Vivint solar sucre

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Solar plans and packages for every budget. Get power independence with a Vivint ...

*Requires customer"s execution of a Smart Home Agreement with Vivint for ...

Solar inverters last approximately 10 to 15 years--a shorter life span than solar ...

The residential solar business model requires finding vast numbers of new customers looking to put solar on their roof. Installers expend significant resources on sales and marketing teams that, in many cases, go door-to-door to sign up new customers. With most early-adopters off the market, companies need to hunt for new customers and present compelling savings in utility bills to get homeowners to signup. Other approaches to customer acquisition have floundered: when Tesla moved to an online-only approach and abandoned targeted sales activities, its market share collapsed. Spending to find the next customer is a reality of the business.

For the past half-decade, growth has been enabled by the rapid fall in prices for solar equipment combined with rising utility rates. As prices dropped, houses that previously presented uneconomic value propositions suddenly became attractive solar targets. Although those trends continue, the impending rolloff of the residential solar investment tax credit (ITC), valued at 26% this year and scheduled to drop to 22% next year and 0% the year after, threatens to push business in the wrong direction. The ITC rolloff essentially adds cost to the system, squeezing margins. Covid hasn"t helped: Tax equity that can monetize the ITC has become harder to find with the large uncertainty in corporate profits.

For many years, Sunrun and its competitors pushed consumers towards a lease option, wherein Sunrun would finance the cost of the equipment and guarantee an electricity rate for decades, usually 20 years. Homeowners would get solar with little to nothing upfront, and all maintenance would be handled by the lease provider. The industry has been shifting in recent years as more and more homeowners have sought to buy systems outright and capture more of the value created by their systems. To avoid being squeezed, Sunrun and others have responded to these changes by offering financing options for homeowners looking to buy and signing up customers for service contracts to maintain their systems.

It"s a cutthroat business that favors those with more efficient customer acquisition strategies and access to cheap capital. Sunrun"s appetite for Vivint seems squarely aimed at improving their standing on both fronts, boosting margins and allowing Sunrun to outrun competition. Sunrun estimates that the combined company will realize $90 million in "cost synergies", lowering the cost of customer acquisition. Further, Sunrun Executive Chairman Ed Fenster noted on an informational call that they expect the combined company to more effectively and efficiently raise capital to support their operations. Offering leases and financing options depends on access to low cost capital (and tax equity while the ITC remains in place), and the larger Sunrun

should see an easier time finding cash.

This deal also sets Sunrun up well for the long-game: At some point many years out there won"t be enough open roofs with sufficient solar resources to justify further solar deployments, and costs to acquire new customers will jump. As a result, Sunrun"s grid services business is likely to grow in importance. By building to ensure gigawatts of distributed solar and storage under management, Sunrun will be in a position to control storage systems and supply electricity to the grid on command, a valuable grid management service.

Sunrun (and its competitors) have rushed to enable this market by offering battery storage options for customers as part of the solar system pitch. Rolling "public safety" outages in California and the Coronavirus pandemic have helped whet customer appetite for resilient systems. Unlike a standalone solar system, the battery storage devices require a level of oversight and control. When should the battery by charged and discharged to maximize customer benefit and unit life? How can a customer ensure their storage device is ready to supply electricity to the grid in times of high demand?

The packaging of distributed assets in to so-called "virtual power plants" has only started recently, and is still in its infancy; Startups focused on algorithms to dispatch these assets abound. Sunrun has already started to dip its toe in to this game: They announced their first wholesale contract with a grid operator in early 2019, are now working to utilize their assets in California to replace a gas-powered spinning reserve power plant in Oakland, and recently reported $50 million in contracted or near-final contracted revenues associated with grid services (a small fraction of the top-line to be sure).

Competing in the grid services game requires scale: the more assets you have to manage, the more power you can pump on or off the grid, and the more value you can capture from grid services. Which brings Sunrun back to their current primary business: customer acquisition. The more people Sunrun signs up today, the more they enable their grid business tomorrow.

Vivint was especially reliant on door-to-door sales methods to grow its business, a model ill-suited for the current moment. This acquisition then is also as much about surviving the current moment as it is prepping for the future. Although some relief may come from Congress, where House Democrats have raised the prospect of an ITC extension, Sunrun is preparing for an uncertain future in which the old rules of customer engagement are essentially against the law. By combining forces, Sunrun and Vivint get a larger megaphone from which to advertise digitally, and the ability to scale up targeted in-person marketing across a variety of distribution channels when lockdowns ease.

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