



Disadvantage of ppa solar agreements

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A PPA is an agreement between a property owner and a solar installer, often in cooperation with a utility. Essentially, the solar company retains ownership of the system it installs on your property but agrees to sell you the energy it produces at a rate that is considerably below what you would otherwise pay your utility.

Interested in understanding the impact solar can have on your home? Enter some basic information below, and we'll instantly provide a free estimate of your energy savings.

"Right now in the market, PPAs make more sense financially, depending on the PPA," said Garrett Mendelsohn, CEO of Solar Bootcamp, which operates a training program for salespeople getting into the solar industry.

Sounds like a good deal, right? It certainly can be, but PPAs come with some drawbacks and a large hurdle: They're not available in every state. The number of states that allow PPAs is a moving target, but right now they're allowed in at least parts of 31 states. If you live in one of those states where PPAs are offered, this financing plan might be a good option to start soaking up the sun's energy and saving on your electricity bills.

When you purchase a solar power system, you pay a solar installation company for the materials (photovoltaic cells, racks, inverters and other parts) and the installation on your roof that's needed to collect energy from the sun. You will own the system that is now part of your home.

Under a PPA, the installer will retain ownership of the solar system, and then charge you a fixed rate for the electricity it produces. The PPA provider will bill you every month for the energy you use, much like your electricity utility does. There may be occasions where you have to pay both the PPA provider and your energy utility, but your overall energy costs should be much lower -- average PPA costs per kilowatt are about a third of that of traditional energy.

One thing to look for in a PPA contract: Many include so-called "escalators," which raise the rate you pay for electricity at certain intervals within the contract.

"PPAs provide a long-term contract between a property owner and energy developer that installs, owns and maintains a solar array on a property owner's land," said Kelly Stevens, assistant professor at the School of Public Administration at the University of Central Florida.

"The energy developer sells the electricity generated by the solar array back to the property owner, thus setting a long-term, fixed-rate for electricity and financing the up-front costs to install a solar array. In

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exchange, the energy developer qualifies for the Investment Tax Credit (ITC), lowering their overall capital costs to install the photovoltaic system."

"Absolutely," said Ben Delman, communications director at Solar United Neighbors. "PPAs are designed to save you money, ideally as soon as the PPA is signed and the system goes online."

Because energy rates through PPAs are about a third of traditional energy rates, you can expect to realize immediate savings with a PPA. Be cognizant of any escalators in the PPA contract to make sure you're getting a good deal.

Mendelsohn, of Solar Bootcamp, points out that in recent months, high interest rates have also pushed up dealer fees, which may be added to an installation bill or rolled into the overall price tag. Because there are no dealer fees involved with PPAs, it's another way to save versus paying for (or financing) a solar installation up front.

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Web: <https://hollanddutchtours.nl/contact-us/>

Email: energystorage2000@gmail.com

WhatsApp: 8613816583346

