CROSSBOUNDARY

Study Design: Extending Reach Modularly
2020

The Innovation Lab's work is made possible by the following funders:

The Rockefeller Foundation

UKaid from the British people

Shell Foundation

Stichting DOEN

P4G Partnering for Green Growth and the Global Goals 2030

Executive Summary

This study tests whether smart inverters can extend the range of mini-grids' low voltage distribution networks to reach new, profitable customers.

Operating mini-grid sites can't currently reach all potential customers. A typical low voltage distribution network has a 600-meter range, which means households and businesses outside of that range can't be served by the distribution network. Running cabling for low voltage distribution beyond 600m – 800m typically results in voltage drops of 10%. Operating electrical appliances that far below their equipment voltage rating leads to non-optimal performance and can cause malfunctions, damaging or shortening the life of the appliance. Often, the mini-grid's best potential customers – grain millers, irrigation pump owners, and other productive users consuming up to 50 times more energy than the typical residential mini-grid customer – are located just outside that 600-meter range. To serve those high-using customers, developers would have to build additional, separate generation systems, or construct a medium voltage line with transformers at either end. Both of these are typically too expensive and require additional land and permitting.

New smart inverter technology has come onto the market that allows developers to easily, and modularly, extend the range of a mini-grid. This allows developers to access new customers, and serve productive use or other high load-bearing customers beyond the perimeter of the grid's existing reach, for less than the cost of a new generation system or medium voltage line. Developers can modularly extend a grid's range by installing smart inverters to maintain voltage at 220V beyond the perimeter of the existing grid.

The primary objective of the study is:

1. Determine what impact using smart inverters to extend the range of mini-grids' low voltage distribution networks to reach new customers has on (1) the economics of mini-grids, specifically capital expenditure costs and revenues.

The study will be conducted on currently operating mini-grid site(s) in Africa where there is demand outside the reach of the existing grid. The Operator will extend the grid's range over time through deploying smart inverter technology that maintains voltage beyond the perimeter of the grid.

The study will assess the impact of using smart inverters to extend the range of mini-grids' low voltage distribution networks to reach new customers on one principal matter: (1) grid economics. The cost of incrementally extending the grid's range will be used to analyze the impact on capital expenditure. The impact on revenue will be assessed by measuring the increase in total revenue, including that from customers newly served by the grid's extended reach.

The study will be delivered by the Operator, who will organize support from technical advisors and other third parties as necessary. The Operator will test a smart inverter technology that allows incremental expansion of a mini-grid's reach. The Study Partners will provide funding for the study, collect all relevant data, and analyze the results as they pertain to each hypothesis. The results will be made publicly available on an anonymized, aggregated basis. The study is expected to run over a three-year period, beginning [date].

Study Partners

The following table outlines the role of each partner involved in the study.

Partner	Role
Funder	• Provides funding • Offers strategic oversight for the study
CrossBoundary (CB)	• Manages all aspects of project • Leads study design • Disburses and monitors funds provided to Operator • Leads data collection, including surveying, and data cleaning • Leads analysis and communication of study results
Operator	• Provides insight into study design • Operates the mini-grids involved in the study and leads site implementation of study • Supplies data to CrossBoundary and other partners for analysis
Other partners	**Academic institutions:** • Supports study design • Supports analysis and communication of study results **Other third parties (as identified):** • Supports Operator in site implementation of study

Introduction

Mini-grids are emerging as a viable technology to accelerate access to electricity in Sub-Saharan Africa. However, for mini-grids to become sustainable and scalable commercially, profitability must improve. This study seeks to improve grid economics by answering the question: can developers reduce capital expenditure by using smart inverters to extend the range of mini-grids' low voltage distribution networks to reach new customers?

Operating mini-grid sites can't currently reach all potential customers. A typical low voltage distribution network has a 600-meter range, which means households and businesses outside of that range can't be served by the distribution network. Running cabling for low voltage distribution beyond 600m – 800m typically results in voltage drops of 10%. Operating electrical appliances that far below their equipment voltage rating leads to non-optimal performance and can cause malfunctions, damaging or shortening the life of the appliance. Often, the mini-grid's best potential customers – grain millers, irrigation pump owners, and other productive users consuming up to 50 times more energy than the typical residential mini-grid customer – are located just outside that 600-meter range. To serve those high-using customers, developers would have to build additional, separate generation systems, or construct a medium voltage line with transformers at either end. Both of these are typically too expensive and require additional land and permitting.

