Rice & SMU: First Short Term Solar Hedges Sold in Fully Deregulated Market

THE DEAL

3 MW shares on 24-month term from the FirstSolar *Barilla* asset in West Texas

Hedge was to meet their near-term open position

Priced at the market, with RECs

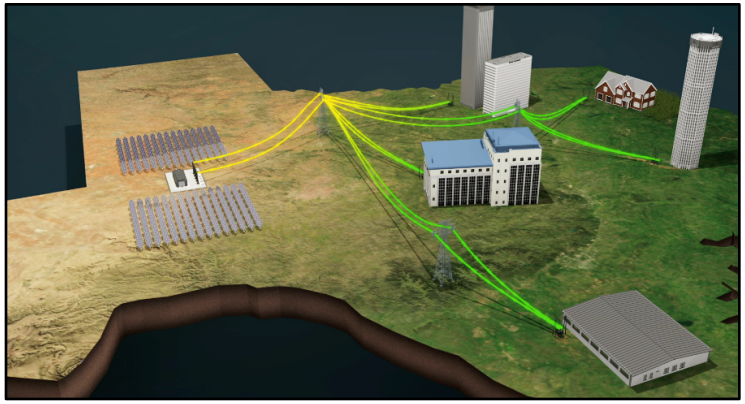
Why it's Scalable

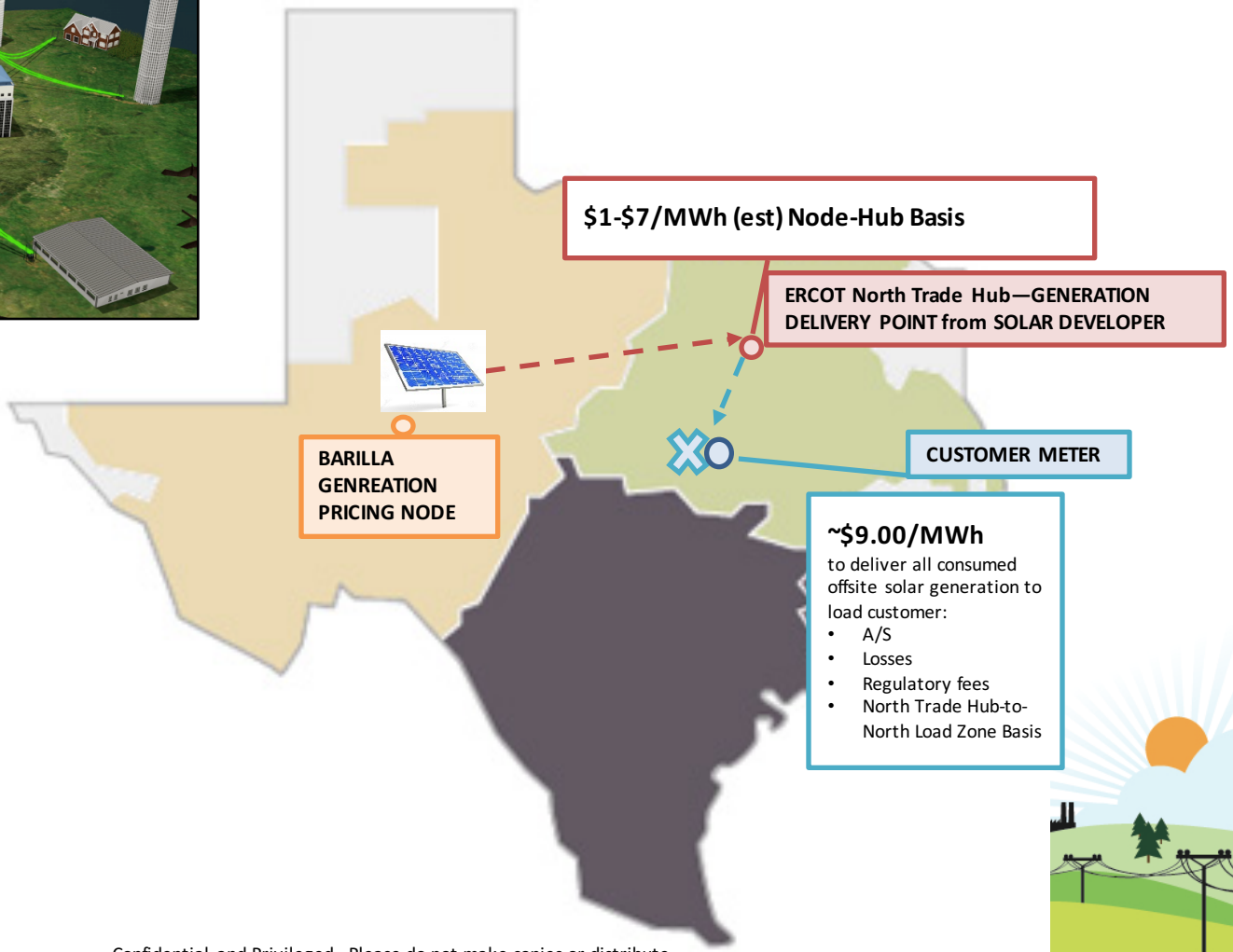
1. **IT'S JUST ANOTHER HEDGE**: asset-specific hedges occur all the time in the bilateral market
2. **PRICE**: peak hedge at the market price
3. **VALUE to RETAIL**: hard product to find in the market
4. **SHAPE, SHAPE, SHAPE!**

