



# WWF Renewable Energy Buyers Forum

## Introduction and Frequently-Asked Questions

### Introduction

WWF welcomes participants to the Renewable Energy Buyers Forum. The Forum brings together a group of businesses, institutions and governments interested in procuring incremental renewable energy to power their various operations. A range of different purchasing options are in discussion.

The Australian energy sector is in transition as a result of changing energy consumption patterns as well as expectations about dealing with the challenge of climate change. This disruption in the energy market is set to be the new norm as network and energy costs increase, and with renewables becoming more cost competitive. As a result, companies are becoming more sophisticated in their energy purchasing requirements and exploring different options. This includes examining the opportunity to purchase more renewable energy. However there are a number of barriers to doing so.

WWF-Australia and a number of companies, state and local governments, have met over the course of 2015 to explore these opportunities, understand the barriers, and to learn from one another, as each company and municipality grapples with the complexity of energy markets and the technological and price disruption taking place with these markets. We are progressing towards an aggregated renewable energy purchase with interested companies and other large energy users. Purchasing renewable energy at a competitive price can be a challenge for businesses on their own so joining this network can result in companies moving towards a lower carbon footprint at a more favourable price.

This Forum has been developed based on experience of WWF-US, with World Resources Institute and the Rocky Mountains Institute, who have established a Corporate Renewable Buyers Network attracting companies such as Google, Bloomberg, Facebook, Volvo, Walmart, McDonalds, Johnson & Johnson and Nestle; 49 companies in all representing a renewable energy demand of 42 million MWh. This is a larger renewable energy demand than the Australian Renewable Energy Target, see below. There is a growing appetite for corporate PPAs and this Forum is a peer-to-peer collaborative learning opportunity for organisations to support an objective of moving towards a low carbon future.

### Australia's Renewable Energy Target

The national Renewable Energy Target (RET) scheme has existed since 2001 and has been revised three times. It requires 33 million MWh of new large-scale (from installations over 100kW capacity) renewable electricity (excludes existing hydro, for example) be generated each year by 2020. Each MWh of such renewable energy generated creates one Large-scale Generation Certificate (LGC). The 2015 renewable power percentage is 11.11%, which equates to 18.85 million MWh and 18.85 million LGCs. The renewable power percentage increases each year to 2020 then remains flat until 2030. The 2016 target is 21.43 million LGCs and the 2017 target is 26.03 million LGCs.

Under the RET, liable entities – typically electricity retailers but also other large companies which opt in to the scheme – must surrender a number of LGCs equal to their electricity purchases multiplied

by the renewable power percentage. If in 2015, the liable energy purchased 1000MWh of electricity it would need to surrender to the Clean Energy Regulator 111 LGCs by 14 February, 2016. LGCs can be purchased from power stations or brokers and their price fluctuates with supply and demand.

Essentially, if you purchased your electricity from a retailer in 2015 you were paying for 11.11% large-scale renewable energy, with the retailer managing the purchase and surrender of LGCs on your behalf. To increase the national supply of renewable energy you would need to voluntarily surrender, or have your retailer voluntarily surrender additional LGCs. These are removed from the market to ensure that this renewable energy supply is additional to that required under the RET.

## Frequently-asked Questions:

### **1. What's the name and purpose of the Project?**

Name: WWF Renewable Energy Buyers Forum (the "Forum")

Purpose: In addition to providing opportunities for networking and peer-to-peer learning amongst the various forum participants from the demand, supply and government sectors, the Forum is exploring a range of different purchasing options to supply the aggregated renewable energy demand. In October we received indications of interest from seven of our members in the supply of over 100GWh of grid renewable energy each year. We now intend to explore options to satisfy this initial level of demand while continuing to build the demand pool.

### **2. Who are we partnering with to supply the aggregated demand?**

WWF has been working with a range of renewable energy project developers, generators and retailers during the Forum process and with the at NSW Government Greenpower team. During the process we became aware that Jones Lang Lasalle (JLL) had completed corporate Power Purchase Agreements in the US and elsewhere and was well advanced in planning for a similar effort here with a group of their customers. While continuing to work other options, WWF and JLL have agreed to join forces by giving Forum members the opportunity to join the JLL group, adding to its scale and buying power.

