



Business Case Considerations for an Indirect Wire Corporate Power Purchase Agreement (PPA)

Overview

This document can be tailored to specific organisational needs and serve as a guide only to assist in making informed decisions regarding the procurement of a Power Purchase Agreement.

It should be noted that individual organisations will have varying degrees of internal approval procedures. This document is to highlight what CCS believes should be considered when exploring PPA contracts. However, the circumstances of each organisation must be taken into account throughout the initial business case process.

CCS will not be held responsible for any future contract decision undertaken through the use of this guide.

1. Executive Summary

- A brief overview of the purpose of the business case.
- Summary of key benefits and expected outcomes from entering a PPA and the different types.

2. Introduction

- Include background information on the organisations energy needs, including consumption data across all sites, and detail any carbon net-zero initiatives for the forthcoming years that would impact your organisations annual electricity volume.
- Explain the context for considering a PPA, including any relevant legislative or policy drivers (e.g., carbon reduction targets, renewable energy commitments).

3. Objectives

- Clearly define the objectives of procuring a PPA, including:
 - Promoting sustainability and reducing carbon footprint.
 - Ensuring energy supply security and price stability.
 - Supporting UK renewable energy generation (potentially local renewables).
 - Diversifying your organisation's electricity supply away from the traditional supply contract with one utility provider.
 - Potential for additionality (if it is a new-build project).

4. Options Appraisal

- Outline various procurement options available, including:
 - Status quo (continuing current arrangements). Highlight the variability of the wholesale energy market from the last 5 years, as well as your existing supply contract prices vs the average wholesale price performance.
 - The RM6289 PPA framework is designed to facilitate Corporate PPAs only.
 - Consider what renewable energy technology is a preference for your proposed PPA contract, and review the current supply chain conditions and any innovations within the industry. In addition, your organisation should consider any sustainability and modern slavery risks within the supply chain for either wind or solar generation assets under current regulatory guidance.
 - Consider an existing generation asset or a new-to-earth asset. If your organisation is looking to procure a new generation asset PPA, consider the timings of construction and grid connection impact on your electricity supply delivery year. Solar farms can take up to two years from commissioning to construction and grid connection.
 - Developing your own PPA procurement and legal contract or utilising the CCS RM6289 PPA Framework. Consider whether there is an option to aggregate your demand with other organisations.
- Analysis of pros and cons for each option.

5. Cost-Benefit Analysis

- Detailed financial analysis of the preferred option, including:
 - Estimated costs of the PPA unit rate in £ MWh if the PPA is a new generation asset or an existing asset. If the PPA is for a new generation asset, consider the current supply chain market and the impact that the construction costs would have on the PPA unit rate.
 - Anticipated savings over time (cost comparisons with current energy procurement prices). You may need to procure an energy market insight subscription that provides you with insight into renewable energy price forecasts, as well as PPA market insights and the future UK energy wholesale market.
 - Estimated cost for the sleeving contract, including forecasted balancing and shaping fees if applicable. This includes benchmarking the cost of balancing and shaping (firming) via the generator supplier and the price of this service by your utility provider.
 - Any potential grants, subsidies, or incentives applicable

6. Preferred Option Recommendation

- Justification for the recommended PPA option and the procurement route
- Assessment of how this option aligns with organisational energy and carbon net-zero goals, and potential for scalability or future flexibility. This includes any future changes to your organisation's estate portfolio, including future new builds.

7. Risk Assessment

- Identification of key risks associated with the PPA, such as:
 - Contractual risks include the failure of the asset to supply, volume allocation, and, in the case of new generation assets, construction delays that impact the Commercial Operation Date (COD) and Longstop date. The PPA Framework call off schedules cover buyer termination rights, liabilities, and financial obligations as standard to a PPA contract.
 - Variability in energy prices. The agreed PPA unit rate (strike price) between you, the Buyer, and the Supplier may be less favourable than wholesale market energy prices throughout the lifetime of the contract.

- Performance and compliance risks. Including supplier credit risk
- Consideration of whether the Corporate PPA is on or off your organisation's balance sheet. Each organisation should work with the appropriate finance stakeholders to determine whether the proposed Corporate PPA would require adherence to IFRS-16 (Leases) accountancy principles as well as IFRS-9 (Financial Derivatives).
- Consider your organisation's external approval processes, such as Capital Departmental Expenditure Limit, if applicable.
- Consider the impact of future energy regulation changes, such as REMA, that may impact the price received for your PPA tender.
- Supply chain management of the Supplier in the effective management of its supply chain in the construction of new generation assets, as well as the maintenance of existing assets, depending on the PPA type entered into.

8. Implementation Plan

- Outline of the steps required to implement the PPA, including:
 - Timeline for procurement and contract negotiation. Ensure your legal team reviews the proposed contract terms as early as possible. If using the RM6289 PPA Framework, you can review the call-off schedules on our webpage.
 - Stakeholder engagement plan. It is recommended that you involve Procurement Directors, Energy/Utilities Manager, Estate managers, and Financial Directors as early as possible.
 - Communication strategy for staff and other relevant parties.
 - Engagement with your electricity supplier, ensuring that they are notified and engaged with as early as possible throughout the process of your organisations future reduction in volume.
- Establishing a Sleeving contract
 - Arrange a meeting with your utility provider to discuss the requirements for establishing a sleeving contract
 - Provide as much information on your PPA volume requirement and information on the renewable energy asset, such as P50

Value, location of the asset, and PPA structure (baseload or pay as produced)

9. Impact Assessment

- Evaluation of potential social (including Modern Slavery), economic, and environmental impacts.
- Discussion of how the PPA aligns with broader organisational strategies, including sustainability, local community engagement, and local and national energy policy.
- Consider the impact on your carbon reporting, including greenhouse gas protocol scope emissions data and greening government commitment requirements (if applicable)

10. Monitoring and Evaluation

- Proposed metrics for monitoring the performance of the PPA post-implementation. This includes your organisation's chosen balancing and shaping contract arrangement, the generation asset performance and data flows, and performance to the standards set in the contract.
- Plan for periodic evaluation and reporting of outcomes against performance indicators, including contract management resource implications due to the long-term nature of some PPA contracts.

11. Conclusion

- Summary of the benefits and rationale for proceeding with the recommended PPA.
- Call to action for decision-makers to approve the proposal.

12. Appendices

- Supporting documents or data relevant to the business case.
- Market analysis reports on long-term energy price forecasts and future capture rates for wind and solar to consider forming a ceiling for a PPA price when taking to market
- Case studies of other public sector bodies that have entered into a PPA