Key Commercial Considerations for Private Wire Projects

	Issue	Comments
1.	Generating capacity/minimum quantity guarantee Can Customer (C) commit to a "take or pay" model in respect of some or all of the generating capacity which will be developed?	The more certainty that can be given to Generator (G), the lower the overall power price. Can Customer (C) offer a commitment to purchase all output and/or credit support if its own balance sheet strength not sufficient comfort? If C cannot commit to long-term offtake, then G will need an export grid connection and likely a long-term Power Purchase Agreement (PPA) or corporate PPA. Note comments below about sleeving excess volumes. A shorter term PWA (site specific) could sit alongside a longer term corporate PPA (which is site agnostic) with C (see item 6 below).
2.	Is an export grid connection required? If an export grid connection is required, can C assist with procuring any third-party access rights required – e.g., does it already have rights that can be used to install an export grid connection or existing favourable relations with neighbouring landowners?	If a take or pay model is acceptable and C's balance sheet sufficiently strong/credit support available, it may be possible to deliver with only a minor export connection (= lower capex = lower development risk = lower electricity price). The provision of suitable sites decreases development risk to bidders and should reduce the overall power price to C.
3.	Can C make land available to G?	The provision of suitable sites decreases development risk to G and should reduce the overall power price.
4.	Is there any "spare" export capacity at C demand sites that could be made available to manage any take or pay risk?	This is potentially a point of interest for C. It might allow a larger generating station to be constructed and create further economies of scale, benefitting C overall through a lower electricity price. Assuming that a take or pay liability is acceptable to C (so no separate grid connection is required to spill excess power), C could manage the take or pay risk by allowing G access to its export grid connection under a grid share agreement. Grid share agreements can be difficult/costly/impractical to "bank" where a borrower who doesn't own the grid connection relies on it for its route to market. However, where C can accept a take or pay obligation, a spill PPA arrangement could be structured to utilise spare C export capacity and actually mitigate take or pay risk for C. Note that there are potential regulatory issues with the structuring of the spill PPA which would need to be addressed but might be manageable.

5.	How long will the duration of the PWA be, and will a take or pay obligation be of the same duration?	In simple terms, the longer the duration, the lower the price.
6.	Would C have the ability to sleeve surplus generation from PWA sites into its general supply arrangements?	If G had access to a grid connection (but see point 1 above re limiting capex costs), either controlled by G or by C, through which any surplus generation could be spilled, the risk to C of any take or pay arrangement biting and C not receiving “value” could be managed/reduced, provided that there was sufficient demand within the overall C grid connected demand portfolio.