



PPA Webinar Transcript of Q&A Session

Here is a transcript from our PPA webinar of the questions asked, and our responses to them. We have grouped the Q&A under themes rather than as asked and responded to in the webinar. We think this will help you to appreciate the common themes and responses to them, and to perhaps share them as part of the PPA decision making process for your institution.

Legal Paperwork

Q When will we get sight of the legal docs for this PPA?

A The best outcome will be that the same documents, or with minor updates, will be used. In addition a template PPA is included with our framework procurement. Once we have an indication of volume commitment, we will issue draft documentation for consideration before the end of May 2021.

Q Will the legal documentation be in the same form as with Statkraft via its UK subsidiary, and Squeaky as the balancing provider?

A Since the document set works with both the TEC supply frameworks, for generators and, most importantly, for members, we are not anticipating any significant changes to the legal documentation.

Q Will we see the legal agreements before they are finalised with the supplier?

A The drafting of these needs to be finalised with the generator before they are issued to the member for review and signature. However we don't expect a radical departure from the existing template form of documentation so could share these before the final document set is issued.

Q Will you provide a briefing note from the lawyers again?
Could it be addressed to TEC members?

A At this stage there are no plans to produce a new briefing note, particularly if the form of the agreements were in line with the first ones. We could, however, have it reproduced and in doing so possibly address it to individual members. Our legal advisors are specialists in the energy markets and have worked on all aspects of our legal documentation including agency, framework and associated agreements so are better placed to provide expert guidance than more general lawyers.



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Term and Volume

Q What Commitment is needed in terms of years and usage?

A A proportion of individual member volume would be needed, with percentages being aligned more to future usage levels rather than any minimum volume per member or in total. There should be no minimum or maximum since we benefit from aggregation of volume from a number of members. Added to this the volume aspirations of potential generators seems to be lower for this latest PPA, so getting enough in total will not be an issue. As for term, generators look for as much as 25 years but a maximum 10 year term should see us secure volume at a competitive price.

Q What is the minimum recommended volume we should allocate to the PPA?

A As for a minimum volume, we should always consider the impact on demand of events such as the pandemic. However even with this there may be offset as usage grows due to electrification of heat and use of EVs. It should be taken on a member-by-member basis with members on the first PPA committing between 15% and 30%. Either way the volume chosen should leave room for reacting to short term price changes on the balance of the volume.

Q We have an existing Fixed contract for 2021/22 via a different organisation. I guess we would need to sell back consumption for the period of October 2021 to March 2022, or is there a phased start option?

A TEC are acutely aware of our “forward book” and the fact that new members have joined to get access to TEC’s excellent service as well as the PPA, and can accommodate these new members even on a 10 Year PPA starting in October 2021 by including the new volume for 9 years for members commencing taking power through the TEC framework from October 2022. Sell back of existing volume on legacy (non-TEC) contracts will not be necessary to facilitate entry.

Q What are the benefits of putting a PPA together as a joint group as opposed to standalone?

A PPAs are agreements which are achieved “at scale” and no single TEC member has enough volume to commit to a standalone agreement, even using 100% of their volume. Being able to commit smaller proportions, such as the 20-25% on the last PPA, and aggregating that volume was the only way to secure the 10 Mw on the first PPA, and likely the 6-7 Mw now sought as a minimum for the next and subsequent PPAs.



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Term and Volume

Q How will the calculation reflect the possibility of ongoing pandemic impact?

A We always recommend a mixed risk strategy which takes elements of long term (PPA), medium term (TEC 3 year rolling) and short term strategies. With careful selection of the proportion of volume to attribute to a PPA, there are still options for management of volume risk using the medium and short-term strategies where we can respond to changes in demand due to significant events such as a pandemic. TEC would not recommend commitment of 100% of normal demand to a PPA for this reason. That being said, with the path to decarbonisation which will likely include the electrification of heat, electricity demand over the longer term can be expected to increase.

Q Would all members joining the scheme need to sign up for the same duration such as 10 years?

