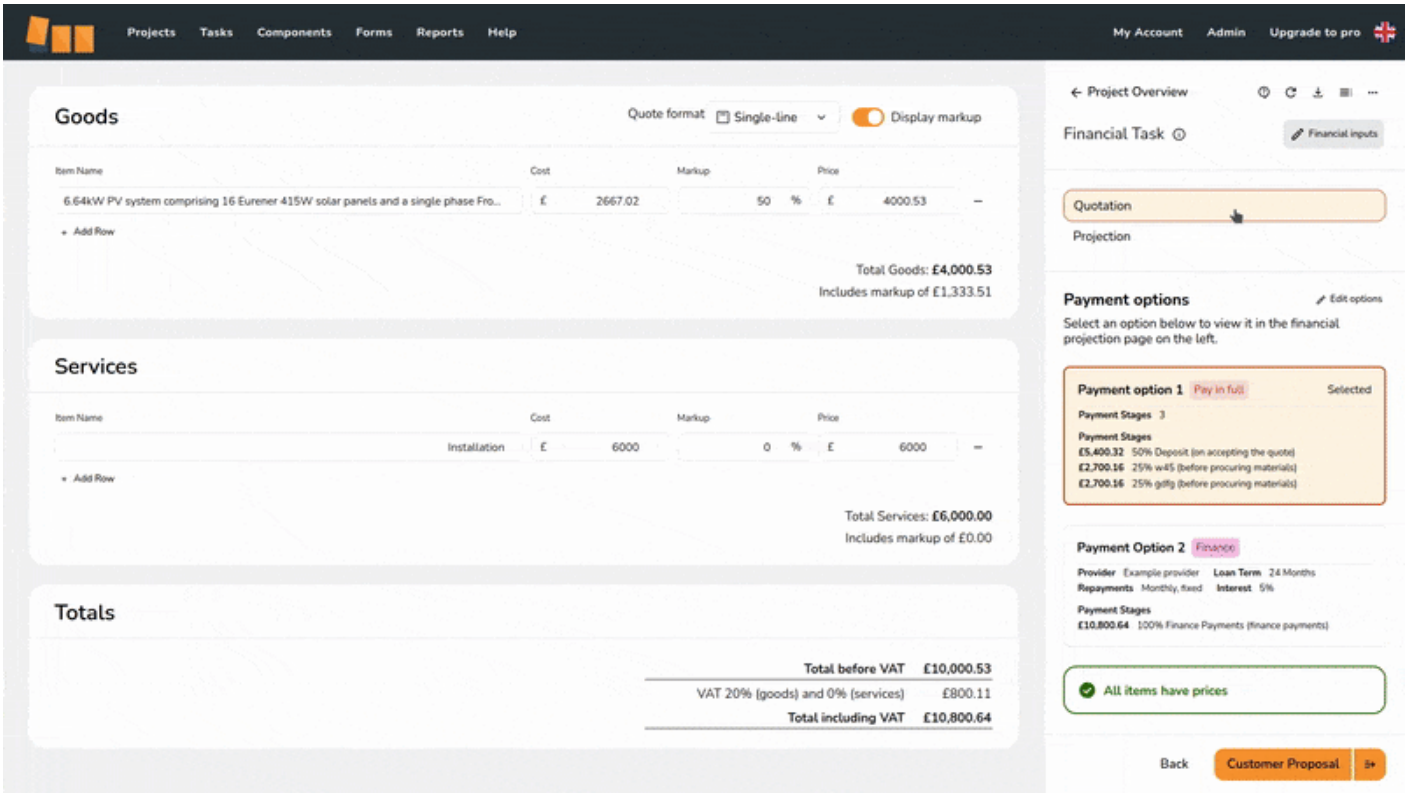
Understanding the financial projection

The financial projection is determined by the system cost, system output and your financial settings. Correctly configuring these settings is crucial to getting an accurate financial projection.

Where do I find the financial projection?

The financial projection is found in the financial task. Navigate between the quotation and the projection page on the left. Select between payment options to see the impact on the financial projection.



Income and savings

This section shows the income and savings across the projection period. Income is made up of export payments and savings are made up of electricity savings and any additional savings configured.

Electricity savings

This is how much we project the customer will be able to save now they will not be spending this on their electricity bill and will instead be using energy from the panels or battery. This is calculated using the annual generation and import tariff (using the customers old tariff if they are switching tariffs).

Determined by: import tariff, battery management, degradation rate, inflation rate

> **Note**: If you have forced battery charging and discharging configured, you may find the electricity savings are negative. Provided the total income and savings is still greater than how much they were previously spending on electricity, this is not a problem. If your electricity savings are negative, we will just show the total benefit in this section.

Export benefits

This is how much we project that the customer will be able to earn from exporting electricity to the grid.

Determined by: export tariff, battery management, degradation rate, inflation rate

Additional savings

This models any additional savings that aren't factored into the MCS or Easy PV model.

Determined by: additional savings in financial task, inflation rate

Loan and running costs

The loan and running cost graphs will show any costs that they will incur in the first year and beyond. These will be factored into the total cost of the system across the period and used in the payback calculation.

If you have set up a finance option, you can select this from the right side bar to see the impact this has on the projection.

Bottom line

This section gives an overall indication of the benefits of the system and whether it is a worthwhile investment for the customer. Below are some key definitions.

Discount rate

> **Tip**: Set the discount rate to zero if you would not like it used in the proposal.

A discount rate is a means of determining the current value of something (like income or savings from a PV system) that you'll receive in the future. This is set in your project financial settings.

How is this discount rate used?

Discount rate is used to reflect that money earned in the future is less valuable than money earned now. In Easy PV, we use the discount rate to calculate discounted benefits by scaling each year’s benefits down by half the discount rate to reflect the average rate across the year.

Net Present Value

This is the difference between cumulative benefits and the cumulative costs of the system across the projection period, both factoring in discount rate. When this is positive, it indicates the expected benefits (discounted to present value) exceed the expected costs (also discounted to present value).

Internal Rate of Return

This is the discount rate that, when used to calculate NPV, makes NPV 0.

How do we calculate the IRR and NPV?

The IRR is calculated for the final year of the projection period. However, this cannot be calculated exactly. For year 1, rates between 0% and 40% are tested and the value that gets the NPV closest to 0 is chosen. This year 1 value is then used to calculate the IRR of the next year until we reach the final year of the projection period.

Then to calculate the NPV we do the following:

Present year's NPV = previous year's NPV + (benefits - costs) * IRR factor

where present year refers to the current year being calculated and

IRR factor = 1/((1+IRR)^years)

To calculate the final IRR, we use the NPV calculated for the final year of the projection period, again finding the IRR that makes the NPV closest to 0.

Payback

This is how long it takes for the **benefits** of the system (savings on bills, earnings from exports) to outweigh the **costs** (initial cost, loan payments, maintenance costs). In each case, these are discounted to today's value and factor in the inflation rate and degradation rate.

The graph shows the year by year costs (red) and benefits (green) of the system, including any income, savings, running costs and finance payments. When plotted against each other, the point where cumulative benefits equal cumulative costs gives the payback period.

> **Payback period coming out longer than you'd expect?** Read here for things you can do to help with that.

Still Need Help?

- **Related FAQs:** Check out our Financial task FAQs for answers to common questions
- **Related guides**: Take a look at Setting Up Financial Task Preferences and Using the Financial task
- **Live training:** Book onto a live demo session

Contact Support: If you've got further questions, get in touch with our support team at **help@easy-pv.co.uk** (UK) or **help@easy-pv.ie** (IE).

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