

APSE Scotland & APSE Energy Solar PV Workshop

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Modelling Business Cases

Financial Model – Project Control

- Vital for viability assessment
- Sensitivity analysis
- Model develops over time – inputs gain surety
- Return threshold testing
- Reporting
- Supports financing/funding (bankability)

Financial Model – Key Drivers

- Location – irradiance levels = yield
- Scale/capacity
- Grid access
- Site conditions – geotech/access
- Planning
- Timing and incentives
- Indexation – RPI and power price inflation
- Interest rates

Financial Model – Key Components

- Revenue
 - Electricity sales
 - FiT/ROC incentives
- Costs
 - Development costs
 - Capital costs
 - Grid connection
 - Operation & maintenance
 - Insurance
 - Business rates
 - Rent (if applicable)
 - Community benefit (if applicable)

Financial Model - Variations

- Use of power on site
- Private wire/private power sales
- Sleeving
- Batteries

Financial Model - Outputs

- Plant size
- Irradiance – kWhrs/kWp
- Yield – kWhrs per annum
- FiT/ROCS and PPA revenue
- Total development costs
- Funding structure and ratios (Equity and Debt)
- Project IRR
- Payback
- NPV
- Cashflow

Robust and Bankable

- Detailed analysis and sensitivity
- Bankable equipment – Tier 1
- Degradation
- Indemnities and warranties
- Contractual risk transfer (EPC and O&M)

Conclusion

- Financial model forms the backbone of the development
- Referable and reportable
- Benchmark against return threshold targets
- Great asset class – low risk revenue creation
- Grid parity – not so far away – be ready!!

Thank you



- Any questions?