



***Direct Purchasing of Renewable Energy:
Critical Issues for Developers and Corporate
and Industrial Offtakers***

**Renewable Energy Markets
Sacramento, California
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Developer Critical Dreams

- + Utility-like Power Purchase Agreement
 - + Long term – 15 to 25 years
 - + Bus Bar Delivery
 - + Operational Savvy Offtaker
- + Financeable Contract
 - + Strong Credit
 - + Shed market risk – fixed price, with escalator
 - + No regulatory issues
- + Contributes to additionality

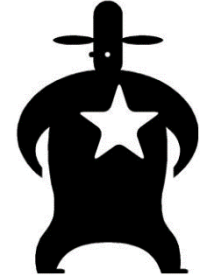


Critical C & I Offtaker Concerns

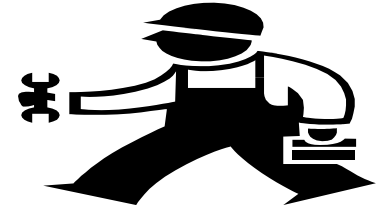


Structural Obstacles

Legal/Accounting



Operational



Energy Management

Commercial Complexity



Physical Delivery Green Product

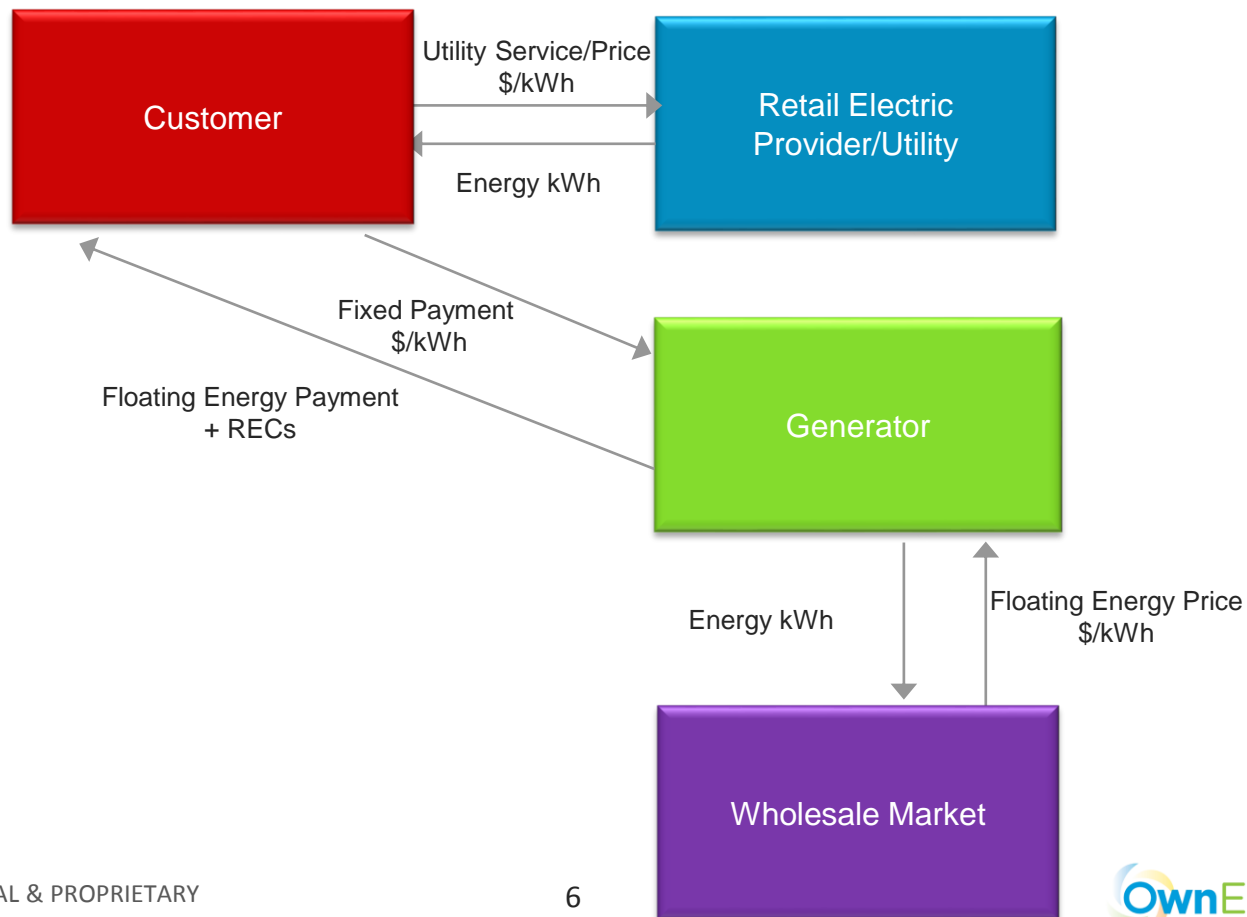


Traditional renewable energy power purchase (physical delivery of energy + RECs) through Retail Electric Provider (which could be affiliated with Generator or Customer):

- **Generator sells to REP energy & RECs, in a wholesale transaction.**
- **REP then delivers energy, utility services and RECs to end use Customer, in a retail transaction.**

Contract for Differences

Contract for differences/Fixed-Floating Swap/Synthetic PPA – Customer continues to receive energy and utility services from REP but makes fixed financial payments to Generator. Customer receives REC delivery but no physical delivery of energy from Generator. Financially settled.



□ Contract for Differences (Fixed-Floating Swap or Synthetic PPA)

Physical Electric Service	No change to existing electric service.
Financial Payments	Customer pays REP customary rate Customer pays to Generator a fixed amount, Generator pays Customer floating rate.
RECs	Generator transfers RECs to Customer.
Customer Economic Benefits	Lock in low cost of renewable energy and receives floating energy payment from Generator.
Additionality	Allows new RE projects to be built
Term	10 to 25 years
Documentation	Standard ISDA/Netting of Payments

Financial institutions are also interested in similar structures involving financial payments, but don't necessarily need to acquire RECs, making RECs available long term.



Thank you!

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