

Negotiating Power Purchase Agreements – Best Practice Guidelines

Guidelines

These guidelines have been developed through a series of stakeholder working groups and have been endorsed by the companies and organisations listed at the end of this document.

The guidelines are intended to help independent generators navigate the process of negotiating a PPA – from making an initial approach to an offtaker, to final signature of a contract. As these are best practice guidelines, they are not legally binding on any market participant but provide an overview of the process, set out what each party can expect at each stage and an indication of how long it may take. Due to the variety of different projects (by technology, size, location, ownership and financial structures) these guidelines provide only an indication and it is possible that the process and timings could vary from what is described here.

The guidelines include:

1. **Required stage of Development:** an indication of the stage of development that a project should have reached before beginning to negotiate a PPA with an Offtaker;
2. **Minimum information:** the minimum information that the generator should be able to provide to an offtaker at the start of the dialogue;
3. **Process and Indicative Timings:** an indicative timeline for negotiating a PPA, from initial contact through to final contract; and
4. **PPA directory:** contacts details for individuals in companies offering offtake services that have endorsed these guidelines.

1. **Required stage of development**

Before approaching an offtaker via the PPA Directory, it is reasonable to expect that the generator should have reached certain development milestones. Further, the generator should be able to point, with a degree of certainty, to an expected PPA signing date within [12] months of posting on the notice board.

i. Consents	<ul style="list-style-type: none">• the generator should have planning and other necessary consents in place.
ii. Grid connection	<ul style="list-style-type: none">• the generator should have made an application for a grid connection however, a firm grid offer is not required at this stage.
iii. CFD	<ul style="list-style-type: none">• the generator will need to demonstrate progress towards application of a CfD. The appropriate level of information will be dependent on the process for allocation and award of CfDs – until there is further clarity on this process of application for and award of CfD contracts we do not propose specific requirements.

2. Minimum information

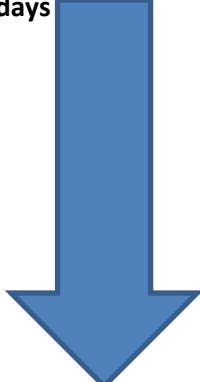

Generators should be able to provide the following minimum level of information to potential offtakers when approaching contacts from the PPA Directory:

i. Seller Counterparty Details	<ul style="list-style-type: none">• Contracting Company Name (Address, Company No. etc.)• Description of company & project structure. (For example: description of financing arrangements (e.g. JV or SPV structures); details of licence application; ultimate owners (in the event that the developer is planning to sell the project after construction).)
ii. Project Details	<ul style="list-style-type: none">• Name of project• Location (incl. address, postcode and Ordnance Survey National Grid Reference)• Technology type• Estimated Installed Capacity (MW)• Expected Output (p50/p75/p90 per annum and shape)• Any onsite usage of electricity generated
iii. Project Progress	<ul style="list-style-type: none">• Date of planning consent• Estimated Financial close date• Estimated Grid-live date• Estimated Commissioning date• Estimated Commercial operations date
iv. Credit/Finance Aspects	<ul style="list-style-type: none">• Requirement for Direct Agreement
v. Key Commercial Terms Required	<ul style="list-style-type: none">• Duration (including start date and estimated commercial operations date)• Pricing Structure• Treatment of Imbalance Risk

3. Process and indicative timings

The timings in this table are indicative and will depend on the size and complexity of the project in question. A relatively straight-forward project could reasonably expect timings towards the lower end of the ranges, while a large, complex project could be towards or even beyond the ranges in the table.

Timing	Step or process	comment	
For each step			Cumulative
Start	Generator to make approach to potential offtaker	The [Directory] provides a non-exhaustive list of potential offtakers that have endorsed these guidelines. Generator should provide as much of the 'minimum information' as is available, this will help the offtaker in their consideration of the project and speed up the process.	
5-10 working days	Initial consideration of project by offtaker response from Offtaker	Response should include confirmation to start a dialogue and enter non-disclosure agreement (NDA) if required, along with indicative timings for detailed consideration or to discuss with generator reasons if not willing to consider further.	1-2 weeks
10-15 working days	Open dialogue between Generator and Offtaker NDA agreed and signed (if required) Generator to issue Request for Proposal/tender document	If a deadline for responses is included it should have been discussed with potential offtakers in advance	3-5 weeks
10-15 working days	Generator to field queries / provide further information to Offtaker		5-8 weeks
15-40 working days	Detailed consideration of project by offtaker, including appropriate clearance processes required to make an offer Non-binding offer (subject to contract) provided by Offtaker <u>OR</u> Offtaker supplies Generator with reasons for decision not to tender	Length of time for this step will depend on a number of factors, such as the size of the project, which will determine the level at which internal clearance is given, and the meeting schedule for the appropriate approvals boards. Offer should either meet the required commercial terms as set out by the generator, or provide reasons why not.	8-16 weeks
10-15 working days	Offtaker to field queries / provide further information to Generator		10-19 weeks

10-15 working days 	Detailed consideration of offers by Generator	The time for this step may vary as the generator will only be in a position to fully consider an offer once all expected offers from prospective offtakers have been received. Generator may also need to go through approvals process.	2-6 months
	Generator to specify if offtake proposal preferred/shortlisted or to provide reasons why offer has not been shortlisted		
1-6 months 	Negotiations on detail of contract	The Offtaker would typically provide a first draft of the PPA contract, which would be open to subsequent negotiation between the Parties.	4-12 months
	Contract agreed		

4. Draft PPA Contract

A separate Working Group has considered PPA contracts under the CfD. The Working Group has produced a table which sets out the main elements of a PPA and the heads of terms for a typical project under the CfD. These are intended to describe the overall shape of the PPA and to highlight areas where particular consideration will be needed to tailor the contract to specific projects. It is intended to improve understanding of possible PPA approaches, and to provide a basis for commercial negotiations on the details of a contract.

5. PPA Directory

The table below contains contact details in commercial organisations that provide offtake services. All companies in this Directory have endorsed these guidelines.

Company	Description	Contact Details
<i>[name of company, website]</i>	<i>[description of company; interest in PPA market; and preferred approach to offering PPAs (e.g. pricing structure, technologies, size of projects). 150 words max]</i>	<i>[name of individual, Job title, Address, Phone number, Email address]</i>

Endorsements:

These guidelines have been developed through stakeholder working groups and have been endorsed by:

- ...
- ...