A GUIDE TO

POWER PURCHASE AGREEMENTS

Shawton ENERGY

WHY POWER PURCHASE AGREEMENTS MATTER

Energy is now a strategic business issue.

Organisations are facing sustained price volatility, increasing reporting obligations, and growing pressure to reduce emissions without compromising operational performance. For many, on-site generation is not always sufficient or feasible. Site constraints, lease structures, or scale requirements can limit what can be delivered behind the meter.

Power Purchase Agreements provide a structured route to secure renewable energy, manage long-term costs, and support Net Zero commitments, even where on-site generation is limited.

This guide explains how PPAs work, the different structures available, and how to determine which approach is right for your organisation.

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WHAT IS A POWER PURCHASE AGREEMENT?

A Power Purchase Agreement, or PPA, is a long-term contract between an electricity generator and an energy user.

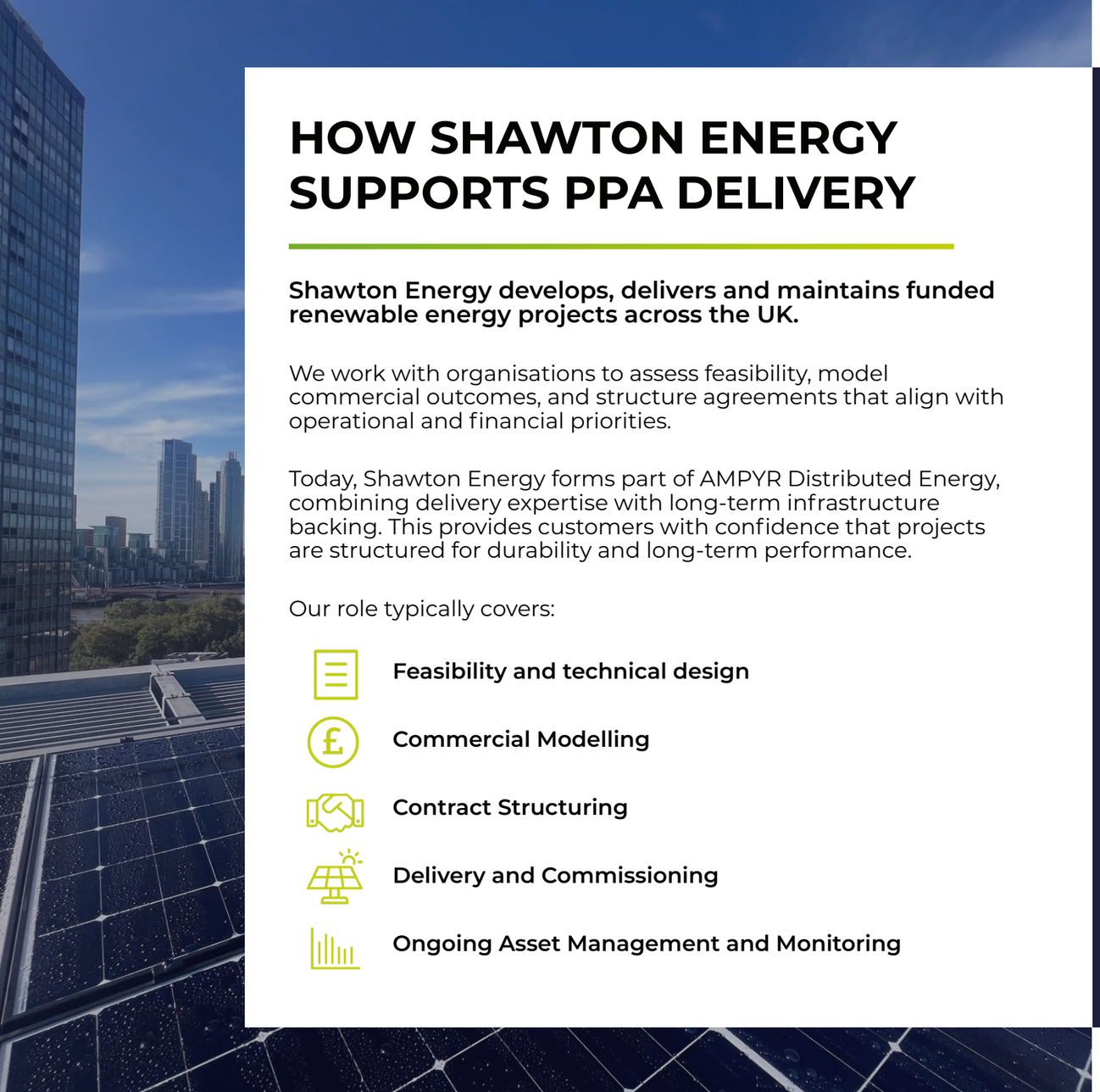
Under a PPA, an organisation agrees to buy electricity from a specific renewable asset at an agreed price for a fixed period. This is usually a wind or solar project. The contract sets out the price, length of term and how the electricity and payments are structured.