### **3. How will the JLL program work?**

JLL's project is known as Renewable Energy Aggregation Program (REAP). REAP aims to further the expansion of renewable energy projects in Australia by aggregating creditworthy energy users (participants), of varying consumptions and load shapes, into a large-scale volume that will drive the market to provide the best possible combination of \$/kWh pricing, contract term and escalation rates to participants. It is intended that this project will be structured and managed so that it is not collective bargaining or acquisition and will result in a series of bilateral agreements rather than a group agreement.

### **4. How does REAP help meet corporate carbon goals through additionality?**

All renewable electricity purchased under REAP will include the associated LGC stream. Participants can arrange to voluntarily surrender the LGCs ensuring a claim of additionality can be made, as discussed in the introductory section above. The decision on whether or not to voluntarily surrender the LGCs can be taken by each participant individually. We anticipate some participants will do so to be able to claim carbon neutrality for this portion of their electricity supply under the Carbon Neutral Program Guidelines of the National Carbon Offset Standard and reduce their emissions reported to NGERs if they are liable to report. Others will not, and will come to an arrangement with the selected retailer recognising the value of the future LGC stream, while some may elect to voluntarily surrender a portion only of the LGC stream. If additionality is not elected it may still be possible for participants to claim they are helping achieve the RET by making a new project possible. WWF and JLL are comfortable having a mix of additional and non-additional renewable electricity supplied from the projects selected, and the Clean Energy Regulator has indicated that this is an acceptable arrangement from their viewpoint.

### **5. Who will be responsible for facilitating and operating REAP?**

REAP will be formed and operated by JLL, a global leader in real estate management, facilities management and the procurement and application of renewable energy in the Commercial and

Industrial markets. JLL will act as the participant’s Client Advocate and fiduciary in the process of securing renewable energy and its associated LGCs. JLL and WWF will sign non-disclosure agreements with each participant to ensure any data submitted by the participant during the process is kept confidential.

WWF will participate as an unbiased observer and facilitator, supporting the process with coordination and verifying that best procurement practices are used.

**6. What will be the contractual structure for REAP?**

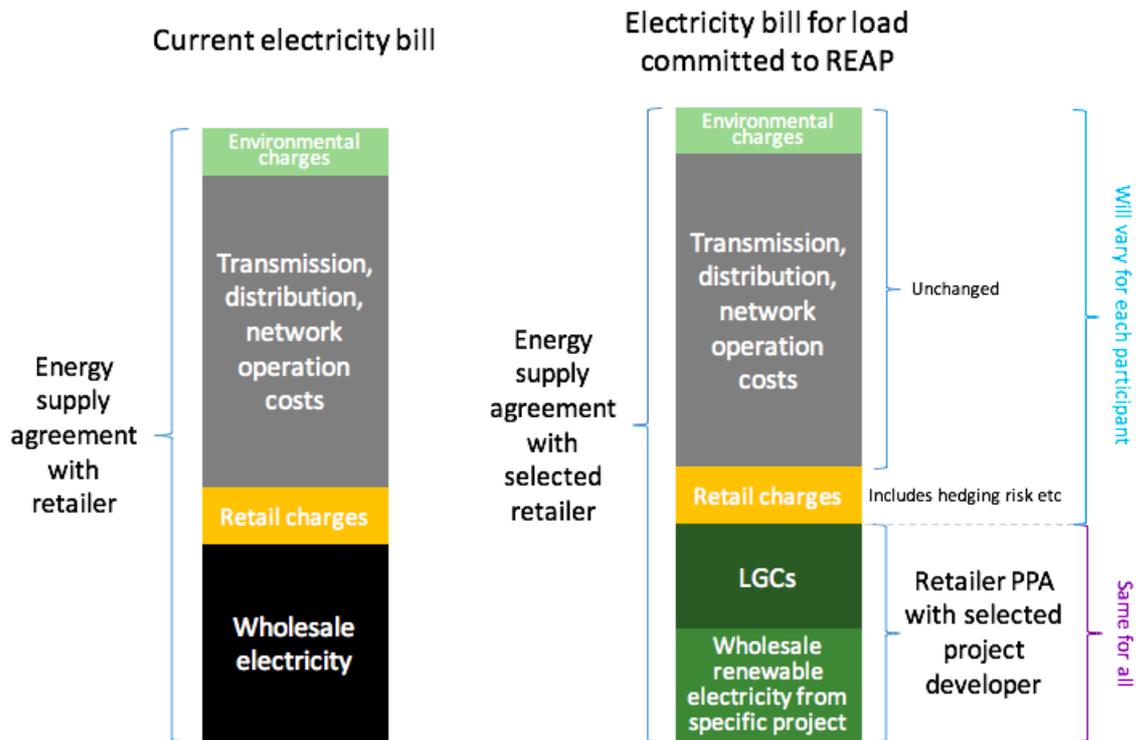
REAP will evaluate the market and select both:

- a project developer (or project developers), and
- a retailer

to provide renewable energy to participants.

