementing green technologies are high. This makes it prohibitive to many individuals, for whom financial limitations are a day to day reality. As a consequence, the community is reliant on the business sector to spend on large scale green technologies.

Secondly, there is limited or un-coordinated information available to individuals on green technology options and much of that information is provided by businesses with a profit motive, which makes the uninformed individual skeptical and unconfident.

This issue is addressed by raising awareness and uptake of renewable energy generation technologies in individual homes and small business, and by making it readily accessible to the community via an apolitical mechanism and at a price point that is more attractive.

2. Community engagement in environmental and social issues

People acting alone can often feel disheartened that their actions as individuals will not effect real change to large scale issues such as climate change. This is a barrier to getting those individuals to participate. To trigger action, we believe that individuals need to see clear and immediate financial or personal benefits.

A key element of this project is the bringing people together into a collective purchasing environment, and providing communities with a communications interface where they can discuss and see tangible evidence of the impact that their contribution is having. The project will benefit individuals by helping them to feel more ownership and connectedness to social and environmental change.

The impact

At its heart, the project involves creating a mechanism for a solar bulk buying group, accessible to individuals in Melbourne. It will incentivise them to install solar technology and reduce their dependence on fossil fuel generated mains electricity.

Members on the project team have had previous experience setting up a similar bulk buy group in Queensland on a not for profit basis. The project was highly successful and participants made substantial savings (averaging $2000-3000 in savings when compared to engagement of a private contractor). In addition, the project had an energizing effect on the community.

This proposal hopes to build on the lessons learned, and extend it by developing an online interface, whilst providing a forum on which members will be encouraged to engage in discussion and debate on environmental issues.

1. Who will benefit from this initiative?

The most obvious beneficiaries of the initiative are:

- *Group Members* – participants in the project will benefit by securing a significant saving in the capital expenditure of a solar energy fitting and consequent cheaper electricity bills and a feeling of personal satisfaction knowing that their energy use generates fewer emissions and they have contributed to a deserving enterprise.

- *Broader community* – Melbourne would benefit as a whole from the potential addition to the grid of non-fossil fuel dependent energy sources, and the added competition in the market.

- *Solar panel installers* – the increased uptake of solar technology in individual's homes will provide a source of business to trained local professionals.

2. Recognition of benefits

The benefits will be initially realized by reaching the quota of participants in the current planned bulk buy groups, with further expressions of interest for additional groups providing promise for the longer term sustainability of the business model.

The Model

1. Company structure

Watt Else will be a for-profit propriety limited company, with directorships held by Martin Carlin and Rhodes Watson.

Critical to the project is the development of an **online interface** to administrate and unite individuals into collective groups with sizeable buying power.

Our goal is to build a model and brand which is recognized in Australia as the community energy technology company. The model (described below) provides flexibility to adopt new technology as it develops, and can be applied beyond solar panel installation to other high capital cost energy efficient products in due course.

2. Enterprise design

The enterprise design can be generally described as follows:

- Watt Else offers a project management for the supply and installation of green technologies.
- Watt Else will engage with community members using local events (home shows), partnering with councils and community groups, newspaper articles and engagement through our online interface www.wattelse.com.au
- Interested community members can join the local Watt Else bulk buy group (e.g. Watt the Flock Melbourne) for free, attend educational "town hall' meetings and elect to purchase a green technology (e.g. solar PV) if they desire.
- Watt Else will put a tender out to industry on behalf of group members once a critical mass has been reached. To date we have teamed up with the Alternative Technology Association (ATA) to assist with a tender review for the chosen technology. The ATA's involvement will help provide independence to the selection options.
- Watt Else takes a flat fee for service from each group member, rather than a sales commission based on the amount of product that each member purchases.
- Potential members will then book an assessment of their homes by an accredited solar installer from our panel of providers.
- The solar installer will identify the anticipated costs for installation, in accordance with the pre-agreed schedule of rates.
- If the group member wants to proceed, they elect to purchase the featured technology through Watt Else.
- Once the number of members in the "group" reaches a critical figure, then payment is called in, orders for the units are placed, and installation occurs.
- Watt Else remains the project management company, and successful tenderers retain responsibility for logistics, storage, service and meeting warranty for product.

