Module 4

Renewable Energy Procurement in Action
Before we start our training, please find the keys below to our interactive PDF:
Learning objectives

In Module 3: Stakeholder engagement, you gained an understanding of:

- The importance of stakeholder engagement.
- The stakeholders and their roles and responsibilities in developing and implementing a roadmap for renewable energy procurement.
- Content needed to engender stakeholder engagement in the development and implementation of a roadmap for renewable energy procurement.
- That stakeholder engagement is not a one-time event but rather is woven throughout the renewable energy procurement process, from roadmapping to implementation to measurement and verification of results.

This is the final module in this series.

Module 1
Roadmap development

Module 2
Procurement options

Module 3
Stakeholder engagement

Module 4
Renewable energy procurement in action

Once you complete this module, you should understand:

- The typical transaction process (including best practices) for renewable energy procurement
- Contract/transaction negotiation considerations for each of the procurement options.
- Typical final approval responsibilities.
4. Renewable energy procurement in action

Terms to know

**RFI:** Request for information, used to gather information on the capabilities of suppliers.

**RFP:** Request for proposals, used to solicit supplier bids on a project.

**Procurement plan:** Defines specific details for each procurement strategy associated with the roadmap for renewable energy procurement such as: expected costs and benefits, plan for supplier and product screening, and key decision milestones for renewable energy procurement.

**Renewable energy installers:** Suppliers of renewable energy engineering, procurement, and construction services with capabilities to build onsite generation capacity.

**Renewable energy developers:** Originators of large-scale offsite wind and solar renewable energy projects.

**REC brokers:** Intermediaries who can source bundled and unbundled renewable energy certificates from a variety of renewable energy developers and projects.
Renewable energy procurement plan

Once a roadmap for renewable energy procurement has been developed and commitment and buy-in from leadership for the selected renewable energy procurement strategies are obtained, renewable energy procurement plans can be used to help implement specific procurement strategies. Procurement plans are especially helpful in guiding the renewable energy procurement transaction process.

**A procurement plan should address the following:**

- Goals for procurement: expected costs and benefits
- Key decision milestones, including defining roles and responsibilities
- Types of products to be evaluated
- Procurement method: implementation partnerships, plan for supplier and product screening, including specific criteria for evaluation
- Transaction and contract considerations
Procurement method: Implementation partnerships

Developing implementation partnerships with suppliers can reduce costs, offer efficiencies, and improve outcomes. Use these four best practices to identify potential implementation partnerships.

- Assess current suppliers
- Take advantage of networks
- Engage consultants
- Review financial options
## Supplier identification and evaluation by procurement option

Procurement pathways, providers, and evaluation criteria vary according to the renewable energy procurement option under consideration.

<table>
<thead>
<tr>
<th>Procurement Option</th>
<th>Onsite and near-site</th>
<th>Offsite</th>
<th>Retail solutions</th>
<th>Unbundled solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owned Generation</td>
<td>PPA</td>
<td>vPPA</td>
<td>CCA</td>
<td>Retail agreement</td>
</tr>
<tr>
<td>Renewable installers</td>
<td>Renewable developers</td>
<td>Renewable developers and banks</td>
<td>Municipality, county, state</td>
<td>Electricity suppliers in restructured retail</td>
</tr>
<tr>
<td>Renewable developers</td>
<td></td>
<td></td>
<td></td>
<td>REC brokers</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>REC brokers; renewable energy developers</td>
</tr>
</tbody>
</table>

### Who are the providers?

- Renewable installers
- Renewable developers
- Renewable developers and banks
- Municipality, county, state
- Local utility
- Electricity suppliers in restructured retail
- REC brokers
- REC brokers; renewable energy developers

