

D2.6 Business Model Report

The following Business Model Reports present the structure of the business models researched in the Work Package 2 called “Best-suited PV business models by application segments”. Every paper describes besides the structure of the business models, the key information on the regulatory and economic environment in the six application segments: 1) Residential Single Houses; 2) Residential Multi-Family Houses; 3) Commercial Shopping Malls; 4) Commercial Large Office Buildings; 5) Public Educational Buildings; and 6) Industrial Parks.

The reports were developed in the framework of the project PV Financing in the following 7 countries:

- Austria
- France
- Germany
- Italy
- Spain
- Turkey
- United Kingdom

The following pages contain the glossary of the terminology used in the reports.



Glossary

DSCR: The Debt Service Coverage Ratio is a financial ratio that measures a company's ability to service its current debts by comparing its net operating income with its total debt service obligations. In other words, this ratio compares a company's available cash with its current interest, principle, and sinking fund obligations.

EEG Surcharge: The EEG (in Germany the Renewable Energy Sources Act) surcharge is the mechanism that finances the feed-in tariffs. It is the difference between the wholesale market price for power on the electricity exchange and the higher fixed remuneration rate for renewable energies. It is estimated for the following year, based on historic and current data.

EPC: Engineering, Procurement and Construction.

FiT: Refers to an economic policy created to promote active investment in and production of renewable energy sources. Feed-in tariffs typically make use of long-term agreements and pricing tied to costs of production for renewable energy producers.

IRR: Internal Rate of Return.

kWh: Is a unit of energy equivalent to one kilowatt (1 kW) of power expended for one hour (1h) of time used in electrical applications.

kWp: Describes the rate at which it generates energy at peak performance for example at noon on a sunny day. The kWp of a domestic system will vary depending on how much a customer wants to spend and the roof area available to accommodate the panels.

LCOE: The Levelized Cost of Electricity is a measure of a power source which attempts to compare different methods of electricity generation on a comparable basis. It is calculated by accounting for all of a system's expected lifetime costs (including construction, financing, fuel, maintenance, taxes, insurance and incentives), which are then divided by the system's lifetime expected power output (kWh).

LLCR: The Loan Life Coverage Ratio is the financial ratio used to estimate the ability of the borrowing company to repay an outstanding loan. The LLCR is calculated by dividing the NPV of the money available for debt repayment by the amount of senior debt owed by the company.

Net-Present Value (NPV): Refers to the difference between the present value of cash inflows and the present value of cash outflows. NPV is used in capital budgeting to analyze the profitability of a projected investment or project. A positive NPV indicates that the projected earnings generated by a project or investment exceed the anticipated costs.

O&M: Operation and Maintenance.

Pacht: In Germany the model of renting the system is called "Pacht", which differs from the "Leasing" in the contract conditions regarding the transfer of risks for the operation.

Payback Period: Refers to the length of time required to recover the cost of an investment.

PPA: It's a financial arrangement in which a third-party developer owns, operates, and maintains the photovoltaic (PV) system, and a host customer agrees to site the system on its roof or elsewhere on its property and purchases the system's electric output from the solar services provider for a predetermined period.

PV: Photovoltaic.

RES: Renewable Energy Sources.

SEU: "Sistemi Efficienti di Utenza", refers to the Italian version of the PPA.

SPV: The Single Purpose Vehicle refers to the a legal entity created solely to serve a particular function, such as the facilitation of a financial arrangement or creation of a financial instrument.

TRY: The Turkish lira.