NFE Commercial RPM Finance Glossary

Commercial RPM Finance & Energy Glossary

Plain-English reference for NFE commercial microgrid discussions

STATUS	VERSION	DATE
Reference Draft	**0.2**	**21 Oct 2026**

How to use this glossary
The goal is not to turn every NFE discussion into finance jargon. These terms are included so engineering, product, commercial and finance discussions use the same definitions. Where NFE uses a term in a specific internal way, that is noted explicitly.

1. Core product and engineering terms

Acronym	Stands for	Plain-English meaning
RPM	Reliable Power Microgrid	NFE's product model for providing reliable electricity as a service, with NFE owning/operating the enabling infrastructure during the service term and an optional later ownership path.
EaaS	Energy as a Service	A commercial model in which the customer buys an energy service (for NFE, metered electricity and reliability) rather than buying the underlying solar, battery and inverter equipment.
C&I	Commercial and Industrial	Customer segment covering businesses and institutions such as offices, schools, hotels, clinics, supermarkets, churches and factories.
CAPEX	Capital Expenditure	Upfront investment in long-lived assets: batteries, inverters, PV modules, switchgear, cabling, controls, installation and commissioning.
OPEX	Operating Expenditure	Recurring costs of running the RPM after construction, such as monitoring, service visits, insurance, communications, billing/admin and some maintenance.

Acronym	Stands for	Plain-English meaning
O&M	Operations and Maintenance	Activities needed to keep the system safe and performing: monitoring, inspections, cleaning where applicable, repairs, warranty administration and maintenance.
EPC	Engineering, Procurement and Construction	The party/scope responsible for final engineering, purchasing equipment, constructing/ installing the system and commissioning it.
BoS	Balance of System	All supporting equipment beyond the main PV modules/batteries/inverters: mounting, cabling, protection, switchgear, combiner boxes, earthing and related hardware.
PV	Photovoltaic	Solar-electric generation technology that converts sunlight directly to electricity.
BESS	Battery Energy Storage System	The complete battery system, including cells/modules and associated controls/safety systems. Often used interchangeably with “battery storage” at project level.
LFP	Lithium Iron Phosphate	Lithium-ion battery chemistry commonly used in stationary storage because of its cycle life, thermal characteristics and cost profile.
kW	kilowatt	A unit of power: the instantaneous rate at which electricity is being produced or consumed. Inverter size and maximum facility demand are power quantities.
kWh	kilowatt-hour	A unit of energy: one kilowatt used for one hour. Customer bills and battery energy capacity are expressed in kWh.
kWp	kilowatt-peak	The rated DC output capacity of a PV array under standard test conditions.
DoD	Depth of Discharge	The percentage of a battery's nominal capacity that is used before recharging. A 90% DoD on a 120 kWh battery implies up to roughly 108 kWh discharged before other conversion losses/reserves.
RTE	Round-Trip Efficiency	The ratio of energy recovered from storage to energy put into it. If 100 kWh charges a battery and 90 kWh is later delivered, RTE is 90%.
EMS	Energy Management System	Software/control layer that decides how grid, PV, batteries and other resources operate, and provides monitoring, alarms, data and dispatch logic. For NFE this is part of the Microgrid OS.
TOU	Time of Use	A tariff structure in which electricity prices differ by time period, such as peak, shoulder and off-peak. TOU pricing can make stored solar particularly valuable during expensive evening hours.
SLA	Service Level Agreement	Contractual definition of the service NFE promises, such as availability, supported critical load, response time or outage-coverage duration.
PPA	Power Purchase Agreement	A contract under which one party sells electricity to another under agreed pricing and terms. RPM is broader than a conventional PPA because reliability, storage and operations are central to the service.
SPV	Special Purpose Vehicle	A separate legal entity created to own one project or a portfolio of projects. An RPM SPV could hold the equipment, customer contracts, debt and project cash flows separately from NFE's general corporate balance sheet.

