

Date: 6 October 2021

Item: Power Purchase Agreement (PPA 1 - Operational Assets)

This paper will be considered in public

1 Summary

- 1.1 This paper provides an update on the procurement of Power Purchase Agreement 1 (“PPA”), which looks to purchase energy from existing renewable energy assets (an operational PPA) and forms part of TfL’s energy purchasing strategy. As the Committee will be aware, the strategy was to procure an initial tranche of 130-150 GWhs per annum (approximately 10 per cent of TfL’s annual energy requirement).
- 1.2 Over the last twelve months the energy market has changed significantly and the current market environment presents a number of risks in the procurement of PPA 1; this paper therefore updates on these issues and proposes options in the future procurement of PPAs to alleviate some of these risks for consideration by the Committee.
- 1.3 A paper is included on Part 2 of the agenda, which contains exempt supplemental information. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendation

- 2.1 **The Committee is asked to note the paper and the supplementary information on Part 2 of the agenda and consider the options on Power Purchase Agreement procurements, as set out in the paper on Part 2 of the agenda.**

3 Background

- 3.1 As PPA 1 is an operational and fixed price or fixed price CPI-linked PPA, based on the procurement of power from existing renewable energy assets, bid pricing is closely linked and sensitive to wholesale market prices at the time of procurement.
- 3.2 Since the strategy for PPA 1 was agreed by the Committee (25 November 2020) wholesale electricity market prices have increased significantly, currently averaging over one hundred percent higher than this time last year. A combination of strong natural gas and carbon prices continue to support these unprecedented gains.
- 3.3 At present, the market fundamentals suggest wholesale electricity prices could remain elevated through to the end of 2022 and executing a fixed price

procurement when the wholesale market prices are highly elevated presents a significant risk.

- 3.4 The paper on Part 2 of the agenda presents options to mitigate the potential procurement risks brought about by the current wholesale energy market.

List of appendices to this report:

A paper containing exempt supplemental information is included on Part 2 of the agenda.

List of Background Papers:

June 2021 TfL Energy Purchasing & GLA Energy Procurement Collaboration Programme

September 2020 TfL Energy Update: Renewable Power Purchase Agreements

November 2020 TfL Energy Update: Crown Commercial Service and Power Purchase Agreements

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