



Effectively Managing a REC Deal

Building and Maintaining Relationships

Erin Eckenrod, EDP Renewables NA, Renewable Energy Marketing Conference, November 2011

EDP Renewables North America

- **EDP Renewables North America LLC develops, constructs, owns and operates 28 wind farms throughout North America**
- **Owned by EDP Renewables, a leading renewable energy company that is present in the United States, Spain, Belgium, Brazil, Canada, France, Italy, Poland, Portugal, Romania and the United Kingdom.**
- **Headquartered in Houston with over 15 offices across the country**
- **Employs over 300 people**
- **Has developed over 3,700 MW of wind farms and currently operates over 3,500 MW**
- **Ranked third in the U.S. in terms of total installed capacity**

Agenda

Introduction and Overview of the REC Transaction Process

Understanding and Negotiating a REC PSA

Building and Maintaining Relationships throughout Transaction Process

Questions?

Understanding and Developing a REC Transaction Process is Crucial to Fluid Negotiations and Contract Fulfillment

Step	Negotiation of Commercial Deal Terms	Negotiation of Contract	Execution and Obligations	Delivery of Contract Obligations
Action	Pre approvals, both for transaction and counterparty-	REC PSA exchanged and redlined between legal teams	Contract is Executed and Counterparties are now legally obligated to perform under the terms of the Contract	Monitoring Obligations and deals to ensure delivery and payment of obligations is made as required
Parties Involved (External)	Broker Counterparty	Counterparty- legal Counterparty- Credit Counterparty-Risk	Counterparty- Legal	Counterparty - Settlements and Accounting Groups
Internal Process and Parties Involved	Internal parameters set outlining goals, authorization and risks- Pre-approvals Internal- Finance Internal-Risk Internal-Credit Internal-Legal	Authorized deals sent to legal to draft or review contract Internal-Legal	PSA is agreed upon by both parties – Confirm and PSA are executed Internal-Legal Internal-Authorized Rep	Deals are monitored to ensure obligation to deliver or pay will be met. Credit requirements are monitored as prices move. Internal-Risk Internal-Credit Internal-Settlements Internal-Accounting

REC Contract Components

Confirmation

Contains Commercial Deal Terms specific to a particular Deal

Terms Include:

- Buyer/Seller
- Volume
- Price
- Index/ Applicable Standard
- Vintage
- Delivery Date
- Delivery Method
- Payment Terms

REC PSA

Master or One Off- Primarily Legal Terms negotiated

Components of the PSA include:

- Definitions
- Term of Agreement
- Performance Obligations
- Title
- Payment Terms and Conditions
- Liability
- Representations and Warranties
- Events of Default
- Confidentiality
- Assignment Provisions
- Dispute Resolution
- Change in law provisions

Attestations/ Annexes

Annexes typically include Credit Annexes and Media Rights Provisions

Attestations typically include Green-e Tracking or Generator Attestations

Most Frequently Negotiated REC PSA components and Market Standards

Definitions: What is included in a REC will depend on which Index or Standard the REC is contracted under.

- Voluntary are generally done under Green-e Statute (differentiate between certified and certifiable)
- Mandatory/ State RPS deals reference statute of State

Change In Law: Counterparties agree to cooperate to make both parties whole in transaction.

- Buyers may ask for seller to cooperate with additional certifications at cost of buyer

Confidentiality: What information and to whom may it be revealed?

- Utilities frequently need to provide details to regulators to show compliance
- Projects/ companies with investors will typically need to be able to show this information to outside parties currently or interested in investing

Remedies of Default: Determining the value of loss to a counterparty in the event of default.

- Average of 1-3 mutually agreed upon broker quotes

Media and Licensing: Use of pictures or promotional materials used in marketing

- Varies by developer/project owner.

Credit Provisions: What, if any credit is needed? What form of credit will be provided and is this amount subject to margining?

- Spot deals generally don't require credit if delivery is made upon execution. Generally delivery is made prior to payment, but this is not always the case.
- Forward deals generally require a credit annex.
- Depending on if there are margining provisions credit can range between 10% and 100% of deal value.
- Credit is generally provided in the form of a parental guarantee (if rated), Letter of Credit or Cash in an Escrow account

Building and Maintaining Relationships Requires Managing Expectations Both Internally and Externally

- 1. Understand what your company and your counterparty are trying to accomplish with the deal**
 - Different market participants have different needs and goals that vary by REC market traded and role in the market
 - Clearly identify what the counterparty is looking to accomplish and negotiate accordingly
- 2. Set up and understand your company's internal REC process**
 - Educate internal groups within your company about the REC markets, conventions, obligations and risks prior to transacting in the markets
 - Allows you to manage the counterparties expectations regarding timing and stringency of internal legal, credit and risk policies that impact the deal
 - Establish a tracking and settlements system to ensure deliveries and payments are made in accordance with the contract
- 3. Be flexible**
 - The REC markets are constantly changing and players may not always know exactly what they need when initiating deal negotiations

Contact Information

Erin Eckenrod
EDP Renewables North America LLC
800 Travis St. Suite 700
Houston, TX 77002
Email: erin.eckenrod@edpr.com
Office: 713-356-2527



The Voice for Renewable Energy Markets

- Dedicated to maintaining and growing strong markets for renewable energy
- Represent: renewable energy marketers, utilities, equipment manufacturers, project developers and others supportive of renewable energy markets

Policy + E&O:

- 5-Year Renewable Energy Pledge
- Secured AB32 VRE set-aside
- Null Power; prevented REC double counting
- Secured “do no harm” provision in Kerry-Lieberman “American Power Act”



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