In the UK, PPAs are commonly structured as either physical or virtual arrangements. In a physical PPA, the electricity is supplied to the buyer through the grid via a licensed supplier. In a virtual PPA, there is no direct supply of power, and the agreement works as a financial contract where payments are based on the difference between the agreed price and the wholesale market price.

PPAs typically run for 10 to 25 years. They give generators a stable and predictable income, which helps secure project financing. For buyers, they provide long term price certainty and can reduce exposure to wholesale market volatility.

They are also widely used by organisations to support renewable energy projects and demonstrate progress towards net zero and sustainability targets.

Overall, PPAs offer a practical way for organisations to manage energy costs while directly supporting the growth of renewable generation.



HOW SHAWTON ENERGY SUPPORTS PPA DELIVERY

Shawton Energy develops, delivers and maintains funded renewable energy projects across the UK.

We work with organisations to assess feasibility, model commercial outcomes, and structure agreements that align with operational and financial priorities.

Today, Shawton Energy forms part of AMPYR Distributed Energy, combining delivery expertise with long-term infrastructure backing. This provides customers with confidence that projects are structured for durability and long-term performance.

Our role typically covers:

- **Feasibility and technical design**
- **Commercial Modelling**
- **Contract Structuring**
- **Delivery and Commissioning**
- **Ongoing Asset Management and Monitoring**

TYPES OF POWER PURCHASE AGREEMENTS

There are 3 types of Power Purchase Agreement:

Direct Wire PPA

On-site energy delivery

Corporate PPA

Off-site corporate contract

Virtual PPA

Off-site corporate contract

Each serves a different purpose and risk profile.

DIRECT WIRE

Connecting renewable generation physically to your site

A Direct Wire PPA involves a physical connection between a renewable asset and the energy user.

This may be:

- On-site generation, such as rooftop solar.
- Ground-mounted solar on adjacent land.
- A nearby installation connected directly to the site.

Because electricity is supplied directly, it avoids certain transmission and distribution costs. This can reduce overall energy expenditure compared to grid-supplied electricity.

Under a funded model, Shawton develops, installs, owns, and operates the system for an agreed term. The customer purchases the electricity generated at a fixed or indexed price, with no upfront capital investment required.

Direct Wire PPAs are particularly suited to:

Energy Intensive Sites

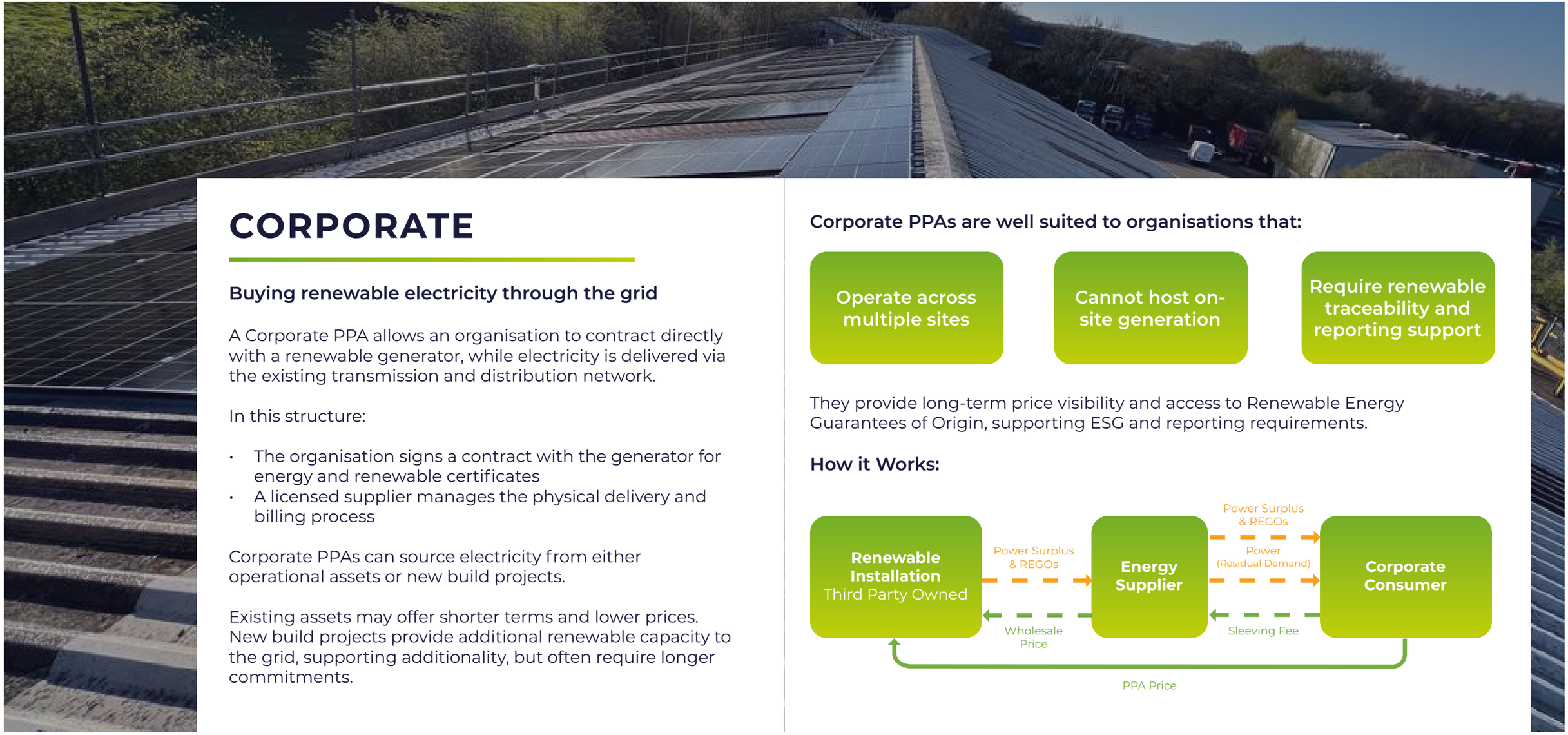
Organisations with stable, predictable daytime demand

