PRACTICE 05 • PPA & OFFTAKE

A price you can predict

Long-term power purchase agreements — separately for the generator and separately for the consumer.

Renewables burn no fuel — so the price can be fixed for years

The main cost of renewable generation is capital, put in once during construction. It has no fuel whose price moves every month.

That is where a long-term contract becomes possible: the producer knows its cost for the whole term, and the consumer gets a price that does not follow the fuel market.

WHAT THE CONTRACT FIXES

Subject of the deal

- Volume and supply profile
- Price formula and indexation
- Term and payment security
- Allocation of risk between the parties

A long contract is possible where cost does not depend on fuel.

Generation and consumption profiles are analysed separately

GENERATION

8,760 hours of output

The plant’s hourly output: seasonality, distribution across the day, years with a different resource.

This sets how much energy, and in which hours exactly, is actually supplied under the contract.

CONSUMPTION

8,760 hours of load

The consumer’s hourly load with its own seasonality and working schedule.

This sets what share of the need the contract covers, and what share still has to be bought on the market.

Overlaying the two profiles shows the real subject of the contract, not the stated volume.

For a generator a PPA is revenue a lender accepts

Term

The contract runs longer than the debt repayment period.

Counterparty

The buyer’s ability to pay, and security for the payment.

Termination

Grounds for termination are limited and priced in.

Whether a PPA exists often decides whether the project is financed at all.

A lender looks not at the price but at how reliably it turns into cash flow. A contract a lender will not accept works for nobody.

Bankability is a requirement of the document, not of the parties’ intentions.

For a consumer a PPA is a formula instead of market swings

PRICE

Formula and indexation

The price is set by a formula and its indexation, not renegotiated every time.

TESTING

Historical 8,760 hours

The formula is run against historical hourly data — before signing, not after.

REPORTING

Origin of the energy

Confirmed origin for export reporting and for the requirements of the buyers of the product.

A formula never tested against the hours is a risk, not a price.

Risk sits with whoever can manage it

We take profile and balancing risk on ourselves where that is possible. Supply is delivered through a partner supplier holding the relevant licence and institutional capacity.

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