### What criteria should I use to compare options?

- ROI
- Contribution to RE goals
- Cost vs. existing electricity and REC procurement
- Model price volatility and Implied REC value
- Tax benefit and ROI cost vs. existing REC procurement
- Multiple options; compare costs and contribution to RE goals
- Multiple options; compare costs and contribution to RE goals
- Cost vs. existing electricity and REC procurement
- Cost and source, contribution to RE goals
- Price vs. future REC forecast prices

APA = attribute purchase agreement  
CCA = community choice aggregation  
PPA = power purchase agreement  
REC = renewable energy certificate  
vPPA = virtual PPA

Source: Derived from Guide to Purchasing Green Power (U.S. EPA)
4. Renewable energy procurement in action

Supplier Screening: onsite, near-site, and offsite

Effective screening of suppliers can **reduce costs, offer efficiencies, and improve outcomes.** Renewable energy developers and installers should be evaluated on their technical expertise and experience, reputation and performance.

When screening suppliers consider:

<table>
<thead>
<tr>
<th>Category</th>
<th>Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reputation</strong></td>
<td>• Customer references</td>
</tr>
<tr>
<td></td>
<td>• Review of press releases and media</td>
</tr>
<tr>
<td><strong>Technical expertise</strong></td>
<td>• Experience with renewable energy technology under consideration</td>
</tr>
<tr>
<td></td>
<td>• Experience with financial transaction types under consideration</td>
</tr>
<tr>
<td></td>
<td>• Expertise relevant to system size and location</td>
</tr>
<tr>
<td><strong>Financial strength and credit</strong></td>
<td>• Annual reports</td>
</tr>
<tr>
<td></td>
<td>• Securities and Exchange Commission files and bond ratings</td>
</tr>
<tr>
<td><strong>Environmental performance</strong></td>
<td>• Annual financial, environmental, corporate social responsibility reports</td>
</tr>
<tr>
<td></td>
<td>• Other products and business activities</td>
</tr>
</tbody>
</table>

4. Renewable energy procurement in action

Product Screening: retail products and unbundled RECs

Effective screening of products can **reduce costs and ensure products meet company needs.**

<table>
<thead>
<tr>
<th>When screening products consider:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is included?</strong></td>
</tr>
<tr>
<td>• Does the product include rights to environmental attributes (e.g. RECs)?</td>
</tr>
<tr>
<td><strong>Risk</strong></td>
</tr>
<tr>
<td>• What are the risks in the contract?</td>
</tr>
<tr>
<td>• What is the allocation of price risk (if variable)?</td>
</tr>
<tr>
<td><strong>Renewable energy/resource type</strong></td>
</tr>
<tr>
<td>• What are the environmental characteristics of renewable energy included in the portfolio?</td>
</tr>
<tr>
<td>• Product mix (1-100% renewable)</td>
</tr>
<tr>
<td>• Does the product meet EPA Green Power Partnership and Green-e definition of “new” (specific environmental requirements and began operation in the last 15 years), or still under development?</td>
</tr>
<tr>
<td><strong>Location of generation</strong></td>
</tr>
<tr>
<td>• Local (visibility, economic impact)</td>
</tr>
<tr>
<td>• Regional (procurement is part of strategy for Scope 2 location-based emissions reductions)</td>
</tr>
<tr>
<td><strong>Incremental impact</strong></td>
</tr>
<tr>
<td>• Is the renewable energy incremental or surplus to any requirements imposed on the supplier, for example, by state renewable portfolio standards?</td>
</tr>
<tr>
<td><strong>Length of contract and implications</strong></td>
</tr>
<tr>
<td>• Associated costs and pricing risks and benefits</td>
</tr>
<tr>
<td>• Fixed, escalating, or variable</td>
</tr>
<tr>
<td><strong>Third-party certification and verification</strong></td>
</tr>
<tr>
<td>• Green-e (for RECs)</td>
</tr>
</tbody>
</table>

4. Renewable energy procurement in action

Best practices for procurement transactions and contracting via an RFP

For renewable energy procurement transactions via an RFP (onsite installations, offsite transactions, and potentially attribute purchase agreements), consider implementing the following best practices.

