ESCO Business Model and Key Highlights for Telecom

KMR Infrastructure Inc. – GSMA presentation

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Topics for Discussion

1. **Why has ESCO model not taken off in a big way in Telecom?**
   What are the last mile challenges for ESCO? What support is required?
2. Community Power aspect of ESCO model
   Key highlight of financial benefit for MNO/IP from ESCO model
3. Comparative Business case for ESCO model.

Major Roadblock for ESCO : While better regulations can help main challenge is telecom expectations vs. reality mismatch

We want … green power, costing 7-8 Rs/kwh, 99.99% reliability, no capex, no risk to us, while you are at it you must power to the 200Mn people that state utilities could not do.

Need for Realistic Cost Expectations

- Optimizing Cost Structure takes Time and Scale



2000
- >20 Rs /min
- Corporate users



2010
- <1 Rs / min
- 500 Million users

Need Constructive Partnership

- This is not equipment sale purchase negotiation. It requires active collaboration
  - Finding green alternative to diesel that is reliable, operationally viable and scalable is the challenge. Cost savings is a by product
- This is a non-trivial problem and not unique to telecom
  - Also exists for Mining firms, Diesel Mini-grids, bank networks, resorts, Railway stations etc.
  - Need global players with world class skills and perspective

RESCO/ Community Power from Telecom – Right sequencing and business model is Key

Telecom can be a key enabler, but telecom firms mandating community power cannot make it so



2007

- 26% grid connectivity in Africa

2011

- 31%. >$40 Bn spent by World Bank alone in 2007-2011

- Community Energy is a much bigger problem and market : BOP customers spend 5-6 times as much on energy as on telecom

Telecom And community power: What comes first? And Who subsidizes whom?



Vs.



- Different markets, different price points , different challenges.
- Should telecom be just an anchor customer ? Or Telecom lead way first and enable community power
- Community power does not mean cheap grid parity price for telecom!

A Green ESCO Business model for telecom: KMRI's Strategic Choices

Technology agnostic IPP	• Pushing single solution does not work. • Nor is it a simple Capex vs Opex trade off. Equipment Vendor Vs. Telecom Vendor Vs. Energy IPP – identify and integrate different energy technologies and lifetime ownership focus
Focus on support infrastructure	• This is not only about cheaper or better product. Need to move beyond equipment, think about supporting value chain • Need dense networks, cant cherry pick highest cost locations or start with worst or highest cost states
Larger Distributed energy Focus	• An IPP with multi-industry, multi-country distributed green energy focus is needed – global skills to navigate and adopt multiple technologies, products and make them fit customer needs

KMRI helps distributed corporate networks in SE Asia and Africa displace diesel with high reliability, green, cost effective PPAs

Green ESCO Model – Recipe for Success

What an ESCO can offer

- An ESCO like KMRI is committed to help telecom customers
  - Meet your green regulatory objectives
  - Achieve price stability from diesel price uncertainties
  - Have a cost – effective green transition
  - Bending cost-curve over long term and meet your customer obligations
- We can support rural franchises, by leveraging our distributed energy infrastructure, provide **community power** at marginal cost.

What we need in return

- Don't treat us as vendors but as partners.
- Dealing with diesel withdrawal is going to be painful, if you put all the risks on ESCO both of us will fail
- Don't expect everything in day one or first set of sites, this takes an journey together.
- Think long term and win-win

If regulators had required <1 Rs calls to all villages in India on year 1 before giving telecom licenses, the industry would not exist today ☺