

PHILIP LEE

The ABC of EPC

Risk Allocation in EPC & LESC

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General Comments on Risk

- Must rest with the party who can best manage it
- Not set in stone in EPC & LESC templates - can be adjusted!



Categories of Risk

-
- Finance
 - Performance
 - Equipment
 - Energy Price
 - Information/Data



Finance Risk

- EPC – Typically rests with ESCO
- LESC – Can be either party
- Impact on contractual provisions e.g.
 - PCG or Bond if client financing
 - Impact on level of guarantee in EPC



Performance Risk



- Must rest with ESCO
 - Client is relying on professional expertise
 - ESCO is rewarded for good performance
- Exception - client interference or negligence

Equipment Risk



- New Equipment - ESCO
- Existing equipment - want to see ESCO assuming responsibility (may be subject to cap)

Energy Price Risk



- Client risk
 - Energy prices ↓ : Client still in better position than prior to contract
 - Energy prices ↑ : ‘Win-Win’ for Client – lower energy costs and reduced consumption
- Indexation - LESC

Information/Data Risk

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- Verifiable – ESCO e.g.
 - number of light fittings
 - Types of filters
 - Non-verifiable – Client
 - Historical consumption data
 - Occupancy data



Thank you!



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