A 10 years is required to secure the best arrangements, in particular for solar PV generators as this focusses on their "sweet spots", so at very least we will need to establish a co-terminus with an element of flexibility for those who cannot start until later due to current contract commitments. However, the price agreement and contract signature will all be done at the same time, including for later entrants. There can be some layering of further PPAs in future, in particular as existing or earlier PPAs complete their term.

Q Could we see a future where TEC purchase PPA volume as part of the standard risk strategy and to allow members to top up there renewable volumes at future points outside of the contract terms?

A Whilst the legal structures might lend themselves to this it is only in relation to trading PPA's through the frameworks but only with the backing of member volume. TEC could not secure such volume in its own right due to the not-for-profit status and a lack of financial standing on its own. We will always act on behalf of a number of, or all of, the members since the volume available is one of the key benefits of operating TEC as an organisation. We are as strong as the sum of our parts.



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Carbon Accounting & Reporting and Additionality

Q How do we facilitate local generation for members into the framework?

A Whilst it always depends on what is available at the time (in particular for commencement of generation) we do find that price aspirations for local generation are beyond what we would expect to be competitive. In general, local generation is solar, while the more significant investment and support is in offshore wind. We think this is an area best tackled through careful deployment of Clean Tech REGO backed electricity through the framework on a shorter-term basis.

Q How will you support members to report the carbon benefits of the PPA in future?

A There is no clear policy and some reservations around reportability of such arrangements in, for example, the HESA stats. TEC can and should act as the voice of the sector to push for reportability, in particular for new generation which support additionality whether from the outset or swapped in to replace legacy renewable generation and this should be possible under International Greenhouse Gas Protocols (IGHGP), and we know that some institutions who took volume under the first PPA have elected to report the impact on progression towards their net-zero carbon aspirations. Finally, the TEC PPA sees the REGO first bundled with, and then retired on a progressive basis which avoids the REGO being used to “green” other generation.

Q Creating actual additionality is key - what will this PPA do beyond the previous one to create true additionality in line with the recommendations from the Dec 2020 report to Committee on Climate Change?

A The reason TEC have been able to achieve additionality through swapping of new for old assets is that we have a firm commitment. This is used to support investment in new renewable generation and so can be seen to support additionality. Direct discussions with new-to-earth generators is challenging due to uncertainty on new schemes progressing, and furthermore once they do progress when they will start generating. Lastly the price aspirations of new generators offering additionality are render them less competitive.



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Carbon Accounting & Reporting and Additionality

Q SECR has 2 carbon reporting options, Location based Factors, and Market Based Factors - would the supply from the PPA be eligible to report on market based factors?

A Yes, GHG protocol says that you can count it as a reduction against market-based emissions as it is REGO/REC backed. This is also relevant for science-based targets. Since SECR is in line with GHG protocol which defines the Local and market-based reporting, the REGO backed renewables are reported as market-based emissions reduction. Location based would be for on-site generation assets. However, it should be noted that HE Institutions and other public sector organisations have no obligation to report under SECR.

Q Feedback from first PPA - Can we get a better streamlined process to evidence clear reporting of REGO surrender in line with GHG protocols and establish clear dates when these certificates will be available?

A Since this arrangement came into being after the start of the current PPA, we have sought to establish a firm timetable for surrender and evidencing of REGOs and this will form part of the ongoing and any future arrangement, including being part of a standard specification for an ITT for new framework suppliers who will administer this process along with the generator.



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The Role of the Balancing Services Provider

Q What are the risks of default in relation the balancing service provider (BSP)?

A There are many options for a BSP in the event that the contracted party failed. These include the current and future TEC framework provider acting as BSP in the event of a provider of last resort. However our selection of BSP has been one where we have selected one with significant financial backing so failure of is a remote risk only.

Q If the Generator's plant it not running at a time when they are due to supply electricity, where would the supply come from, and would it be renewable?

A This is the responsibility of the BSP, and we have deliberately selected a counterparty for this service that has a wholly renewable portfolio. Therefore the BSP will meet the supply commitment should the principle generator not be able to meet the demand, and the shortfall will be guaranteed renewable (although not asset specific) and to the required volume in the PPA. This is not always the case using a conventional BSP provider.