

BREAZE Community Bulk Buy Processes

What we learnt

BREAZE is keen to share the group's experience and this information is aimed at helping other Climate Action groups (CAGs) implement successful local bulk buy processes that:

- provide members with value for money and efficiency
- maximise access to rebates and government assistance
- provide an information source that is accurate, transparent, trustworthy and shared
- educate people in sustainable product purchase and use
- cover the cost of delivering the program
- generate an additional revenue stream for the CAG

BREAZE bulk purchase models

BREAZE has experience in three bulk buying processes developed to help the Ballarat community maximise emissions reduction, to respond to the community's desire to act, and deliver best value to members.

Solar hot water

Ordering in bulk, supplier responsible for financial management and sourcing equipment – householder organises installation. Supplier manages Renewable Energy Certificates (RECs) and rebates

Solar PV (model A)

BREAZE responsible for marshalling orders, supplier responsible for financial management, sourcing, delivering equipment and installation. Supplier administered rebate and RECs

Solar PV (model B)

BREAZE administered purchasing (in bulk from a selected supplier), financing and installation. BREAZE administered rebate and RECs

These three models represent an evolution from minor involvement in the purchase, facilitation of supply and installation process (buy into an existing deal) to direct involvement in each of these three stages.

The third model has the greatest investment of time and money by the bulk buy group.

BREAZE has several specific learnings that may assist other community groups engaging in a similar bulk purchase processes.

Principles underpinning an effective bulk-purchase

- cooperate and collaborate
- make it easy, support decision-making
- be responsive and resilient to changing legislative environments
- use open and direct communication
- coordinate negotiations
- establish or utilise professional organisational infrastructure
- build local community skills, expertise and capacity
- Do we have the capacity to deliver?

Key Learnings from the BREAZE bulk buy experience

Cooperate and collaborate

For a bulk buy initiative to succeed everyone needs to work together. The group needs to have a clear understanding of member needs and communicate this to potential suppliers.

To select the right suppliers the group must supply the same clear specifications, allowing fair and accurate product and service comparisons. Groups can then short list options based on an assessment of the key areas of functionality as identified by their members.

It is really important the process of installing the technology is as easy and streamlined as possible. In some cases Community Action Groups (CAGs) have entered into contracts with specific suppliers and installers, further simplifying the process.

Understand what members want

Some members may be prepared to pay more for a system to minimise environmental impact while others may simply want the cheapest and most reliable. Conduct a short on-line survey to determine the relative importance of factors in product selection to help develop specifications for the product.

Participating in a bulk buy scheme can take some of the work out of choosing and organising a purchase, so when you have decided on the products, make it easy for members to make a decision. Support their decision making with unbiased, clear, concise and well presented information and be prepared to help them through the process.

Transparent product specification and evaluation

Product evaluation can be very time consuming and unless the group has specific expertise or contacts in the field of interest, it may be more effective to use existing quality control processes for products. For example, one group is allowing only

Sustainability Victoria approved systems in its tender process for Solar Hot Water systems. Check www.ResourceSmart.vic.gov.au/for_businesses.html,

Have a dedicated person with a particular interest and willing to commit time to the assessment of products, and to liaise with suppliers to obtain the detail required.

BREAZE found the availability of information on an item's embodied energy was patchy. This evolved as companies realised there was customer demand for the information. If a group is undertaking their own product assessment, be prepared to ask lots of questions and allow enough time to collate responses.

Make detailed information available to members on the group's website but don't go into long explanations at public meetings. BREAZE encountered some information overload.

Build realistic expectations of pricing levels and stability. As the economic environment can be volatile, it is important to ensure agreements between suppliers and the bulk buy groups and between the groups and their members reflect the potential for price fluctuation.

Legal advice

Obtain good legal advice often and early. As an emerging activity for community climate change groups, bulk purchasing sustainable goods is breaking new ground with suppliers, often with no precedent. It is critical the appropriate legal structures are established to protect the group executive (if incorporated) from personal liability and provide suppliers with sufficient security. This means insurance and other contracts need to be vetted by professionals.

Have a clear sense of the legislative and standards framework

The legislative framework for the installation of sustainable technology is still in a state of flux – rebates, feed-in tariffs and incentives are not final and are inconsistent across different levels of government. It is critical that any group is as informed as possible on existing legislative controls and standards.

Establish an efficient and resourced administrative framework

Members expect quality service and due diligence – the fact that you are a community group is no excuse for poor service. This means accounts management, insurance, finance options, ordering, office administration and other operations need to be handled professionally.

When developing contracts with installers make sure you include penalty clauses to cover your group if something is not complied with and has major implications for your members, e.g. installation before rebates expires. Seek professional advice on insurance and ensure you have a risk assessment process in place.

Establish goods handling procedures

Transport, warehousing and insurance issues must be addressed if you are handling bulk goods. Agreements with vendors must clearly state who is responsible for insurance in what situations. For example, does the supplier's insurance cover 'floor to floor' and when do they expect payment from you - on dispatch or delivery?