For the launch in Melbourne, an initial trial group of 50 people is proposed. This group size will ensure that the buying power is large enough to get a significant discount from suppliers and installers, but small enough to manage issues that might arise with existing resources.

If the pilot is successful, then group size can be scaled up. The Queensland project involved one group of 350, for example.

Once the first group has been successful, it is envisaged that with the functional website, the business could sustain 2-4 groups per year.

We will be trialing new online administration systems. Previous experience in Queensland has shown that communications and information management is labour intensive and so we intend to create an online interface where much of this is automated. For example: registration, member information updates, fee payments and communications with the Watt Else team.

If the trial project is successful, the interface will be designed in a way to enable expansion into other green tech bulk buy opportunities in 2013.

The Team

1. Martin Carlin - CEO

Martin is the project leader. He is currently studying a MEng in Sustainable Energy at RMIT. He runs a company called Build Sustainable which specialises in building energy efficiency assessments and was involved with the non-profit solar bulk buy group in Queensland. Previously he has worked in corporate financial services with exposure to fund management.

2. Rhodes Watson – Executive Director

Rhodes is a professional photographer, graphic designer and journalist. He is an originating member of the solar bulk buy group in Queensland and is currently its volunteer administrator based out of Yeppoon.

3. Melissa Maguire – Consultant

Melissa is a commercial lawyer from Melbourne with experience in environmental and marketing related legal issues. She also trained as a research chemist and was employed by the Monash University Centre for Green Chemistry to develop environmentally friendly research techniques.

4. Greg Rutter – Website Developer

Greg is an IT software developer with 25 years experience. He has developed several programs for CSIRO and is chairman of "Lawn to Lunch" a permaculture movement in Queensland. Greg's expertise will be invaluable as we develop the back-end programming for www.wattelse.com.au.

All four are passionate about environmental issues and social change. They are excited about the possibilities that this project could realise, and can see the demand for a structure of this type in Melbourne.

In addition, they have a wide network of support. They have travelled extensively, and can draw on experiences and advice of friends and past colleagues from a range of disciplines, including accounting, marketing, sales and social media.

The Market

The market is the solar energy retail space.

Solar technology is available, and the consumer desire to use it is apparent, however the market has failed to provide financially attractive and reliable options. The team set up a small bulk-buy group in Queensland on a not for profit basis. It was overwhelmingly successful because it explained the technology, offered a trusting environment and lowered the cost, spawning a desire to broaden its reach to other communities.

Watt Else is committed to the social benefit that broad application of this project has the potential to bring, changing the business as usual approach in the residential renewable energy market.

1. Who are Watt Else's customers?

The customer and end user is the home owner occupier: it is this group that will be making capital improvement decisions on their houses.

2. What is our competitive advantage?

Our target market is an as-yet unlocked customer base. The demographic is keen to adopt green energy, but it is blocked by prohibitive costs and a lack of trust in the technology and the industry.

Therefore, our business will need to rebuild trust in solar panels as a sensible investment, and show that our bulk buy is the cheapest way forward.

The community nature of our program will help customers engage with each other (as independent consumers) which will open private debate, develop confidence in the investment and bring new customers into the market.

Our potential competitors are solar panel retailers and suppliers. However, because of slow uptake of installation, overheads are high, which in turn means that the cost for installation is high. A key competitive advantage of our business over competitors is that there are few overheads until a critical mass is reached, which lowers the per-unit price we can offer members

These points of differentiation will be made apparent through media support and community engagement. Moreover, it is proposed that the goodwill generated by one bulk-buy system will bring others to participate in the program.

The bulk buy group in Queensland generated an average of $2,000-3,000 in savings per home to individuals when compared to private contractors. In addition, the project had an energizing effect on the community. The demand was significant with around 500 homes participating in a town of 4416 houses. (Source - Domain Research, 2010)

We believe that this desire will be reflected in many communities.

The Numbers

Team Members have invested about 1.5 years in sweat establishing and operating the bulk buy groups in QLD on a voluntary basis and invested $10000 of personal funds. Watt Else have also built up a database of 400 homeowners interested in participating in the next bulk buy for solar.

