



EASE Response to Public Consultation on the Introduction of Voluntary Templates for Power Purchase Agreement Contracts in the EU Energy Market

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INTRODUCTION

The recent EU Regulation aimed at enhancing the Union's Electricity Market Design (EMD), adopted by the Council of the EU on 21 May 2024, includes significant provisions regarding Power Purchase Agreements (PPAs). ACER (the Agency for the Cooperation of Energy Regulators) has been tasked with assessing the need for voluntary PPA templates, potentially developing these templates, and conducting an annual assessment of the PPA market to support the EU's decarbonisation objectives. The upcoming assessment, expected in Autumn 2024, will determine whether there is a need to develop standardised PPA templates. Should the assessment reveal a requirement for such templates, ACER, alongside all Nominated Electricity Market Operators (NEMOs), will initiate the development process in Winter 2024.

EASE prepared a reply to the consultation, aimed at evaluating the need to develop and issue voluntary templates for PPAs to better support the energy storage sector.



Reply from the European Association for Storage of Energy (EASE)

EASE responses are highlighted in green squares, while the public consultation questions are shown in italics.

Consultation questions:

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
<i>If there were more availability of, or adaptations of existing voluntary template PPA contracts, it would be easier for market participants to sign a PPA contract.</i>			x		
<i>Existing voluntary template PPA contracts reduce market participants' costs for signing PPA contracts (e.g. legal-wise, commercial-wise, business-wise, etc.).</i>					x
<i>Existing voluntary template PPA contracts suit all market participants willing to sign a PPA contract.</i>			x		
<i>It is possible to develop a single template contract which suits the needs of all potential parties of a PPA.</i>			x		
<i>Existing voluntary template PPA contracts are sufficiently kept up-to-date to represent the evolution of electricity markets.</i>		x			



A. Based on your experience with the existing voluntary template(s), what do you believe is the most critical issue/difficulty and what mitigation strategy would you suggest to address it?

Current voluntary PPA templates serve as a good starting point for negotiations, but they often require significant adaptation to meet specific conditions.

The most critical issue with these templates is the need for customisation to address various factors, including the unique characteristics of the proposed product, varying jurisdictions across Europe, and market-specific responsibilities such as grid connection delays, force majeure events, and the management of negative prices. Additional considerations include the power generation asset, potential storage assets, specific constraints of a party (e.g., public authorities, volume risk, multi-buyer contracts), and the conditions and entities responsible for supplier obligations. These complexities can cause delays in PPA execution and increase transaction costs.

B. Is it possible to put in place a template contract which would enable easier trade of PPAs – in pursuit of better electricity market functioning and a smooth and rapid energy transition?

	Yes, market platforms already trade PPAs where possible.
	Yes, it is possible to create a template contract for an off-the-shelf PPA product.
x	Yes, but this should always be voluntary because bespoke negotiated PPAs must always be an option for market participants.
	No, PPAs are very difficult to standardise.



C. Is the lack of suitable current voluntary template PPA contracts on the market today a major barrier for further unlocking the PPA market?

	Yes.
x	No.

D. General comment (1250-character(s) maximum):

The primary barrier to PPA uptake is not the lack of standardisation but the high costs of guarantees.

Voluntary PPA templates can be advantageous, particularly in reducing entry costs to the PPA market, but should always remain optional due to the diverse needs of different projects.

To promote Hybrid PPAs (renewables combined with storage), templates should clearly define 24/7 renewable energy and elucidate energy certification systems such as time stamping to ensure continuous matching between generation and consumption.

While long-term contracts can attract private investment and provide assurances to project developers, thereby accelerating the adoption of energy storage technologies, final PPA contracts should consider incorporating terms for energy tracking as required by the offtaker. However, it is preferable that templates and standards are developed by market participants to reflect their needs and experience, rather than through a centralised and regulated process.



About EASE

The European Association for Storage of Energy (EASE) is the voice of the energy storage community, actively promoting the use of energy storage in Europe and worldwide. It supports the deployment of energy storage as an indispensable instrument within the framework of the European energy and climate policy to deliver services to, and improve the flexibility of, the European energy system. EASE seeks to build a European platform for sharing and disseminating energy storage-related information and supports the transition towards a sustainable, flexible and stable energy system in Europe.

For more information please visit www.ease-storage.eu

Disclaimer

This response was elaborated by EASE and reflects a consolidated view of its members from an energy storage point of view. Individual EASE members may adopt different positions on certain topics from their corporate standpoint.

Contact: | EASE Junior Policy Officer | Carolina Cruz | c.cruz@ease-storage.eu