



# **Credit Requirements for Power Purchase Agreements**

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# Defining Credit Risk

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- Possible loss associated with counterparty default

# Types of Credit Risk

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- **Payment risk**
- **Performance risk**

# Performance Risk

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- **Contract replacement**
- **Market conditions**

# Mitigating Performance Risk

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- Collateral
- Contract terms and conditions

# Collateral

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- Offer deposit
- Security during construction period
- Security during operations

# Offer Deposit

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- Risk: unreliable offer
- Mitigation: deposits upon reaching milestones for selection and approval

# Security During Construction Period

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- Risk: delay or failure to complete
- Mitigation: delay damages



# Security During Operations

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- **Risk: contract breach**
- **Mitigation: posting of collateral**
  - Mark-to-market posting
  - Revenue-based posting

# Contract Terms and Conditions

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- **Termination**

- Pre Commercial Operations Date
- Post Commercial Operations Date