The process will facilitate a Power Purchase Agreement (PPA) between each selected project developer and the selected retailer. An Energy Services Agreement (ESA) will then be negotiated between the selected retailer and each participant for the portion of their load they have nominated. To be clear, a single retailer will be selected and will agree bilateral terms with each participant. The participant may elect to roll the rest of their electricity supply needs into the same contract or another contract with the same retailer, or may keep this separate. The price for wholesale electricity from the selected project(s) plus LGCs will be the same for each participant. Other charges for distribution, transmission, AEMO costs, peak/off peak and environmental programs etc will vary depending on the participant’s site locations, load profile and so on.

The following diagram illustrates the portions of the electricity bill that REAP can influence (not to scale):



**7. What happens to the rest of my company’s electricity consumption (so if my organisation puts 10% of our load on the table, what arrangement needs to be put in place for the rest of our electricity)?**

Your remaining power would be supplied through a normal ESA with the electricity retailer of your choice. Together, the REAP ESA and the normal ESA will serve your complete electricity needs. The retailer(s) may require the ESAs to specify which meters/NMIs are covered by each.

**8. Does the size of my load matter, will participants with a smaller load be discriminated against?**

The purpose of REAP’s aggregation strategy is to create economies of scale; all participants will benefit from being part of a larger purchase than they could with just their own load. All participants will get the same price for wholesale electricity plus LGCs regardless of their percentage of total load.

**9. What types of renewable energy projects will be considered?**

The most likely renewable energy technologies to be selected are utility-scale wind and solar. The specific projects considered for inclusion in the Program will likely be one of three types:

1. Incremental projects: Projects that add to an existing project’s infrastructure but need new off-takers in order to be built. These would most likely be the lower price option as building permits, grid interconnection and other aspects of development are already in place.
2. “Shovel-ready” projects: Unbuilt projects which have all their approvals in place, including EIS, local and state planning, only requiring off-takers to secure financing (though these projects may still take up to 2 years to be operational).
3. Merchant projects: Projects already committed and which will be completed without an offtake agreement for their generation. These projects will sell their generation on the spot market as it occurs unless they can secure an offtake agreement.

**10. How will projects be selected?**

In the first quarter of 2016, pre-qualified renewable energy developers will be invited to participate in a pricing and qualification tender which states the size of the aggregated load and the desired deal structure terms.

To ensure transparency in pricing there will be a simplified matrix that all bidders will be required to populate. The matrix (below) will provide a mix of pricing options for varying contract terms and annual escalation rates.

PPA term/years	Annual Price Escalation Rate ( <i>indicative only</i> )			
	0%	1%	2%	3%
5				
10				
15				
20				

As discussed above, this pricing will be for wholesale electricity plus LGCs for supply to the whole group. After projects are selected, the selected retailer will add network and other charges as normal including peak/off peak based on the situation of each individual participant. While those

costs will likely be similar to what participants currently pay, JLL needs to understand the bill breakdown for each participant to ensure the Success Factors are met.

Based on the developer's ability to meet the Success Factors they will be asked to participate in an interview process where they will be screened further and asked to fine tune their pricing.

