



## › Corporate PPAs

### OPPORTUNITY

With companies under increasing pressure at both a stakeholder and management level to deliver on sustainability and carbon reduction commitments, there is significant ongoing interest from corporates in long-term contractual arrangements with renewable energy generators.

Generally speaking, a corporate power purchase agreement (*PPA*) is a financial instrument whereby a fixed price for a notional quantity of electricity from a renewable power generator is exchanged for the electricity spot price for the same notional quantity. The corporate pays the fixed price, the generator pays the spot price and the two payments are netted off against each other.

The benefit for a corporate is twofold. PPAs:

- present a way for large energy users to optimise their energy procurement strategy and provide a hedge against electricity spot price variability; and
- provide access to large-scale generation certificates, which can be an important tool to demonstrate performance against corporate targets regarding renewable energy generation (eg emissions reduction targets or promotion of renewable energy in a particular jurisdiction).

### ALTERNATIVE STRUCTURING OPTIONS

We have advised corporate offtakers from a range of different industries and backgrounds on a variety of PPA structures (several of which were bespoke and innovative), including:

#### **BUYERS GROUP**

Corporates with smaller load sizes are joining together as a buyers group to increase their aggregate load size and negotiating power with the renewable generator.

#### **RETAIL BACKED PRODUCTS**

Retailers are offering electricity retail products backed by renewable PPAs, which are usually simpler to manage in an administrative sense than a corporate offtaker contracting separately with both a retailer and a renewable generator.

#### **THIRD PARTY INSURER**

An innovative, but more complicated, option is to involve a third party (such as an insurer) in the business of hedging commodities like electricity. In these PPAs, the third party takes the risk on spot price variability and the volume of electricity generated by the renewable generator, in exchange for being paid a premium.

### KEY ISSUES

Corporate PPAs often give rise to a number of complex issues, particularly as corporate offtakers push the boundaries of risk sharing that has traditionally been accepted in generator-retailer offtake arrangements.

#### **MULTIPLE OFFTAKES**

As project sizes increase, it is becoming more common for generators to contract with multiple offtakers in respect of the same renewable facility. Thought needs to be given to how the generator will manage the multiple offtakes and, in particular, how priority issues will be dealt with as between offtakers.

#### **CREDIT SUPPORT**

Generators, and their banks, will want to ensure that a corporate offtaker has an investment grade credit rating – or, alternatively, is willing to provide credit support. We are also increasingly seeing credit support being required to guarantee the generator's exposure under the PPA to delay or shortfall liquidated damages.

#### **CONNECTION DELAY AND CURTAILMENT**

Recent growth in projects with intermittent energy sources has led to an increased risk of connection delay and network congestion issues for generators. Proper due diligence is required to understand the likelihood of these risks for each generator, and we are seeing increasingly protracted negotiations over how these risks are being allocated between parties under a PPA.

## OUR EXPERIENCE

The below demonstrates our key corporate PPA experience around Australia

- **Newcrest Mining** – on its procurement of a corporate PPA with respect to its Cadia mining operations with Tilt Renewables.
- **Confidential** – a buyers group consisting of a group of councils, in its initial stages of procuring a retail backed corporate PPA through a competitive tender process.
- **Intelligent Water Networks** – a buyers group on its procurement of a corporate PPA in respect of the Kiamal Solar Farm, including preparation of full form PPA documentation for a request for proposal.
- **Southern Sydney Regional Organization of Councils** – on the preparation and negotiation of its hybrid renewable PPA / retail contract on behalf of participating councils.
- **New Energy Solar and First Solar** – in their roles as owner and developer (respectively) of the Beryl Solar Farm, on a long-term corporate PPA with cereal manufacturer Kellogg's Australia.
- **Coles** – on entry into a 10-year power purchase agreement with Metka EGN Ltd in respect of three solar facilities in NSW.
- **Sydney Airport** – on its negotiation of and entry into a power purchase agreement with CWP Renewables and associated long-term electricity retail contract.
- **WestConnex** – in relation to its renewable power purchase agreement via Transurban.
- **Salesforce** – on its entry into a corporate PPA with a renewable generator in Australia.
- **Commonwealth Bank of Australia** – on its long-term power purchase agreement with CWP Renewables in respect of the Sapphire Wind and Solar Farms, and on its associated long-term electricity retail contract with ERM Power Retail Pty Ltd.
- **Orora Limited** – on its negotiation and execution of a corporate PPA with Pacific Hydro's operating Clements Gap Wind Farm.
- **Orora Limited** – on a corporate PPA with the owners of the Lal Lal Wind Farm project.
- **SunShot Energy** – on its proxy generation based PPA with a renewable generator.
- **TfNSW First Solar** – on its power purchase agreement with TfNSW in respect of the Beryl Solar Farm.

## Who to contact



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