COMMUNITY ENERGY FUND

low carbon hub

Glossary of Terms

Capex – Capital Expenditure - are funds used by an organisation to acquire, upgrade, and maintain physical assets such as property, buildings, or equipment.

CPI – 'Consumer Price Index' – a measure that looks at changes in the price of a range of goods and services. CPI is one of the most frequently used statistics for identifying periods of inflation or deflation.

Depreciation is an accounting method of allocating the cost of a tangible or physical asset over its useful life or life expectancy. Depreciation represents how much of an asset's value has been used up. Depreciating assets helps companies earn revenue from an asset while expensing a portion of its cost each year the asset is in use. If not taken into account, it can greatly affect profits.

Distribution network operator (DNO) is a company licensed to distribute electricity in the UK. These companies own and operate the system of cables and towers that bring electricity from the national transmission network to our homes and businesses. There are 14 licensed distribution network operators (DNOs) in Britain and each is responsible for a regional distribution services area.

Distribution service operator (DSO) is the evolution of the DNO in the changing energy landscape, wherein consumers will play a more active role in network control and management. A Distribution System Operator (DSO) securely operates and develops an active distribution system comprising networks, demand, generation and other flexible distributed energy resources (DERs). As a neutral facilitator of an open and accessible market it will enable competitive access to markets and the optimal use of DERs on distribution networks to deliver security, sustainability and affordability in the support of whole system optimisation. A DSO enables customers to be both producers and consumers; enabling customer access, customer choice and great customer service.

Equity represents the amount of money that would be returned to a company's shareholders if all of the assets were liquidated and all of the company's debt was paid off. We can think of equity as a degree of ownership in any asset after subtracting all debts associated with that asset.

Feed-in Tariff (FIT) – is an economic policy designed to promote active investment in renewable energy sources by offering financial benefits such as a payment for all the electricity you produce, a bonus payment for any electricity exported to the grid and a reduction on standard electricity bills. The Feed in Tariff for renewables.

Financial Conduct Authority (FCA) is the regulator of the financial services industry in the United Kingdom, with the strategic goal of ensuring that financial markets in the UK function well.

IRR – Internal Rate of Return - is a method of calculating the rate of return of potential investments. Its calculation does not involve external factors, such as inflation or the cost of capital.

Over capitalisation - is a situation where an organisation has more capital than it catered for or needs. Therefore, its assets are worth less than the shares issued, and the earnings are insufficient to pay interest to shareholders.

RPI – 'Retail Price Index' is a measure of inflation, published by the Office of National Statistics, that measures the change in the cost of a representative sample of retail goods and services. From 2013, RPI was no longer classifies it as a "national statistic", and instead the consumer price index (CPI) has been largely used instead.

Special Purpose Fund or Special Purpose Vehicle is a subsidiary created by a parent company to isolate financial risk. Its legal status as a separate company makes its obligations secure even if the parent company goes bankrupt.

For more investment terms and definitions, head to: www.investopedia.com/