

CONTRACTS

Purpose:

- Avoid disputes
- Establish obligations and rights
 - Assign risks
 - Bind signers to expectations
 - Pre-determine penalties for non-performance

Types of Energy Contracts

- Power Purchase Agreement (PPA)
- Land use or resource rights
- Construction
- Maintenance and operation
- Equipment purchase or lease

Primary Elements of PPA

- Project Description
- Energy & Capacity Prices
- Interconnection Requirements
- Refusal to purchase
 - Political & regulatory changes
 - Forced outages
- Minimum performance requirements
- Timeframe for projects and payments
- Ownership of environmental benefits

Common Points of Dispute

- Changing energy prices
- On-line delays
- Business or project failure
- Transmission line costs
- Unrealistic expectations –
– “Goofy Contract Principle”

Best Practices

- Keep it simple -- more complicated is **not** necessarily better
- **Small** projects especially don't need complex contracts
- If possible use international standard contracts that banks are used to seeing