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THE

biggest boom and bust story of 2016 won't happen, thanks to the extension of the solar federal investment tax credit. And if there is one sector in solar counting its lucky bearings and torque motors, it's that of the tracker companies.

Forecasts showed the utility-scale solar market—the one tracker manufacturers sell a majority of their products into—would have been hit the hardest. The market could have fallen from 7.8 GW installed in 2016 to less than 1 GW in 2017, according to analysis from Bloomberg New Energy Finance. The ITC sunset would also have likely caused a massive ramp-up in projects at the end of the year, requiring companies to flex production to unseen levels.

In order to prepare for competing futures—a domestic boom and then bust—companies started building new, temporary supplier relationships while pursuing international business strategies or other markets.

"In advance of the ITC extension we had a twofold strategy: One, continue our international expansion, and two, in the U.S., build a distributed generation (DG) team to complement our leadership position in the utility-scale sector," said Dan Shugar, CEO of NEXTracker. "The logic was that the DG channel was less sensitive to a potential reduction of the ITC since the value of energy on the customer side of the electronic meter is higher than it is on the wholesale, utility side of the meter."

While they had plans, the demands still stressed manufacturers—and everyone else in the industry. So when SEIA announced the impending extension of the ITC in late December, tracker companies were surprised and jubilant.

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"We were thrilled," Shugar said. "It will have a very positive effect on the solar industry in general and, consequently, on the tracker market."

The extension also eliminated the likely ramp-up of projects at the end of this year.

"The extension of the ITC deflated an unnatural 'bubble' in installations planned for the first half of 2016," said Thomas Conroy, president of Array Technologies. "Some risks were being taken, such as building and running plants on a merchant basis for several years before the applicable PPA kicked in. Many of these projects are now reverting to more normal, lower-risk planning scenarios."

Even AllEarth Renewables, which sells dual-axis trackers to the residential and commercial markets, had surveyed its installer base and found an expected project drop-off up to 50% without an extension.

"Now, with six years of predictability, these businesses can grow, invest and expand their business operations," said Andrew Savage, chief strategy officer at AllEarth Renewables. "And their success and growth is directly tied to our growth."

Savage said he was surprised by the extension.

"Having worked previously in Congress (as staff), I've seen first-hand how hard it is to get members of Congress to take action before something is beyond-urgent and to recognize the business impacts that waiting to take action has," he said. "SEIA did an excellent job bringing together a coalition of Republicans who would join with Democrats in recognizing the importance of an early extension so our industry could continue to grow and invest."

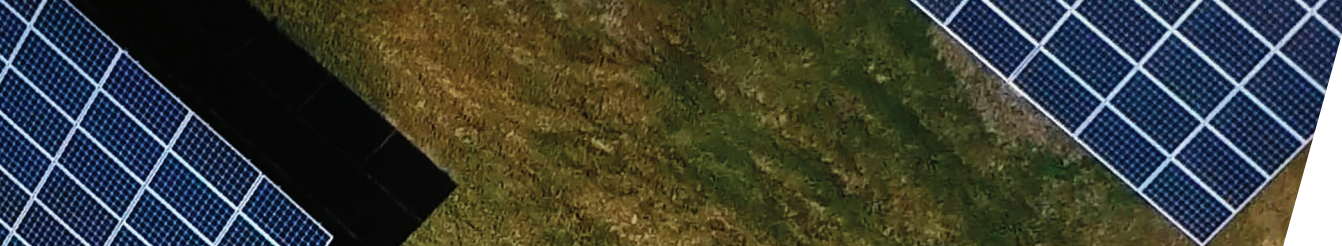
What now?

Solar tracker companies like AllEarth Renewables are happy to put plans for a worst case scenario back on the shelf, Savage said.

"We can now be more robust about hiring and new product development, and we'll spend far less time scenario-planning around the cliff of an ITC expiration," he said. "In particular, we were anticipating some last-minute commence construction provisions at the end of 2016, which would have impacted our own project development work and supply chain decisions. Those we'll gladly put on the shelf as well."

At Sun Action Trackers, looking forward to the potential loss of the ITC led the company to make impactful strategy decisions—primarily an expanded manufacturing investment to cope with 2016 orders—from which it now finds itself benefitting, said Derrick Chen, vice president of business development.

"Now that the ITC was extended, we are in a strong position to better serve our customer needs, including increased domestic demand and come-back (rebound) volume," Chen said. "The extension does mean a demand increase out to year 2020."



Despite a certain lag of 2015 to 2016 project closings from earlier projections, Sun Action Trackers maintains a forecasted growth rate of 30% between 2017 and 2020, Chen said.

losses due to an ITC sunset, other tracker companies are based internationally. French company Exosun is among them.

Exosun. "The U.S. tracker market has several key actors, and Exosun aims to be part of the Top 5 in the next three years."

Conchy said the ITC extension will bring PV installations in the U.S. to nearly 55 GW. The

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While some companies, including Array Technologies and NEXTracker, began looking to international markets as one way to buffer domestic sales

"We now have a clear long-term visibility on the U.S. market," said Frédéric Conchy, president of

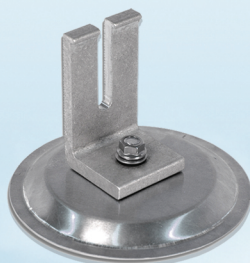
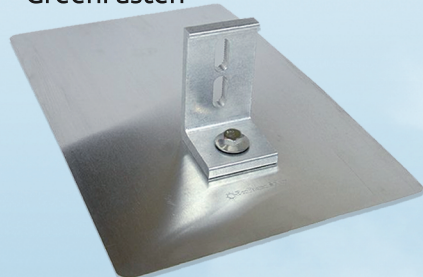
utility-scale PV market segment is expected to be the primary beneficiary of those installation, and 60 to 80% of those projects are predicted to be equipped with solar trackers. **SPW**



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