

Renewable Energy Power Purchase Agreements

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Renewable Energy Power Purchase Agreements

With the opening-up of electricity markets to allow independent power producers and buyers, bespoke power purchase agreements allow both generators and buyers who may be the grid operator to address their individual circumstances and risks.

This workshop provides insights into analysis, application and negotiation of power purchase agreements and the contractual context.

1. Introduction

The physical infrastructure of the grid: generators, transmission and distribution system

Characteristics of different generation technologies: capacity factor, dispatch mode, load-following capacity, intermittency, firm capacity.

Market infrastructure: monopoly, independent power producers (IPPs), single buyer, power exchanges and power markets

Types of power purchase agreements (PPA): direct agreement, sleeved agreement, synthetic agreements.

The role of storage and its impact on power purchase agreements

The role of environmental attributes such as carbon credits or renewable energy certificates and their treatment in PPAs.

2. Price and Volume

The underlying economic terms in a PPA: term, tariff, tariff during commission, penalties, currency, indexation, billing cycle, capacity cap, operator curtailment.

Discussion of pricing strategies that are applicable depending on application and market: feed-in tariff, auctions, regulatory asset base model (RAB) and bilateral negotiations.

3. Risk Assessment

Risks for sellers and buyers (also if buyer is grid operator) that can be addressed or controlled in a PPA. Discussion of what these risks are and how and to what extent a PPA can help manage those risks.

Risk categories include market risk, force majeure, currency exchange risk, buyer's and seller's risk of default, change in law, supplier default, risk of completion and technical underperformance.

4. Financing of Projects with a PPA

Discussion of principles of financing power plants including lending and investment decisions.

What makes a power purchase agreement "bankable"?

Linkage of power purchase agreement with other contracts such as direct financing agreement.

Re-financing and PPA provisions.

5. How to negotiate a PPA

Defining the elements in a power purchase agreement that are non-negotiable and those that are negotiable. We also look at the potential role of the regulator.

6. Other PPA Clauses

Dispute resolution and arbitration

Termination: circumstances under which agreement can be terminated by either side and what compensation, if any, would have to be paid.

Metering

Testind and commissioning

Operation

Conditions precedent

7. Related Agreements

In this section we look at other agreements that are closely interlinked with a PPA and certain provisions must be synchronized. Those agreements include the equipment, procurement and construction contract (EPC), operations and maintenance contract (O&M), supply contracts, land lease and re-organization agreement.

8. Market Overview

Overview of PPA markets in the European Union (including UK), North America, Africa and Middle East and Asia.

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