**11. What terms/deal structures make up a PPA?**

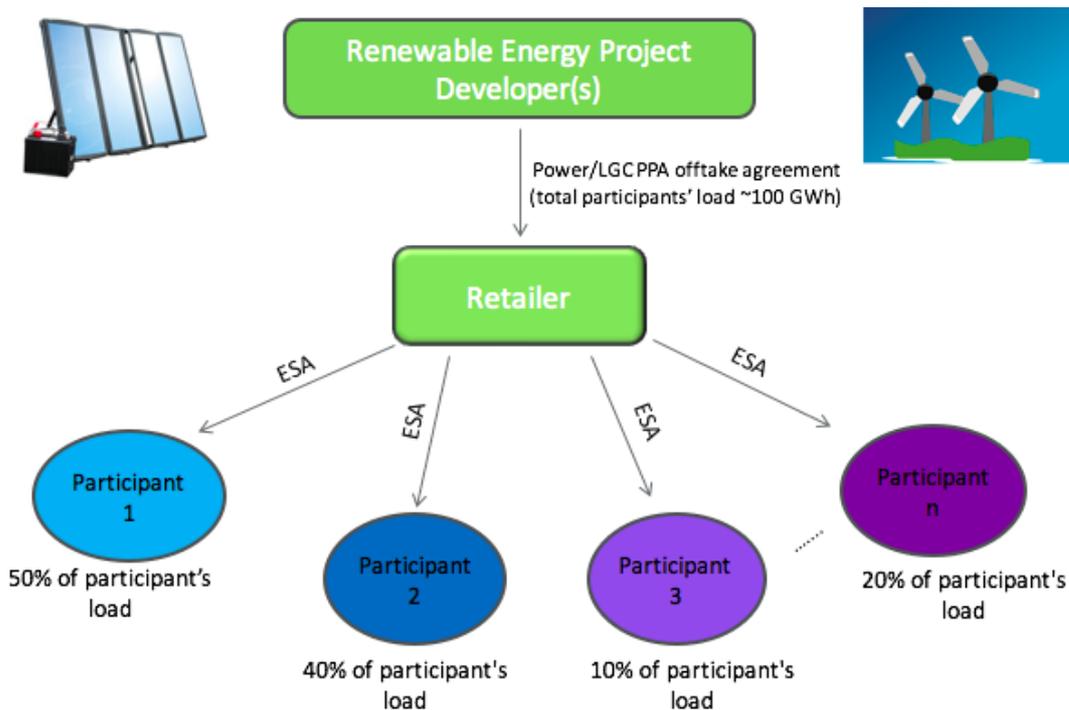
Beyond the legal boilerplate found in all PPAs, the primary business terms between the selected developers and the selected retailer are typically focused on the following points:

- a guaranteed volume of electricity/LGCs to be delivered per year
- price/kWh for the power delivered
- annual price escalation rate associated with the price/term
- term of PPA
- contractual terms and costs (Termination Value) associated with early termination of PPA

**12. How will the REAP work in practice?**

1. Each participant nominates a percentage of their electricity load and define the go/no go criteria they require before entering an ESA (Success Factors).
2. The aggregated pool of power is put out to tender to invited pre-qualified project developers, retailers and teams of developers/retailers.
3. Submitted bids will be screened on pricing and ability to meet or beat the Success Factors. A winning retailer and developers will be selected based on a combination of \$/kWh pricing, contract terms and the credibility/financial strength of the bidder.
4. Once selected, the winning retailer would negotiate a PPA with the winning developer(s) and an ESA with each participant individually.
5. The winning retailer purchases all the energy from the project once generating and that matches over the year (but not instantaneously) the amount purchased by the participants.

This arrangement is shown notionally below:



**13. How do I decide the proportion of the company's total load to nominate under REAP?**

An ESA negotiated under REAP offers you a known electricity price for a much longer term than you can usually obtain from an electricity retailer (network and other regulated charges will still vary). Nominating a portion of your company's load gives you an effective hedge against the risk of rising grid electricity prices. The proportion of load committed will depend on your specific circumstances but to date our potential participants have indicatively nominated between 10% and 100% of their load.

**14. What is the likely timeline for the project?**

We anticipate moving swiftly through the following steps with ESAs available for execution by mid-year (June to July) 2016:

- *February/March* - Participant engagement and sign up - sign NDAs and issue RFI: Respond and analyse;
- *April* - Feedback from RFI
- *May* - JLL and Aggregation Member one on one meetings to agree success factors and sign engagement letters
- *June/July* - Tender process ; Winning project developers selected to negotiate PPAs, retailer selected to negotiate ESAs

If successful this process will result in power delivery by late 2016 at the earliest, late 2017 at the latest.

**15. Where else in the world has this group buy model been adopted?**

Corporate renewable PPAs are surging around the world. According to Baker McKenzie, In the US alone, almost 1.6 GW of renewables capacity was contracted through corporate renewable PPAs in the first half of 2015. The American Wind Energy Association reports 32% of offtake contracts in 2015 were agreed directly with power users, up from 5% in 2013. Locally, the City of Melbourne has a similar project underway, and our Forum member, UTS, concluded a PPA this year with a solar farm at Singleton, NSW.

In the US JLL has facilitated projects totaling 70 MW including large-scale/multisite aggregation deals and has a 1,000-site aggregated solicitation pending award.

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