

WHAT ARE SOLAR POWER PURCHASE AGREEMENTS?

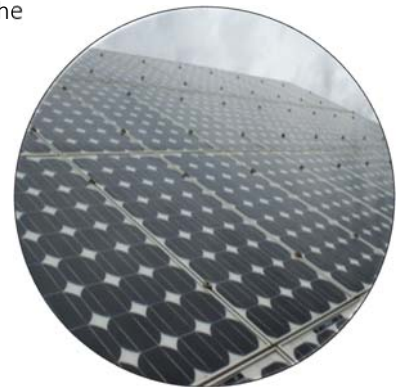
A Power Purchase Agreement (PPA) is an arrangement in which a solar service provider **designs, builds, owns, operates, monitors, and maintains** a photovoltaic (PV) system, and a customer agrees to site the system on its roof or elsewhere on its property and purchase the system's electric output from the solar services provider for a predetermined period and price.

The purchase price of the generated electricity is typically below the retail electricity rate that the host customer would otherwise pay to their retailer. The PPA rates can be fixed or they can contain an annual price escalator in the range of 2.0% to 4%.

The term length of most PPAs can range from 10 years to as long as 25 years.

PPA arrangements enable the customer to avoid many of the traditional barriers to the installation of solar systems. Solar PPAs bring the following benefits:

- No upfront capital cost
- Predictable energy pricing
- No system performance or operating risk
- Projects can be cash flow positive from day one
- Visible resource efficiency leadership commitment
- Reduces carbon emissions.



Roles and responsibilities of the PPA Provider

PPAs are commonly provided by companies specialised in solar systems design, development and installation. Energy retailers (e.g. AGL, Origin, ERM Power) recognise this and are increasingly working with these companies to also including PPAs in their product offering.

As the PPA provider designs, builds, operates, maintains and monitors the system, they will install a meter to measure the output of the system. The PPA provider may obtain construction financing for the system from a financing party.

Take the next step

See how solar PPAs may be utilised at your site to reduce energy costs and lead the charge on carbon emission reductions. For considering where to start or for more information about Solar PPAs, email us:

government@environment.nsw.gov.au.