

INTRODUCTION TO BUYER'S ADVISORS

PURPOSE: Energy customers will understand why, when, and how to engage Buyer's Advisors (brokers and consultants) during the clean energy procurement process.

This overview includes a high-level look at the different services offered by Buyer's Advisors, the questions to ask when exploring engagement options, and the different fee structures available. This introductory resource may be considered a supplement to the Engaging Outside Counsel overview.



AUDIENCE: Energy customers who are considering engaging the services of a Buyer's Advisor for the first time, and other departments within the energy customer organization, such as legal, finance, and communications, who may be involved in the project.

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KEY TAKEAWAYS:

- Buyer's Advisors play an invaluable role in the clean energy procurement process, especially for new or inexperienced energy customer organizations.
- The amount and type of support from Buyer's Advisors vary on a case-by-case basis given the needs of each organization's internal procurement team and the complexity of the project.
- Speaking with experienced energy customers is an excellent way for new energy customer organizations to explore external support options before moving forward with clean energy procurement.

INTRODUCTION: Many clean energy transactions involve complex long-term contracts, which often require significant staff time and resource

commitments from energy customer teams. Brokers and consultants, also known as Buyer's Advisors, provide specialized skillsets and proven experience in the procurement process. All energy customers just starting the procurement journey should consider engaging a Buyer's Advisor in the early stages in order to avoid common pitfalls and roadblocks. In fact, more than half of all power purchase agreements (PPAs) are completed with the help of an external transactional consultant or broker.

THE ROLE OF A BUYER'S ADVISOR: Buyer's Advisors offer a variety of services to meet the unique situations of each energy customer. It is important to identify and understand your organization's specific needs before engaging with a Buyer's Advisor.

Some companies offer more traditional brokerage services and others deliver strategy consulting services, but the marketplace has evolved to include many Buyer's Advisors that focus specifically on clean energy and offer a complete suite of services. The Traditional Brokerage versus Traditional Consultant comparison table shows a high-level representation of the historical split of services. However, these distinctions are a broad generalization, and the services offered by each company vary depending on their own skillsets and strengths.



TRADITIONAL BROKERAGE SERVICES	TRADITIONAL CONSULTANT SERVICES
Transaction-oriented	Advisory-oriented
Matches customers with clean energy projects	Develops tailored strategies
Drives transaction to close	Often has experience with transaction execution
	Evaluates and advises on clean transactions

A FURTHER BREAKDOWN OF SERVICES CAN INCLUDE, BUT IS NOT LIMITED TO THE FOLLOWING:

TRANSACTION STAGE	SERVICE	TYPICALLY BROKER	TYPICALLY CONSULTANT
Pre-transaction	Strategy development		X
	Internal stakeholder management support and education		X
	Implementation options assessment and price discovery	X	(Sometimes)
	Guidance on internal governance/process requirements (also during the transaction)		X
	Energy portfolio analysis		X
During a transaction	Project identification	X	(Sometimes)
	Internal stakeholder management support and education		X
	RFP process management		X
	Project evaluation (deterministic & probabilistic modeling, price forecasting, diligence)		X
	Contracting structure/support/advice		X
Post-transaction	Post-COD management support (ongoing and forward-looking modeling, settlement analysis)		X



Buyer's Advisors acting in this space also frequently offer environmental attribute strategy services such as evaluation and procurement assistance for carbon offsets and/or Renewable Energy Certificate/Credit (REC) management.

BUYER'S ADVISORS VS OUTSIDE COUNSEL

In addition to a Buyer's Advisor, an energy customer pursuing a complex project like a PPA will likely engage outside legal counsel with specific clean energy experience. Seasoned outside counsel will have deep familiarity with long-term energy transaction details, underlying rationales and acceptable variation for most contract terms, and project financing requirements that internal legal teams are unlikely to be able to provide.

READY TO ENGAGE A BUYER'S ADVISOR?

Questions to ask yourself:

- How does this clean energy procurement fit into your organization's sustainability strategy and business needs?
Understanding why you are undertaking clean energy procurement is critical. A good Buyer's Advisor will refer back to your goals and objectives throughout their engagement with you. If your motivation for undertaking a transaction is unclear, a Buyer's Advisor may be able to help you determine the reasoning.
- Does your organization have expertise in procuring clean energy? Do you need end-to-end support or more pinpoint services in support of internal staff?
- Do you need help deciding what type of transaction is right for your organization?
- Is the incentive structure of the Buyer's Advisor congruent with your objectives? Is the fee structure consistent with how your organization procures services?

Questions to ask potential a Buyer's Advisor:

- What services do you provide?
- How do you create value?
- What differentiates you from your competition?
- Describe your commercial structuring experience.
- How do you educate energy customers and evaluate their current energy portfolio?
- How are you remunerated?

FEE STRUCTURES: Whether an energy customer chooses to engage a consultant or broker will impact the fee structure of the services procured.

- A **transaction fee** is paid upon successful transaction.
- A **finder's fee** may be paid to brokers/consultants by either the developer or the energy customer as a commission for discovery of the deal.
- A **consulting fee**, on the other hand, is an alternative, flexible model where work undertaken is paid on a pre-negotiated, arising basis, or is paid at strategic deal milestones.

Under a transaction fee arrangement, it is standard practice for a Buyer's Advisor to ask for exclusivity related to their services, although exclusivity terms can vary significantly. If payment is due at transaction success, an advisor may insist that the energy customer cannot transact with projects the advisor presented, or with any other project, within a defined period of time following termination of the Buyer's Advisory contract. It is up to the energy customer organization to determine which compensation structure is most effective in meeting their needs.