New smart inverter technology has come onto the market that allows developers to easily, and modularly, extend the range of a mini-grid. This allows developers to access new customers, and serve productive use or other high load-bearing customers beyond the perimeter of the grid's existing reach, for less than the cost of a new generation system or medium voltage line. Developers can modularly extend a grid's range by installing smart inverters to maintain voltage at 220V beyond the perimeter of the existing grid.

Over the lifetime of a mini-grid, this solution could improve mini-grid returns through:

- Cost savings for developers who currently build and operate grids with too much capacity for initial demand
- Allowing developers to continually extend reach to meet customer demand, thus never missing out on potential revenue

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Experimental Design

Hypotheses

The following table details the hypotheses the study will test and how each will be measured.

Hypothesis	Metric	Source
Grid Economics **1. The cost of incrementally extending the grid's range, including increased installation costs, at treatment sites will be less than the additional revenue received from new customers after 3 years.**	• Cost of incrementally extending grid's range • Revenue received from new customers reached by grid range extension	• Developer data • Smart meters
2. Connection costs for new connections will be less than or equal to that for existing connections.	• Capex per connection for new connections • Capex per connection for existing connections	• Developer data
3. Consumption and revenue will be 20% higher at treatment sites one year following prototype launch as compared to before prototype launch. **a. Number of connections will be 10% higher at treatment sites one year following prototype launch as compared to before prototype launch.** **b. Consumption and revenue from new connections will be greater than or equal to that from existing connections.** **c. 10% of newly connected customers will be productive users, defined as customers who use electricity for income generation or to operate a business (e.g. millers, schools, clinics)**	• Total consumption • Total revenue • Number of connections • Consumption and revenue from new connections • Consumption and revenue from existing connections • % of new connections representing productive use customers • % of new consumption and revenue from productive use customers • Capex per connection / ARPU for new connections • Capex per connection / ARPU for existing connections	• Smart meters
4. The extended grid can reliably serve customers outside the low voltage distribution network's 600-meter range, including productive users such as clinics and schools.	• Average voltage delivered to new connections • Average voltage delivered to existing connections	• Smart meters

At the end of the study, CrossBoundary will report how the observed changes in revenues and costs would impact IRR at a typical mini-grid.

The study's hypotheses may be subject to change following any changes to the prototype's design.

Site and Participant Selection

Treatment sites will be chosen according to where the Operator has current operations. There are no control sites for this study.

All sites are eligible to serve as treatment sites; however, priority will be given to those sites meeting the following criteria:

- At least 100 customers
- Significant demand outside the reach of the existing grid

See *Annex 2* for Operator-specific site selection information.

Participants are all households considered members of the community or village.

Duration

The study is expected to run for three years, starting as soon as possible upon the signing of the Operator Agreement. The projected timeline of the study is [date] – [date]. Early results will be analyzed after three months and quarterly thereafter.

The study's duration may be adjusted following initial results or any unforeseen circumstances.

Prototype-Specific Design Decisions

The Operator is responsible for proposing the technology or other solution designed to incrementally extend the grid's range at selected site(s).

Two smart inverters have been researched and proposed by a community of developers interested in deploying this study:

- ZOLA Electric's INFINITY Integrated Power System
- Power-Blox PBX-200 Series

Budget and Disbursement of Funds

The Operator is responsible for providing a budget that accurately reflects the cost of running the study in excess of standard operations. For this study, that represents the cost of procuring, installing, and maintaining the smart inverter technology or other identified solution on grids at all treatment sites, and any associated costs incurred in deploying the solution to extend the grid's range. See *Annex 2* for Operator-specific budget information.

Prior to receiving funds, the Operator must submit the following:

- Signed Operator Agreement, including approved budget and implementation plan
- Site economic data

Funding of the budgeted amount to support the study will be disbursed by CrossBoundary to the Operator in a single payment upon submission of all required materials.

The Operator is required to maintain a record of all costs incurred in implementing and running the study and must provide receipts reflecting the totality of costs to CrossBoundary. The Operator agrees to use funds solely for the purposes of the study.

CrossBoundary is responsible for monitoring the use of funds for the purposes agreed with the Funder.

Implementation

Operator

The Operator is responsible for operating all sites involved in the study and implementing the prototype on selected treatment sites as agreed to in this Study Design. This involves but is not limited to the following:

- Procuring, installing, and maintaining the smart inverter or other technology on grids at all treatment sites
- Communicating all relevant information to study participants

The Operator will lead in engaging all third parties involved in the study and is responsible for thoroughly researching and proposing all third-party collaborations. The Operator is also responsible for identifying and procuring any licenses or other regulatory approval required to implement the prototype. See *Annex 2* for Operator-specific implementation information.

