



# The 25 Year Model

January 2011



# The Opportunity



Leading the way in renewable energy for the social housing sector to bring the benefits of Solar PV renewable energy to the social housing sector

Take advantage of the high FiT's (Feed in Tariff) on offer for systems installed before March 2012

Bring together a Social Housing provider and an expert Solar PV operator to form a joint venture SPV

Create a renewable energy business that benefits both the customer and the environment that has solid and predictable cash flows

FiTs work as follows:

1. The FiT generator (SPV) installs a qualifying micro-renewable technology, in this case a Solar PV system.
2. Once fitted we then apply to the relevant electricity supplier to be included in the FiTs scheme (simple process). The energy supplier is obliged to accept a qualifying technology as long as it uses Microgeneration Certification Scheme (MCS) approved equipment fitted by an MCS approved installer.
3. Installations of PV systems during the period to 31 March 2012 (up to a maximum size of 4kw) will enjoy a **guaranteed payment of 41.3p per kWh generated (linked to the RPI) for 25 year period from system accreditation. This payment is made irrespective of whether the electricity is consumed or not.**
4. If not consumed, the electricity will be exported and an extra 3p per kWh (linked to the RPI) will be paid.

# Our Solar PV offering

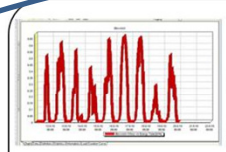
Purchase's existing installation capability and guaranteed supply ensures we can meet targeted installation dates



**Design and Installation of PV Systems**



**Domestic SMART Meter transmits data to remote Server**



**Performance monitoring of Installation performance at Data Centre**



**Service & Maintenance of failed or failing PV Installations**



**Contact Centre to deal with Customer queries and arrange Maintenance visits**



**Tariff calculation and Invoice generation on Clients behalf**

Purchase's existing contact centre ensures tenant experience is good

Purchase's monitoring capability and maintenance offering ensures we will maximise revenues

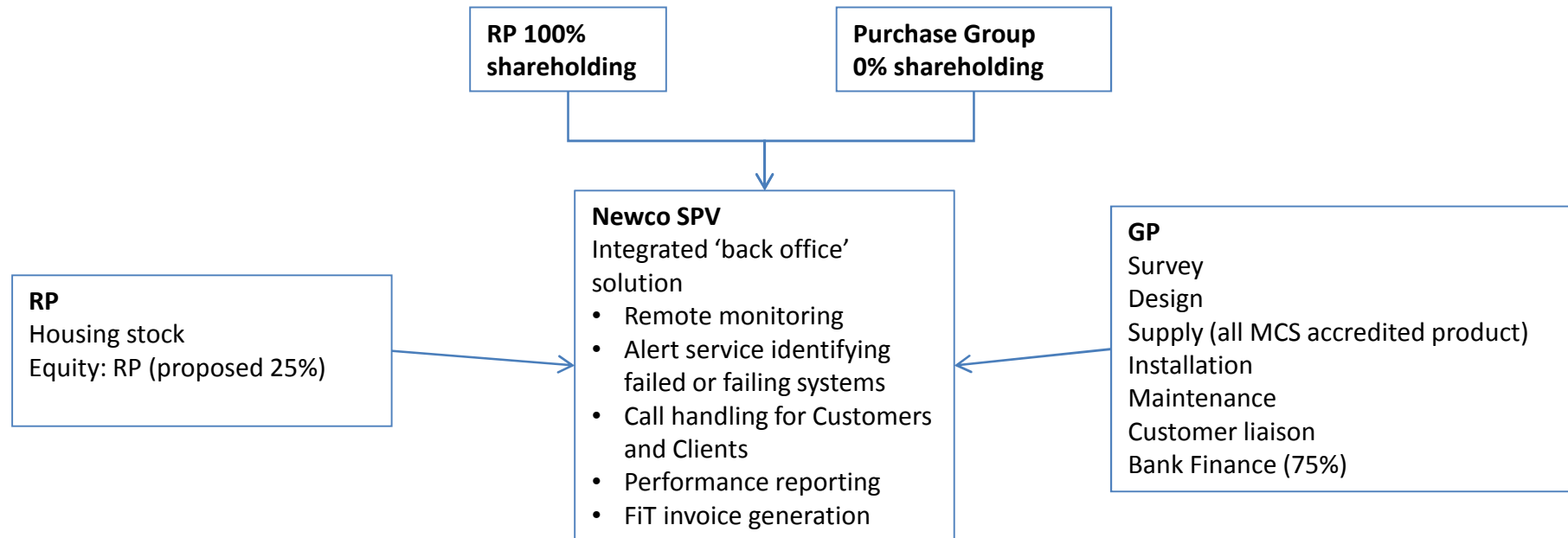


Registered Provider



# and echelonsustain/Purchase Group in partnership

The way forward for the public and private sector to work together in renewable energy:





Registered Provider



## and echelonsustain/Purchase Group

Leading the way into Solar PV for the social housing sector

### **What echelon/Purchase Group bring to the party –**

Full start to finish solution for supply, installation, maintenance, monitoring, customer care, cash collection, 75% bank debt (if required)

### **What Registered Provider brings to the party –**

Housing stock, partial funding (25%)



## How the SPV



# maximises the benefits of Solar PV

**How a partnership will have exactly the same goals:**

**Optimise the performance of the systems** - maximum power generation, maximum cash generation, maximum benefits for the customer, maximise carbon savings

**Educating the householder** - promote use of electricity during daylight hours e.g. washing machine etc, therefore maximising the savings for the customer

**Maximise Cash Generation** - cash generation will lead to more free cash to reinvestment

**Promote Carbon Savings** - better system performance results in higher carbon savings



# Financial model – assumptions



- £10m spend (75% debt/25% equity)
- Average size system 2.3kw @ circa £2,600 per kw (=1, 672 systems) for installation works
- All costs included for monitoring and maintenance, insurance
- Conservative assumptions are used:
  - Modelled at recognised worst cases:
    - efficiency at 85%; and
    - degradation at manufacturer guaranteed performance of 10% over the first 10 years and a further 10% over the next 15 years
  - Conservative inflation assumptions:
    - RPI (affects income) assumed at 3.75%; and
    - fuel inflation (affects tenant saving) at a conservative 5%
  - Conservative gearing
    - 25% equity commitment
    - debt at 6.5% (same running yield for equity)



## Summary of key outputs



|                                     |                    |
|-------------------------------------|--------------------|
| Debt repaid                         | year 8             |
| Equity                              |                    |
| • repaid                            | years 9 & 10       |
| • surplus cash over 25 year term    | £27.7m             |
| • IRR of                            | 19.54%             |
| Tenant savings (based on 50% usage) | £8.8m (£211k yr 1) |
| Carbon savings                      | 37,965 tonnes      |



**Financial Model example**