START UP INCOME			
Type	Details	Subtotal	Income Notes
Investment	Owners	$10000	Funds Allocated
	RMIT SEEDS Fund	$1,000	Funds allocated
	RMIT SEEDS Fund	$25,000	Potential Funding
Non-cash/ In-kind assistance	RMIT SEEDS Program	$6,000	Office Space in Hub Melbourne for 6 months
Sponsorship		$0	Not reliant at this stage, but pursuing opporotunities
	TOTAL INCOME	**$36,000**	

START UP EXPENDITURE			
Type	Details	Subtotal	Expenditure Notes
Salaries/ Wages/ Fees	None yet	$0	Once business model is operational, then rebudget
Research Materials			
Production/ Programme Direct Costs	Website development	$5,000	Initial communications website
	Website development	$10,000	First tranche of complex back end website development
Communications			
	Telecommunications	$500	1300 number hire to be diverted to personal mobile phone
	Marketing materials	$4,000	Pamphlets, business cards, signage
	Advertising	$3,000	Online advertising, social network media & mainstream media.
	Travel	$4,000	Flights, Accomodation & car hire between Melb and Qld
	Venue hire	$2,000	Three public events
Administration	Office space	$6,000	Hub Melbourne space
	Accountancy/Company set up	$2,500	Advice on and set up of company structure, management software
	IP protection	$1,500	Trade mark registration, domain name registration
	TOTAL EXPENDITURE	**$38,500**	

Watt Else

Projected Cashflow Statement Aug 2011-June 2012

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
Cash Receipts													
Sales Receipts	-	-	-	-	950,000	-	-	950,000	1,425,000	950,000	2,375,000	-	6,650,000
Investment		10,000											10,000
GST collected on Income	-	-	-	-	95,000	-	-	95,000	142,500	95,000	237,500	-	665,000
Net GST to/from Tax Dept				1,438	-92,285	2,078	2,092	-91,513	-139,013	-91,813	-234,867	2,588	-641,294
Loan Funds				25,000									25,000
Total Cash Receipts	**-**	**10,000**	**-**	**26,438**	**952,715**	**2,078**	**2,092**	**953,488**	**1,428,488**	**953,188**	**2,377,633**	**2,588**	**6,708,706**
Less:													
Cash Payments													
Selling Expenses	-	5,400	1,700	3,000	19,600	16,100	16,100	26,000	25,000	24,700	18,600	16,100	172,300
Administration Expenses	-	3,720	320	12,750	9,900	4,900	5,050	10,500	11,500	8,500	8,500	10,500	86,140
Operational Expenses	-	-	-	-	-	1,500	1,500	1,500	1,500	1,500	1,500	1,500	10,500
Finance expenses	-	-	50	50	50	50	50	50	50	50	50	50	500
Stock Purchases	-	-	-	-	850,000	-	-	850,000	1,275,000	850,000	2,125,000	-	5,950,000
GST paid on expenses*	-	829	188	1,438	2,715	2,078	2,092	3,488	3,488	3,188	2,633	2,588	24,723
Net GST paid to Tax Dept.													-
Purchase of Exclusive Licence													-
Fixed Asset - Car				-									-
Tax													-
Payment of Opening Stock	-												-
Total Cash Payments	**-**	**9,949**	**2,258**	**17,238**	**882,265**	**24,628**	**24,792**	**891,538**	**1,316,538**	**887,938**	**2,156,283**	**30,738**	**6,244,163**
Net Cash Flow	**-**	**51**	**-2,258**	**9,200**	**70,450**	**-22,550**	**-22,700**	**61,950**	**111,950**	**65,250**	**221,350**	**-28,150**	**464,543**
Bank Balance (s)	-	-	51	-2,207	6,993	77,443	54,893	32,193	94,143	206,093	271,343	492,693	-
Bank Balance (e)	-	51	-2,207	6,993	77,443	54,893	32,193	94,143	206,093	271,343	492,693	464,543	

*Assumes first bulk buy of 100 x 2.6kw systems in Oct 2011
*Full financial projections available for 3 yrs