The Operator agrees to inform CrossBoundary of any occurrences that may affect study results. The Operator additionally agrees to disclose any other information pertinent to the study (e.g. GIS data).

Third Parties

This study will involve one third party: (1) the supplier of the identified technology or solution designed to incrementally extend the grid's range. The supplier is responsible for providing the product to the Operator.

Licenses and Other Regulatory Approval

No licenses are required to implement this study, apart from the standard licenses required to build and operate mini-grids in [country].

Data Collection

All data shared through execution of the study is protected by a direct Non-Disclosure Agreement with CrossBoundary. Data will only be shared with partners approved by the Operator as outlined in the Non-Disclosure Agreement on an aggregated and anonymized basis to protect customer information.

Through participation in this study, the Operator agrees to share three types of data: (1) remote monitoring data, (2) prototype-specific data, and (3) site economic data. No surveys will be conducted for this study. The following table details the data the Operator is required to share as part of the study.

Data Type	Metric	Unit	Frequency & Timing
(1) Remote Monitoring Data	**Customer consumption**	kWh	Twelve months' historical *(as available)*, prior to disbursement of funds + monthly for duration of study
	Customer electricity payment	Local currency	Twelve months' historical *(as available)*, prior to disbursement of funds + monthly for duration of study
	Voltage delivered to customer	V	Twelve months' historical *(as available)*, prior to disbursement of funds + monthly for duration of study
(2) Prototype-Specific Data	**Cost of incrementally extending grid's range**	Local currency	Quarterly for duration of study
	Capex per connection for new connections	Local currency	Quarterly for duration of study
	Capes per connection for existing connections	Local currency	Quarterly for duration of study
	Number of connections	Number	Quarterly for duration of study
	List of new connections, split by residential vs productive use customers	Meter numbers	Quarterly for duration of study

Data Type	Metric	Unit	Frequency & Timing
(3) Site Economic Data	**As shown in *Annex 1***	Various	Once, prior to disbursement of funds

The data collected may be subject to change following any changes to the prototype's hypotheses.

(1) Remote Monitoring Data

To evaluate the study's success, the Operator will share electricity consumption data alongside smart meter numbers for all customers on treatment sites. This should take the form of raw smart meter data exhibiting the highest resolution available (e.g. individual payment records on a fifteen minute to hourly basis).

Historical consumption data for the twelve months prior to the prototype's launch must be provided upon signing of the Operator Agreement, before disbursement of funds. In the case this data does not exist (e.g. a site involved in the study is newly constructed or yet to be built), the Operator will provide historical data for as many months prior to the prototype's launch as is available. Following the prototype's launch, consumption data must be shared on a monthly basis for the duration of the study.

The Operator will share all consumption data with CrossBoundary through the Lab's data platform, managed by Odyssey Energy Solutions, via API integration with the smart meter account. Should this not be feasible, the Operator will share all data as otherwise agreed to by both parties.

(2) Prototype-Specific Data

Any prototype-specific data required to evaluate the study's success must be shared for control and treatment sites on a regular basis for the duration of the study. Data that will remain constant over time need only be shared once at the outset of the study. All customer-level data should be tagged by smart meter number. See the previous table for a schedule of the required prototype-specific data.

The Operator will share all data with CrossBoundary by uploading files to Odyssey.

(3) Site Economic Data

To assess the study's impact on mini-grid site economics, the Operator will share required site economic data for control and treatment sites. This data will be used to quantify the prototype's effects on Operator revenues, costs, and other important economic drivers.

Site economic data must be provided upon signing of the Operator Agreement, before disbursement of funds. The data should be shared by Operator's completion of the Excel table shown in *Annex 1*, which may be uploaded to Odyssey.

Risks

The following table outlines the risks involved in the study.

Risk	Description	Probability	Mitigation
Smart inverters have long procurement timelines	Procuring the smart inverters requires considerable lead time, thus delaying the results of the study	Medium	• Prioritize ordering smart inverters at the start of the study • Maintain close contact with suppliers to resolve issues as soon as they arise
Smart inverters do not function as expected	Smart inverters do not properly boost voltage, or cause issues with other elements of system	Medium	• Have dedicated customer support representative for each smart inverter technology • Communicate issues as soon as they arise
Smart inverter technology becomes obsolete or unavailable	Smart inverter companies cease production of the technology required to incrementally extend the grid's range	Low	• Require smart inverter companies to retain inventory or provide replacements for obsolete products in contracts

Analysis and Evaluation

Full analysis and evaluation of the study's results will be performed by the Study Partners.