Long-term property control

They provide cost stability, operational control, and measurable carbon reduction.

At the end of the contract term, ownership can transfer to the customer, allowing continued use of the asset.

How it works:



CORPORATE

Buying renewable electricity through the grid

A Corporate PPA allows an organisation to contract directly with a renewable generator, while electricity is delivered via the existing transmission and distribution network.

In this structure:

- The organisation signs a contract with the generator for energy and renewable certificates
- A licensed supplier manages the physical delivery and billing process

Corporate PPAs can source electricity from either operational assets or new build projects.

Existing assets may offer shorter terms and lower prices. New build projects provide additional renewable capacity to the grid, supporting additionality, but often require longer commitments.

Corporate PPAs are well suited to organisations that:

Operate across multiple sites

Cannot host on-site generation

Require renewable traceability and reporting support

They provide long-term price visibility and access to Renewable Energy Guarantees of Origin, supporting ESG and reporting requirements.

How it Works:

VIRTUAL

Financial hedging and renewable support without physical delivery

A Virtual PPA is a financial contract rather than a physical power supply arrangement.

The organisation agrees a fixed price for electricity generated by a specific renewable asset. The electricity itself is sold into the wholesale market. The difference between the agreed strike price and the market price is settled financially between the parties.

If market prices rise above the agreed price, the generator pays the difference.

If market prices fall below it, the organisation pays the difference.

This mechanism acts as a financial hedge against long-term energy price volatility.

Virtual PPAs are typically used by larger organisations with sophisticated procurement strategies. They allow businesses to:

- **Support new renewable projects**
- **Lock in long-term price positions**
- **Diversify energy risk geographically**
- **Secure renewable certificates**

They do not replace the need for a retail supply contract but sit alongside it as a financial instrument.

How it Works:

CHOOSING THE RIGHT STRUCTURE

There is no single “best” PPA model.

The right solution depends on:

- Site control and physical constraints
- Appetite for long-term commitment
- Risk tolerance
- Internal procurement strategy
- Sustainability objectives

For some organisations, on-site Direct Wire is the most practical route.

For others, Corporate or Virtual PPAs provide flexibility across estates or portfolios.

Often, a blended approach is appropriate.

The starting point is always understanding energy demand, contract position, and long-term business objectives.

Power Purchase Agreements are long-term commitments and should be approached with clarity from the outset to avoid unnecessary complexity later.

Pricing & Structure

Understand how pricing works, including any indexation and how costs may change over time.

Volume & Demand Risk

Be clear on generation variability and what happens if your organisation’s energy demand shifts.

Certificates & Reporting

Confirm ownership of certificates and how the agreement will be treated for reporting purposes.

Flexibility & Exit Options

Review exit provisions and ensure the contract allows sufficient flexibility if circumstances change.

FULLY FUNDED, TURN-KEY LONG TERM SOLUTIONS

If you are exploring renewable procurement options, the first step is a structured conversation.

We typically begin by reviewing:

- Current energy contracts
- Annual demand and load profile
- Site constraints
- Sustainability commitments
- Procurement strategy

From there, we can outline which PPA structures are commercially viable and how they would work in practice.

Renewable energy procurement does not need to be complicated. With the right structure, it becomes a practical tool for managing cost, risk & carbon.

hello@shawtonenergy.co.uk

01925 794 874

shawtonenergy.co.uk

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