**Determine and articulate evaluation criteria upfront**
- Establish a price cap internally and consider including it in the RFP.
- Specify third-party certification and verification requirements or evaluation criteria (for offsite and APA transactions).

**Design RFP response requirements to align with evaluation criteria**
- Collect enough information to answer the evaluation criteria.
- Consider external consultant/broker support.
- Only ask for necessary materials and provide response limits.
- Collect information consistently across suppliers and among products to facilitate comparison.

**Be explicit about what services and products are expected**
- Specify who retains all rights to the environmental attributes generated by the system.
- Outline roles and responsibilities.
- List specific key decision for the project/transaction.

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Pitfalls to avoid in renewable energy procurement transactions

Be aware of these four pitfalls that can occur in renewable energy procurement.

Pitfall 1: Not retaining the RECs.

Pitfall 2: Not knowing what you are paying for.

Pitfall 3: Not performing financial due diligence.

Pitfall 4: Not performing sufficient post-delivery project management.
4. Renewable energy procurement in action

Illustrative stakeholder involvement for renewable energy procurement by transaction type

Executives signing final approvals, for fully or almost fully negotiated procurement transactions, typically want to know that key stakeholders within the company support the procurement, especially if it is a large transaction.

Plan to structure contracts and agreements with accounting implications in mind and work closely with legal teams, finance, and accounting for favorable accounting of renewable energy procurement.

This table presents an illustrative view of stakeholders’ level of involvement in the approval process for various types of renewable energy procurement options (this is not an exhaustive list and may vary among different organizations).

<table>
<thead>
<tr>
<th></th>
<th>Onsite</th>
<th>Offsite</th>
<th>Retail</th>
<th>Unbundled</th>
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</thead>
<tbody>
<tr>
<td>C-Suite</td>
<td>☀️</td>
<td>☀️</td>
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<td>Procurement</td>
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<tr>
<td>Treasury</td>
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<tr>
<td>Accounting</td>
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<td>☀️</td>
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<tr>
<td>Facilities</td>
<td>☀️</td>
<td>☀️</td>
<td>☀️</td>
<td>☀️</td>
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<tr>
<td>General Counsel</td>
<td>☀️</td>
<td>☀️</td>
<td>☀️</td>
<td>☀️</td>
</tr>
</tbody>
</table>

scale of 0 = little to no involvement; 4 = highly involved.
Additional resources

REBA provides a community and extensive resources.

REBA is designed for companies seeking to understand how others have procured renewable energy, build deep knowledge, and be part of a global community.

- REBA has worked since 2013 to build a community focused on corporate procurement of renewable energy. There are over 250 members in the community with over 150 buyers (July 2021).
- Dozens of resources covering all areas of renewable energy procurement to help companies build the view of what’s important to them, including:
  - Onsite and offsite project roadmaps.
  - Business case development guides.
  - Transaction term sheet guides.
  - Risk explanation and allocation primers.
  - Case studies on real transactions.
  - Videos on specific technical content.
- In-depth trainings bring learning and connection with peers and leading buyers.
- Online platform allows you to connect with buyers worldwide on areas of mutual interest, such as those in the same market/region, or focused on the same procurement options.
- Semi-annual gatherings and regional events make online connections real and accelerate market understanding through focused conversations.

Microsoft supply chain partners have complimentary access to all REBA resources for six months; reach out to your Microsoft sustainability counterpart to get connected.

The U.S. EPA Green Power Partnership provides many additional resources.
Congratulations! You have now completed the renewable energy procurement training

This module provided an overview of a typical transaction process for renewable energy, including:

- Best practices and common pitfalls with renewable energy procurement transactions.
- Contract/transaction negotiation considerations for each of the procurement options.
- Final approval responsibilities for renewable energy procurement transactions.
- Additional resources for implementing renewable energy procurement strategies.