Analysis

Study Partners will thoroughly evaluate each hypothesis against the metrics outlined in this Study Design, both periodically throughout the study and at the study's end.

CrossBoundary will analyze to what extent the prototype improves the mini-grid business model and quantify the benefit or cost to developers of incorporating the prototype into their standard operations. CrossBoundary will do this by applying observed changes in revenues and costs to its proprietary financial model. The resulting impact on project IRRs and cash flows will be evaluated under different scenarios. CrossBoundary will then recommend improvements to the prototype's design and implementation, to be incorporated into a later study or taken up directly by developers.

Dissemination of Results

Quarterly throughout the study, CrossBoundary will publish a brief report, or *Innovation Insight*, capturing the study's results against each hypothesis in an anonymized and aggregated form. At the end of the study, CrossBoundary will publish a complete report capturing the study's final results as well as the Lab's recommendations on scaling, further testing, or discarding of the prototype. The reports will be made publicly available and shared with stakeholders engaged in CrossBoundary's work, including but not limited to mini-grid operators, donors, investors, and government agencies. Findings may also be disseminated through sector events, such as conferences and workshops. Other Study Partners may publish anonymized and aggregated study results in peer-reviewed academic journals.

Annex 1: Site Economic Data

Key Project Economic Data
LC = Local Currency

Instructions: Please complete all cells colored blue. Note some rows are optional.

Input	Unit	Name of Site 1	Name of Site 2	Name of Site 3	Name of Site 4	Name of Site 5
Mini-Grid Sizing						
Number of Connections	#					
PV Generating Capacity	*kW_p*					
Battery Inverter size *(optional)*	*kVA*					
PV Inverter Size *(optional)*	*kVA*					
Diesel Generator Set *(optional)*	*kVA*					
Battery Storage *(optional)*	*kWh*					
Battery Regular Depth of Discharge Limit *(optional)*	*%*					
Number poles *(optional)*	*Poles per site*					
Diesel Use *(optional)*	*litre/month*					
kWh Produced from Diesel *(optional)*	*kWh/month*					
Diesel Cost *(optional)*	*LC/litre diesel*					
Diesel Expenditure *(optional)*	*LC/month expenditure*					
Night time consumption as % of total consumption *(optional)*	*%*					
Total CapEx						
Project Development Cost	*LC*					
Generation CapEx	*LC*					
Distribution CapEx	*LC*					
Labour CapEx	*LC*					
Logistics CapEx	*LC*					
OpEx						
Annual OpEx (historical)	*LC /site/year*					
Annual OpEx (projected)	*LC /site/year*					
Revenue						
Average tariff	*LC /kWh*					
Average consumption	*kWh/month/customer*					
15-year Consumption Forecast	*kWh/month/customer*	*See table below*	*See table below*	*See table below*	*See table below*	*See table below*
15-year ARPU Forecast	*LC /month/customer*	*See table below*	*See table below*	*See table below*	*See table below*	*See table below*

Consumption and Revenue ForecastDevelopers may specify assumptions rather than a specific consumption/revenue forecast e.g. annual escalation of 5%
Note: You may specify assumptions rather than a specific consumption/revenue forecast (e.g. annual escalation of 5%)

Year	*Unit*	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Average Monthly Consumption Per Customer	*kWh/ month /customer*															
Average Monthly Revenue Per Customer	*LC / month /customer*															
Implied Tariff	*LC/kWh*	Automatic formula for sense check	Automatic formula for sense check	Automatic formula for sense check	Automatic formula for sense check	Automatic formula for sense check	Automatic formula for sense check	Automatic formula for sense check	Automatic formula for sense check	Automatic formula for sense check	Automatic formula for sense check	Automatic formula for sense check	Automatic formula for sense check	Automatic formula for sense check	Automatic formula for sense check	Automatic formula for sense check

Annex 2: Operator-Specific Information

Site Selection

The following sites have been selected for execution of the study with [developer] in [country].

Site	Study Purpose	Households	Current Connections	Additional Information
[Site name]	Control / Treatment			

More sites may be added to the study pending initial results and Lab budget.

Budget

The following budget has been agreed to for execution of the study with [developer] in [country].

Implementation Plan

The following implementation plan has been agreed to for execution of the study with [developer] in [country].