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Identified Need for Model Contract







- Public Sector Confidence in ESCO model
- Transparent tendering and evaluation
- Simplify a complex arrangement
- Industry and Consumer want a model
- Difficult to grow sector without ESCO model

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Background







- RASLRES drafting model ESCO for bioheat
- General preview on terms of ESCO today
- Obtain your views and have discussion
- Present feedback to main group
- Full industry consultation to follow in partnership with IrBEA Dec 2011

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Who this is for

- Public sector retrofit of biomass boilers
 - Private sector possible
 - Commercial boilers 200 kW to 10 MW (Not absolute limits)
 - Integration with existing plant (oil/gas/lpg)
 - Possible zero capital upfront

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Who this is not for

- ESCO with multiple technology and energy efficiency
- Greenfield site
- Clients looking for heat supply contract


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Main Assumptions

- Duration not specified, but typical 10 years
- Default is no capital contribution
 - Option allows contribution
- Asset transferred unencumbered at end of term
- ESCO operator runs all new and existing heating plant i.e. pays for fossil fuel + biomass
- Client provides nominal lease and right of way


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Payment models – heat charge

- Option A:
 - fixed monthly capital &
 - Monthly charge on metered heat
 - lower minimum heat offtake
- Option B:
 - Single monthly charge (all inclusive)
 - Must have guaranteed offtake


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Other costs

- ESCO pays utilities
 - Separate Water & elec meters or submeters
- Repair/renewal of existing equipment agreed upfront if client to pay
- Possible penalty for non-delivery of heat (not necessarily recommended)


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Baseline & minimum offtake

- Annual average heat in MWh for X years
- Assessed by competent engineer and inserted as schedule 3
- Minimum annual % inserted in contract for 12 months (guide value 80%)
- Maximum heat supply in kW assessed and inserted (installed equipment would be upper limit)


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Indexation and Review

- Defined indexation period inserted (e.g. 5 years)
- Can use CPI (recommended) or other index
- Open book review of actual costs (as above)
- Review occurs at interval agreed
 - Option A: heat charge reviewed and reset
 - Option B: single charge reviewed and reset


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Next Steps - TBC?

- Industry consultation and revision (Jan 2012)
- Legal review (Feb 2012)
- Pilot use?
- Custodian and updates – IrBEA proposed
- Timeframe for revision - ? 2 years


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Questions for you?

- Is this a valuable process for you?
- Your views on indexation
- Option of capital contributions from client/grant
- Management of fossil fuel boiler in ESCO
- Payment terms
 - Heat only + fixed capital
 - Single heat charge
 - Penalty charges OK
- Need for minimum take and baseline www.raslres.eu


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Thank You

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