Contractual Framework for Bankable O&M

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6 September 2018

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Gari EcoPower, Greensolver, greentech, HUAWEI, Iris Hellas, JinKO Solar

Lark Energy, Lightsource, LONGi Solar, Messaritis, PI Berlin, pidbull

QOS Energy, REC, Schneider Electric, solarcentury, Solar-Log, stem energy

TCO SOLAR, Trinasolar, UL, voltalia

Baker McKenzie.

GIDE
GIDE LOYRETTE NOUEL

KFW

Simmons & Simmons

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Introduction and Overall Concept

Objective: Discuss the topic of having a publicly accessible and standardised bankable O&M contract to help the development of solar globally

Parameters considered:

- Bankability
- Market experience from mature markets
- Contract cost
- Efficiency of operations
- Standardization of terms and approach
- Balancing risks among various stakeholders and contracts

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Main assumptions of the O&M template contract

Term	Main assumptions and recommendations
Contract term	2 options: 1. „Evergreen contract“: 5y, automatic renewal for 3y 2. Long-term (15 years or to match debt tenor)
Takeover of Plants	Differentiation between 2 scenarios 1. O&M Contract set up before or during the construction or the 2 year warranty period 2. O&M Contractor takes over later – Known Defects and Missing Spare Parts concepts
Sub-contracts	O&M Contractor is free to pick their subcontract-tors, when possible under local legislation
Spare parts management	• Initial spares for 2y from COD to be procured by the plant owner • O&M to maintain, store and replenish all spares – with flexibility around what is included or excluded from O&M price • Maintenance reserve account under funding agreement to cover excluded spare parts

Main assumptions of the O&M template contract

Term	Main assumptions and recommendations

Contractually guaranteed Key Performance Indicators	• O&M Contractor should guarantee:
	
	  • **Availability**, with a minimum guaranteed Availability of 98% and a number of exclusion factors to exclude failures not attributable to the O&M Contractor
	
	  • **Response Time**: when determining the minimum guaranteed Response Time, it is recommended to differentiate between different fault classes/power losses
	
	• No Performance Ratio (PR) guarantee provided by the O&M Contractor

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Main assumptions of the O&M template contract

Term	Main assumptions and recommendations
Bonus schemes and liquidated damages (LD)	• For the Availability guarantee • Bonus Schemes: if the minimum guaranteed Availability is overachieved, the additional revenue (over and above base case) should be equally divided (50/50) between the Asset Owner and the O&M Contractor • Liquidated Damages: If the minimum guaranteed Availability is underachieved, 100% of the lost revenue for that period will be compensated by the O&M Contractor via liquidated damages • The sum LDs is capped at 100% of annual fee. Bonuses can be offset against LDs and vice versa.

End of Presentation

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