

# ESCO Business Model

## For the creation of photovoltaic (PV) energy for self-consumption and injection of the excess energy into the grid in accordance with Chilean law.

### What is an ESCO?

An ESCO (Energy Service Company) is a company that provides energy solutions to its customers.

### What options are available to finance a photovoltaic system?

Buying a PV system:

- The client owns and operates the system.
- The client is responsible for its performance and enjoys all its benefits.

Leasing or renting a PV system:

- The client is responsible for its performance and enjoys all its benefits.
- The company remains the owner of the system and is responsible for it.
- The client pays a monthly fee to the company.

ESCO Model:

- The ESCO owns the system and is responsible for its operation and performance.
- The client buys the generated electric energy from the ESCO.

### Basic business model of ESCO for the creation of PV Energy

In this case, ESCO is owner of the PV system and in charge of its design, construction, installation, operation and maintenance. The system is installed with the objective to supply the generated energy to the client, who in turn, pays ESCO for each generated unit (kWh). If the generated energy exceeds the client's need, it will be fed and sold into the power grid.



PV system simulation in the building.

### Advantages for the client of the ESCO model

- None or low initial investment for the client.
- Low overhead since ESCO is in charge of the system's operation and maintenance.
- Client only pays for the generated energy.
- ESCO may be able to use economies of scale which will benefit the client. This applies in particular to the financing, purchasing of the system, as well as management.

### Available products for the ESCO model

ESCO report with legal and fiscal/tax analysis:

Analysis of the business model for using a photovoltaic system to generate energy for self-consumption and selling the excess energy by feeding it into the power grid according to Chilean law.

ESCO contract:

Contract for providing photovoltaic energy for self-consumption and feeding the excess energy into the distribution power grid.

**Important:** The basic model is a general description of the ESCO model. It assumes that the client is a group of co-owners. Naturally, this model has to be adjusted on a case by case basis according to the specific clients' needs.

### Aspects considered in the ESCO report and the ESCO contract:

Legal aspects:

- Description of the basic model.
- Analysis of the applicable framework for the basic model: the participating parts, installations, energy supply, price, feeding the excess energy into the grid, duration of the contract, etc.
- Proposition for a contractual model.
- Flexibility of the basic business model:
  - Pricing structure.
  - Self-consumption according to customer type (commercial and industrial enterprises and residential buildings).
  - Partial financing of the project by the client.

### Financial and tax aspects:

- Shows the methodology of the tax framework for ESCOs or the client of an energy distribution company.
- Global complimentary tax.
- Aspects concerning the tax on earnings.
- VAT on the energy supply contracts.
- Aspects concerning the bookkeeping between ESCO and the involved parties within the scope of the basic model.
- Fiscal effects concerning other parties.

The products can be downloaded at:

[www.energypedia.info/wiki/Solar Energy for Electricity and Heat in Chile](http://www.energypedia.info/wiki/Solar_Energy_for_Electricity_and_Heat_in_Chile)

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