

Electricity Network Innovation Competition Full Submission

Supplementary Answer Form

Project: Optimise Prime

Tick if this answer has been provided verbally: ☐

Project code	UKPNEN03	Question Number	Q14																																																												
Question date	30/08/2018	Answer date	03/09/2018																																																												
Submission section question relates to	Section 3																																																														
Topic	b) Value for money																																																														
Question	Are the benefits presented in the Full Submission document on a NPV basis? If not please can you provide the financial benefits on an NPV basis.																																																														
Notes on question																																																															
Answer	<p>Yes. All benefits are presented in the Full Submission document on a NPV basis, using a discount factor of 3.5% for the first 30 years and 3% thereafter.</p> <p>After revisiting the NPV calculations however we realised we had discounted the cash flow to 2019 calendar year. We have therefore recalculated the cumulative NPV of all financial benefits discounting them to 2018/2019 values as required by the governance. Please accept our apologies for this error. Overall, this reduced the benefits numbers by approximately 3.4% as presented below.</p> <p><u>Revised Appendix 10.1 Financial Benefits Table 12:</u></p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th></th><th></th><th>Method Cost</th><th>Base Cost</th><th>2030</th><th>2040</th><th>2050</th></tr> </thead> <tbody> <tr> <td rowspan="2">Single deployment</td><td>Domestic</td><td>£264</td><td>£283</td><td>£616</td><td>£14</td><td>£4</td></tr> <tr> <td>Depot</td><td>£31</td><td>£44</td><td>£1,771</td><td>£47</td><td>£2</td></tr> <tr> <td rowspan="2">UKPN Scale</td><td>Domestic</td><td>£264</td><td>£283</td><td>£25,842,831</td><td>£85,076,724</td><td>£86,834,332</td></tr> <tr> <td>Depot</td><td>£31</td><td>£44</td><td>£32,911,251</td><td>£50,210,832</td><td>£50,982,428</td></tr> <tr> <td></td><td>Total</td><td></td><td></td><td>£58,754,082</td><td>£135,287,556</td><td>£137,816,760</td></tr> <tr> <td rowspan="2">GB Scale</td><td>Domestic</td><td>£264</td><td>£283</td><td>£91,017,372</td><td>£299,636,669</td><td>£305,826,893</td></tr> <tr> <td>Depot</td><td>£31</td><td>£44</td><td>£115,912,051</td><td>£176,840,454</td><td>£179,557,981</td></tr> <tr> <td></td><td>Total</td><td></td><td></td><td>£206,929,423</td><td>£476,477,123</td><td>£485,384,874</td></tr> </tbody> </table>					Method Cost	Base Cost	2030	2040	2050	Single deployment	Domestic	£264	£283	£616	£14	£4	Depot	£31	£44	£1,771	£47	£2	UKPN Scale	Domestic	£264	£283	£25,842,831	£85,076,724	£86,834,332	Depot	£31	£44	£32,911,251	£50,210,832	£50,982,428		Total			£58,754,082	£135,287,556	£137,816,760	GB Scale	Domestic	£264	£283	£91,017,372	£299,636,669	£305,826,893	Depot	£31	£44	£115,912,051	£176,840,454	£179,557,981		Total			£206,929,423	£476,477,123	£485,384,874
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	<p>Even after the aforementioned recalculation, the project is still expected to break even in 2025/26 (as was previously forecast) as presented in the updated graph below:</p> <table><tr><th>Year</th><th>Cumulative GB rollout cash (£)</th><th>Cumulative funding from customers (£)</th></tr><tr><td>2018/19</td><td>0</td><td>0</td></tr><tr><td>2019/20</td><td>-2,000,000</td><td>5,000,000</td></tr><tr><td>2020/21</td><td>-12,000,000</td><td>12,000,000</td></tr><tr><td>2021/22</td><td>-16,000,000</td><td>16,000,000</td></tr><tr><td>2022/23</td><td>-14,000,000</td><td>16,000,000</td></tr><tr><td>2023/24</td><td>-10,000,000</td><td>16,000,000</td></tr><tr><td>2024/25</td><td>-3,000,000</td><td>16,000,000</td></tr><tr><td>2025/26</td><td>7,000,000</td><td>16,000,000</td></tr><tr><td>2026/27</td><td>25,000,000</td><td>16,000,000</td></tr><tr><td>2027/28</td><td>52,000,000</td><td>16,000,000</td></tr></table> <p>We will update all graphs and tables on financial benefits in the resubmission of the Full Submission document.</p>	Year	Cumulative GB rollout cash (£)	Cumulative funding from customers (£)	2018/19	0	0	2019/20	-2,000,000	5,000,000	2020/21	-12,000,000	12,000,000	2021/22	-16,000,000	16,000,000	2022/23	-14,000,000	16,000,000	2023/24	-10,000,000	16,000,000	2024/25	-3,000,000	16,000,000	2025/26	7,000,000	16,000,000	2026/27	25,000,000	16,000,000	2027/28	52,000,000	16,000,000
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