

Your questions about PPAs – answered.

Contents:

1. [What is a PPA?](#)
2. [What are the two main types of PPA?](#)
3. [What are the different types of corporate PPA?](#)
4. [What types of customers are suitable for a PPA?](#)
5. [What's the typical minimum term for a PPA?](#)
6. [What are the key risks involved with a PPA \(if any\)?](#)
7. [What are the stages of the development for renewable projects?](#)
8. [What is sleeving, and how does it affect my energy supply contract?](#)
9. [What are the commitments required from you as a PPA customer?](#)
10. [What is additionality?](#)
11. [What's the difference between a PPA and standard green tariff?](#)



1. What is a PPA?

A PPA (or “Power Purchase Agreement”) is a contract between two parties – a seller (the energy generator) and buyer (the consumer or utility) – to purchase an agreed amount of renewable energy. The contract contains all the commercial details, including the price, volume, and operation date.

2. What are the two main types of PPA?

Private Wire PPA

A Private Wire PPA consists of a direct connection between a nearby or remote renewable energy site and your business.

Corporate PPA

With a Corporate PPA, renewable energy assets will not be directly connected to your sites; instead, the power will flow through the grid in the normal way, providing your business with dedicated renewable power at an agreed price.

3. What are the different types of corporate PPA?

There are two different types of corporate PPA:

- **Physical:** The physical delivery of power via licensed energy supplier.
- **Virtual:** Price hedging via a financial contract for difference structure.

4. What types of customers are suitable for a PPA?

The main types of customers who might be suitable for a PPA include the following:

- Heavy manufacturing
- Transport and infrastructure
- Large retail consortiums

If you don't fall under any of these categories but would like to find out whether a PPA could be the right choice for you, [get in touch](#).

5. What's the typical minimum term for a PPA?

The minimum term for a PPA is two years, though typical terms are usually between ten and 15 years.

6. What are the key risks involved with a PPA (if any)?

While PPAs can offer your business a variety of brilliant benefits (see below), there are a few risks associated with them, including:

- **Credit risk:** This is the risk of either party becoming insolvent.
- **Volume risk:** This is the difference between forecasted generation of sites and its actual output across a year (or real time).
- **Project delay:** This is the risk that the site is not energised/operational by the agreed PPA start date.

7. What are the stages of the development for renewable projects?

Stage 1: Land acquisition/lease

Our team will complete a desktop assessment to review land suitability and grid accessibility, and work with the landowner to ascertain land acquisition and lease details.

Stage 2: Securing a grid connection

We will make an application to the local distribution network operator ('DNO') to secure the required network capacity to support the development.

Stage 3: Planning consent

Once all the relevant planning works have been completed, a planning application will be submitted to the local authority and, all being well, planning permission will be granted thereafter.

Stage 4: Final investment decision and capital raising

A significant amount of capital will need to be raised in order to purchase equipment,

construct and manage the site once operational. This investment is usually during by an investment committee made up of the developer and their external finance provider.

Stage 5: Construction and commissioning

All equipment and infrastructure will be procured for the site, and construction will start.

Stage 6: Operational

Six to nine months after construction, the site will be energised – i.e. the first renewable, green electricity will be exported into the network.

8. What is sleeving, and how does it affect my energy supply contract?

Sleeving is the contractual mechanism to allocate the 'physical power' generated to your energy supply contract. A licensed energy supplier, usually your current energy supplier, is the party responsible for sleeving. You will likely need to have the correct sleeving clauses and provision within your energy supply contract.

9. What are the commitments required from you as a PPA customer?

- **Long term contract** – PPAs are often up to 10 or 15 years in length, this is well beyond most businesses' long-term horizons. Buyers will need to comfortable fixing a price for a proportion of their energy consumption for a long period of time.
- **Credit support** – Buyers may be asked to provide credit support as part of a PPA. Examples of this include Parent Company Guarantees or Letters of Credit from a bank or other financial institution.
- **Consumption** – The seller will need to be confident that the buyer will continue to consume the same or a similar amount of power across the duration of the PPA. Any significant reduction in consumption could trigger penalties within the contract.

10. What is additionality?

By definition, additionality is a term used when a business's actions increase renewable energy generation to the grid. As noted above, by signing a PPA, your business will be seen to be financing new renewable capacity by adding new green electrons to the UK's grid, subsequently contributing to the increase of renewable generation on the grid (which currently stands at 43%).

11. What's the difference between a PPA and standard green tariff?

The main difference here is that a PPA buyer can be seen to be purchasing power from a named asset, rather than any asset within the supplier's portfolio. What's more, you'll be purchasing green power alongside REGOs from a new to earth asset rather than an operational site.

Any other questions?

If you have a question that hasn't been answered here, don't hesitate to [ask a member of our team](#).

