RILA

Collaborative Renewables Sourcing

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Interest in renewable energy power purchase agreements (PPAs) is increasing among commercial and industrial (C&I) buyers but, to date, PPAs have typically been limited to large buyers, capable of providing credit backing or capital to project developers and contracting for utility-scale supply over a long duration. For buyers who are interested in the benefits of PPAs but are smaller, less creditworthy, lack capital to invest, or are more cautious, there are alternative options.

Aggregated deals allow buyers to participate in the market by banding together as a joint venture consortium to achieve either the size or capital needed to execute a large-scale, long-term PPA.

Other variations on standard PPAs may be used to achieve the same end.

For example, in a joint tenancy model, developers may be more willing to offer smaller tranches of PPA projects if they already have an "anchor tenant" committed to offtake most of a project. In this scenario, a buyer with needs for a smaller portion of a project benefits from the anchor tenant's commitment. Typically, this type of model requires the secondary buyer to fully contract for and execute a PPA, but there may be more flexibility in the contract length or other terms.

Alternatively, in a reseller PPA model, a large buyer may purchase a project and divide it into segments that are then offered to other buyers. These models provide smaller buyers with more flexibility and opportunities to procure renewable energy. While theoretically easier to "take a slice of the [PPA] pie," the reseller model does not provide the benefits of a competed project process or terms.

Why should you use it?

- Your company is small and does not need to contract for a utility-scale PPA, but still wants to realize the benefits of offsite renewable energy, such as cost savings, fixed-price-for-power, and emissions reductions
- Your company is less creditworthy or lacks investment capital and may have difficulty posting either credit or cash for an offtake agreement but may benefit from a relationship with joint or anchor tenants
- Your company is risk averse or prefers a more cautious approach and may succeed with the flexibility offered by smaller or more flexible-term PPAs
- Your company is curious about PPAs, or is interested in testing new markets, but may be reticent to go big and go long. The company may want a relatively easy solution for a smaller tranche or greater contracting flexibility to explore the PPA opportunity

Who else is using it?

Several buyers have successfully taken advantage of aggregated PPAs and publicly announced their deals. The first was a conglomerate made up of George Washington University, American University, and the George Washington University Hospital which collaborated on a 52 megawatt (MW) solar PV project in Washington, D.C. MIT, Boston Medical Center, and Post Office Square Redevelopment Corporation have similarly collaborated on a 60MW solar farm. Mid-market buyer Akamai, a cloud-delivery platform, recently announced that they would secure a portion of the Seymour Hills wind farm project. In 2016, the Dutch wind consortium, made up of AkzoNobel, Google, DSM, and Royal Philips, successfully negotiated two long-term offsite PPAs for a total of 136 MW. Finally, Microsoft recently announced a new solar deal in Virginia with sPower. In this arrangement, Microsoft serves as

an anchor tenant for a project but allows other buyers to buy smaller portions of the output at a competitive price.

What are the advantages?

- **Flexibility for constrained companies**. Aggregation, joint tenancy, and/or resold PPAs allow mid-market sized companies, companies looking for a smaller project tranche, or companies with other large-scale constraints, to access the economic benefits of renewable PPAs

- **Lower credit or shorter contract options**. Developers and/or financiers may be willing to consider lower credit or shorter contract terms in one of these models than in a large-scale offsite PPA, providing companies more flexibility

- **Potential for easier, faster execution (resold PPAs)**. In the reseller model, execution of the PPA may be easier and faster than in other traditional PPA structures

What are the downsides?

- **Execution complexity (aggregation)**. The aggregation model can be difficult and time-consuming to execute, as it requires the formation of a joint venture with other like-minded, similarly mature companies. In this scenario, both the project and the joint venture must be executed and managed

- **Full PPA execution (joint tenancy)**. The joint tenancy model still requires the buying organization to execute an offsite PPA, albeit a smaller one. This model requires the same creditworthiness and risk tolerance of a larger PPA

- **Less negotiation flexibility (resold PPA)**. The reseller model, while theoretically easier to execute, limits the flexibility of the purchasing organization, who may be given little room for negotiation of price or terms

- **Environmental and additionality claims (joint tenancy; resold PPA)**. The ability to use joint tenancy or a resold PPA for environmental or additionality claims may also prove challenging, as the right to these claims may belong to the original large-scale offtaker

Who should you talk to next?

Interested retailers should consult a variety of advisors about these options as they come with varying levels of risk and opportunity. Recommended consultants include:

- A renewable energy buyer's advisor, such as Schneider Electric
- Accounting/auditing firm
- Tax advisor
- Internal and external legal counsel

The Process

Aggregation

Company A and Company B enter into a PPA together.

Joint Tenancy

Company A offtakes a portion of a PPA that Company B, an "anchor tenant", has already committed to.

Reseller

Company A purchases a segment of Company B's pre-negotiated PPA.

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