Keep the technology and installation simple

Sometimes achieving this may require a greater investment of time in the short term to obtain greater benefit in the longer term. A case in point for BREAZE was the negotiation of smart meter purchase and connection. Not all energy retailers supported smart metering. Considerable effort was invested in lobbying to cut charges to supply Smart Meters and streamline processing. It was also necessary to identify an energy retailer who would support feed in to the grid. Finally, it was difficult to find an alternative smart meter supplier who was supported by an energy retailer and approved by Powercor. By working through this maze, BREAZE has forged a path which will potentially make it easier for other groups to follow.

Build local capacity

A group can foster the development of a local skill base supporting installation and maintenance of sustainable technology, and potential supply. This is critical when considering the development of long term community sustainability. The more local jobs the group can help create the better.

Work with your local tradespeople to up-skill and expand their expertise. Use local installers where ever possible or specify that local people must be trained up as installers when dealing with your supplier.

In BREAZE's case, this meant developing a close relationship with local installers and investigating the opportunities for training and building the local skills pool to support a large number of installations.

Be responsive and resilient – we are operating in a changing environment

Seeking a supplier who understands the implications of changing legislation and economic circumstances will help streamline the process.

Assigning one dedicated and experienced staff member or volunteer from the group to act as the central point of contact for all bulk-purchase inquiries will make communication more consistent. Providing a single contact person also enables government decisions and significant policy changes and approvals to be passed on to members easily. This is especially important in a dynamic policy environment where policy changes can impact directly on a member's purchasing decisions, such as changes to rebates.

This coordinating role will be helped by establishing support structures such as networks with other groups working on similar projects and good administrative support.

Negotiations – get the legalities right

Negotiations can be carried out individually with each supplier to achieve best pricing on equipment and associated costs – this might be through a process of tendering or directly seeking quotes. During negotiation it is advisable that all bulk-purchase pricing remains confidential until the final choice(s) are made. It is particularly useful to have legal assistance at this stage in order to develop the necessary contracts and documentation.

Risk Assessment and Due Diligence

Groups need to carry out their own risk assessment for the bulk buy process and ensure due diligence. Consider risks such as uncertainty in the currency, legal liabilities, supply chain, project failures, credit risk or accidents.

BREAZE faced and dealt with several risks in setting up its bulk buy process. These risks included currency fluctuations during the ordering period and access to credit as a not-for-profit organisation with few assets. BREAZE suggests:

- engaging a lawyer to review contracts of supply and advise on the group's contracts with installers
- negotiating to transfer funds to the supplier at the time of delivery (not at dispatch as had been proposed by the supplier)
- taking out additional freight insurance (to that offered by the supplier) to ensure materials were covered floor to floor
- managing storage options for materials to ensure that we did not have stored in location more that we could get 'fire and theft' cover for; and
- including penalty clauses in contracts to ensure that any breach that would impact on our members would be made right by the installer.

The "Our Community" website has several templates to help groups assess and deal with risks. You need to register to access the resources on the site www.ourcommunity.com.au which has a considerable resource base of useful tools for groups.

IN SUMMARY

BREAZE's approach has been developed through practical application, trialling and testing in real time, and has drawn on local resources and skills.

This process has contributed to stimulating commercial delivery processes for an emerging technology. As prices become more competitive BREAZE will need to reassess its role in delivering directly for members, potentially focusing on the value adds that it can provide its members.

It has been possible for BREAZE to engage in this mainstreaming process because government rebates have made the technology affordable to the householder and because the value of the RECs was sufficient to fund the administration of the program.

BREAZE's future involvement in bulk purchase programs will be determined by its ability to:

- get the best price and value for members
- provide support for members through all stages of purchase and installation, including product research, supplier negotiation, quality and efficient installation
- maximise uptake of the rebate and other government subsidies
- stimulate local supply chain and growth of local skill
- generate income to run the program and reinvest in priority BREAZE programs

BREAZE and other climate action groups could continue to directly engage in the bulk purchase of emergent sustainable technology if supported by government policy and strong partnerships with industry and business.

There is also a potential role for the bulk purchase of established technologies, such as light globes and insulation.

More information

- BREAZE Bulk Buy process diagram
- Case Study #1 BREAZE Solar PV Bulk Purchase Case Study
- Case Study #2 WISE Power to the people
- Case Study #3 Brimbank City Council – Solar Suburbs
- Case Study #4 The Questions BREAZE asked when interviewing potential Solar Hot Water Suppliers
- Process of assessing a sustainable technology product
http://www.designvic.com/WhatIsEcoDesignKit/Resources/TimGrant_LCA_Example.aspx
- Sample tender document [BSGHOTWATERTENDERFinal.doc](#)
- Solar Hot Water presentation - processes in the development of a Solar Hot Water bulk buy
http://www.breaze.org.au/index.php/resources/documents/doc_download/36-solar-hot-water-powerpoint
- Bulk buy process - Western and Eastern Alliance for greenhouse action Solar Suburbs initiative (2009)
http://www.brimbank.vic.gov.au/Page/page.asp?page_Id=2354&h=0
- 100 Solar Rooftops initiative run by the Strathfieldsaye Community Enterprise. http://www.strathce.com.au/solar_rooftops_project.asp