Challenges to Scaling

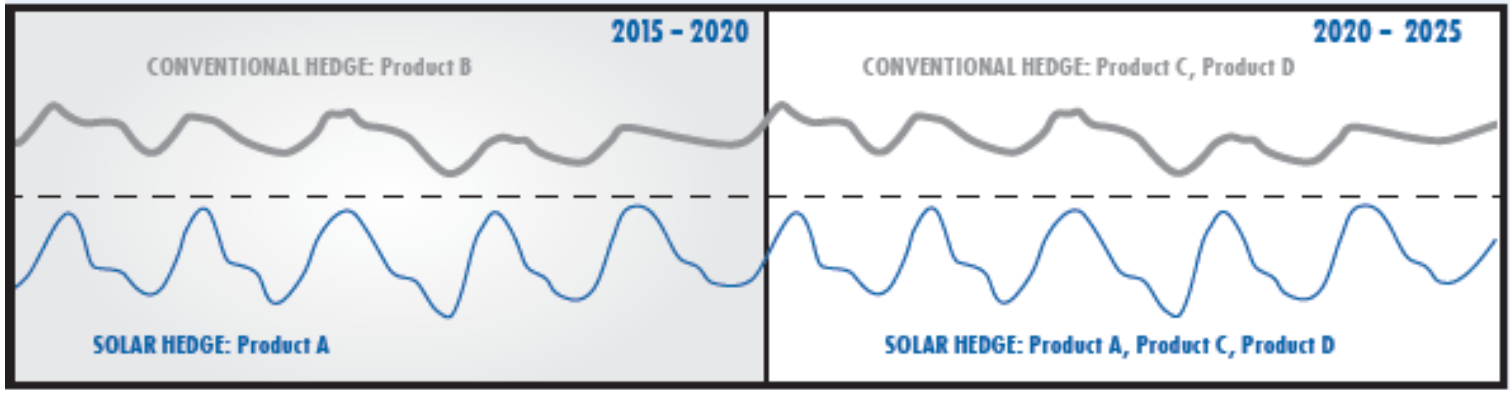
1. **CONTRACTING**: Short term retail needs vs. long term solar needs
2. **VARIABILITY**: as-produced offtake is riskier than firm shape
3. **RISK:** delivery points for solar offtake are difficult for solar companies to finance
4. **OFFTAKER:** must be REP, not load

There is a lot of RISK in this structure, but an REP can help de-risk it





REP as the offtaker is critical to enabling the project



HOW TO MAKE IT WORK

1. **REP must be the offtaker to de-risk it**

REP must wear production and delivery point risk

2. **Must be structured within retail commodity hedge**

If sold as two different hedges, then pricing is apples & oranges

3. **Customers must be open to long(er) term hedges**

Customers must be open to at least 5 year hedges

4. **Solar financing needs to innovate…and they are!**

Solar companies must be willing to sell short-term hedges and long-term option