2. Project-finance terms

Acronym / term	Stands for	Plain-English meaning
CFADS	Cash Flow Available for Debt Service	Cash generated by the project that is available to pay principal and interest after defined operating costs. In the current NFE screening model we conservatively calculate CFADS after routine O&M, NFE site overhead and lifecycle reserve contributions, but before debt service.
DSCR	Debt Service Coverage Ratio	CFADS divided by scheduled principal + interest for the same period. Example: UGX 24.5m CFADS / UGX 13.9m debt service = about 1.76x. Above 1.0x means modeled cash flow exceeds scheduled debt service; lenders normally require additional cushion.
DSRA	Debt Service Reserve Account	Cash reserve maintained to cover debt service if operating cash flow is temporarily insufficient. A 6-month DSRA holds roughly half a year of scheduled debt service.
IRR	Internal Rate of Return	The discount rate at which the net present value of an investment's projected cash flows equals zero. In plain English, it is a time-adjusted measure of the return generated by investing capital today and receiving future cash flows. Compare IRR with NFE/investor return requirements and the risks in the assumptions; it is not the same as annual profit margin.
Project IRR	Project / unlevered Internal Rate of Return	IRR calculated on the project's operating cash flows before debt financing. It answers: “Does the asset itself generate an adequate return regardless of how we finance it?”
Equity IRR	Equity Internal Rate of Return	IRR on the cash invested by NFE/equity investors after accounting for debt drawdown and debt service. Leverage can increase or decrease equity IRR depending on the cost and terms of debt relative to project returns.
NPV	Net Present Value	Today's value of future project cash flows after discounting them at a chosen required return. Positive NPV means the modeled project creates value above that required return; negative NPV means it does not.
ROI	Return on Investment	A simpler return metric comparing gain to amount invested. Unlike IRR, basic ROI does not inherently account for when cash flows occur.
WACC	Weighted Average Cost of Capital	The blended required return/cost of a project's debt and equity capital, weighted by how much of each is used. It is often used as a discount rate or hurdle reference.
LLCR	Loan Life Coverage Ratio	Present value of CFADS available during the remaining loan life divided by outstanding debt. It looks beyond a single year's DSCR to the debt coverage over the loan period.
PLCR	Project Life Coverage Ratio	Present value of CFADS over the remaining project life divided by outstanding debt. It includes cash flows after the loan matures and is therefore normally higher than LLCR.
LCOE	Levelized Cost of Energy	Lifetime cost of producing electricity divided by lifetime electricity produced, discounted over time. Useful for comparing generation technologies, but it does not by itself capture reliability value or the timing value of stored energy.
LCOS	Levelized Cost of Storage	Lifetime cost of operating storage divided by the energy delivered from storage, generally accounting for efficiency, degradation and replacement. It is a storage analogue to LCOE.

Acronym / term	Stands for	Plain-English meaning
P50 / P90	Probability-based energy cases	P50 is the energy estimate expected to be exceeded roughly 50% of the time; P90 is a more conservative estimate expected to be exceeded roughly 90% of the time. Lenders often care about conservative production cases.

3. Non-acronym terms that matter for RPM

Term	Meaning for NFE
Utility-price anchor	NFE's customer price is tied to the applicable utility tariff or a defined utility-based index, rather than an equipment lease payment.
RPM margin per kWh	The value NFE creates inside the customer's energy price after accounting for the cost of grid/other energy and RPM operating provisions. It is not automatically an extra charge above the utility tariff.
Lifecycle reserve	Cash set aside over time to fund major replacements such as batteries and inverters. It prevents the model from looking profitable only because future replacement costs were ignored.
Minimum energy commitment	A contractual floor on energy purchases that reduces lender volume risk. For Commercial RPMs, NFE uses the minimum monthly energy payment below (agreed 6 Oct 2026) rather than a take-or-pay commitment.
Minimum monthly energy payment	From commissioning, the customer pays the greater of the actual metered energy charge or 50% of the reference monthly energy charge. It replaces a lower bill and is never added on top, and service-performance credits apply if NFE fails to deliver. Agreed 6 Oct 2026.
Reference monthly energy charge	The monthly energy charge agreed after Phase 1 submetering: the measured baseline consumption, valued at the applicable Code 10.2 time-of-use tariffs. The kWh baseline is fixed in the contract; tariff changes adjust its value.
Consolidated energy bill	NFE's preferred billing arrangement: NFE manages and pays the customer's UEDCL bill and issues one bill for all the facility's electricity. The customer decides during Phase 1.
Ownership stage	The customer-facing name for the optional purchase of the system from year 5, subject to agreed terms. Used in proposals instead of "Phase 4" so it is not confused with step 4 of the delivery plan.

Term	Meaning for NFE
Code 10.2 tariff	The ERA/UEDCL commercial time-of-use tariff that Commercial RPM pricing mirrors. Q3 2026, before VAT: peak (18:00–24:00) UGX 666.5/kWh, shoulder 562.1, off-peak 429.7. ERA reviews it quarterly.
Take-or-pay	A stronger form of volume commitment under which a customer pays for a minimum contracted quantity even if it does not consume it. This can improve bankability but may conflict with the desired RPM customer experience.
Early termination payment	A payment due if a customer voluntarily exits before the contract ends, typically designed to cover outstanding debt, demobilization and a defined portion of unrecovered investment.
Tariff indexation	Rules that change the customer tariff over time based on a reference such as the applicable utility tariff, inflation or another agreed index.
Critical load	The subset of facility demand that must remain powered during an outage. Defining critical load can materially reduce battery/inverter size and project cost.
Bankability	The combination of predictable cash flows, enforceable contracts, acceptable risks, sufficient coverage, credible counterparties and technical/regulatory certainty that makes a lender willing to finance a project.

4. The four numbers to remember in an RPM financing discussion

Number	Question it answers
IRR	Is the project/equity return high enough for the risk and capital being committed?
DSCR	Does current project cash flow comfortably cover this period's debt payment?
CFADS	How much cash is actually available to service the debt after operating obligations?
CAPEX per site / per supported kW	How much capital must NFE deploy to deliver the promised reliability and what size portfolio can available capital support?

Practical rule
IRR is a return metric; DSCR is a debt-safety metric. A project can have an attractive IRR but still be difficult to finance if cash flows arrive too late or DSCR is weak in the debt years. Conversely, a project can have strong DSCR because it uses little debt while still offering a poor equity return.

See also: Glossary (NFE-wide acronyms) and NFE Commercial Reliable Power Microgrids.

Revision #7
Created 2026-09-18 16:30:57 UTC by aaron.tushabe
Updated 2026-11-05 02:52:43 UTC by aaron.tushabe