

**JANUARY 2024**

**Renewable Energy  
Law Essentials**

**UT LAW | CLE**

 **TEXAS Law**  
The University of Texas at Austin  
School of Law

# OFF-TAKE CONTRACTS: AN OVERVIEW

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## What is an Off-Take Contract?

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**PPA = secure, long-term revenue stream**

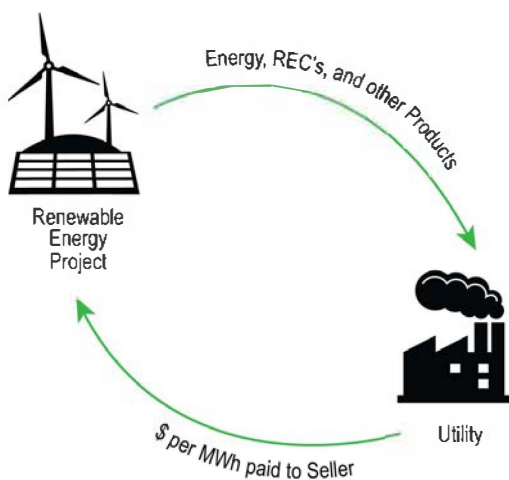
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# Common Off-Take Structures

- Physical PPA
- Virtual PPA
- Tariff Programs
- Tolling Agreements
- Merchant Sales
- REC or Other Product Sales



# Physical PPA



- Bilateral agreement
- Seller sells energy and other products to Buyer
- Energy is physically delivered so requires transmission
- Buyer pays Seller \$/MWh

# Virtual PPA

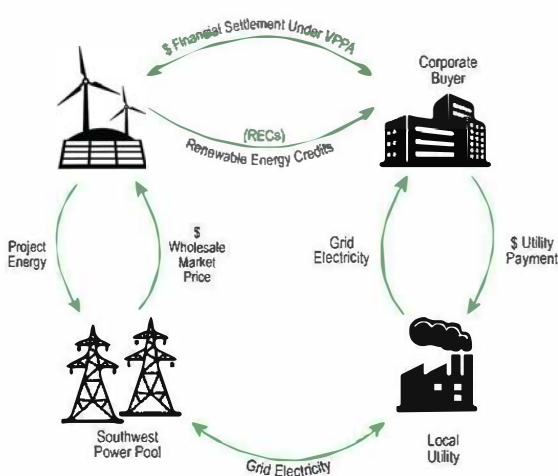
Map of Regional Transmission Organizations and Independent System Operators



Credit: Federal Energy Regulatory Commission (FERC), <https://www.ferc.gov/introductory-guide-electricity-markets-regulated-federal-energy-regulatory-commission>

- Financially-settled arrangement
- Seller sells energy to market (may sell other products to Buyer)
- Seller and Buyer can be in different markets
- Buyer effectively guarantees Seller minimum \$/MWh

# Virtual PPA (a/k/a contract for differences)



1. Buyer continues to purchase electricity from market or local utility
2. Parties sign VPPA = Seller delivers RECs to Buyer and Buyer guarantees a fixed price payment for each MWh of Project energy produced
3. Seller sells “brown” electricity into market and receives wholesale market price at Project node
4. Parties financially settle difference between VPPA fixed price and wholesale market price at Settlement Point
  - If VPPA fixed price is greater than Settlement Point market price, Buyer pays Seller the difference
  - If Settlement Point market price is greater than VPPA fixed price, Seller pays Buyer the difference

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