

Contract model for biomass heat supply



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1 Parties of the contract

1. _____ municipality/town, later referred to as the buyer.
2. _____ cooperative/entrepreneur, later referred to as the seller.

2 Objective and target of the contract

- 2.1.1 According to this contract the seller will construct, at his own expense, a _____ kW heat plant with a fuel storage. The heat plant will use _____ as its primary fuel, and _____ as a reserve fuel. _____ will own the heat plant's reserve heating system and reserve fuel storage. The maintenance and operation of the heat plant, production, supply and pricing of heat energy, and other practical matters will also be agreed upon with this contract. The heat network will be owned and constructed by _____.

3 Construction and ownership of the heat plant

- 3.1.1 The seller is responsible for construction and acquisition of the necessary permits for the construction of the heat plant.
- 3.1.2 The seller will own the heat plant including its machinery and equipment/appliance.
- 3.1.3 The buyer will lease an appropriate land-area for construction of the heat plant, with transferable lease rights and with a separate land lease agreement. The rent is _____ €/year (excluding value added tax). The rent is linked to the cost-of-living index 1951:10 = 100, of which the value at the time of making the contract is _____. The amount of rent is adjusted in intervals of _____ or at the mutual agreement of both parties.
- 3.1.4 The land lease agreement is transferable to a third party.

4 Maintenance and operation of the heat plant

- 4.1.1 The seller is responsible for operating the heat plant and the costs occurring in operating the heat plant. The duties of the seller:
- a) Maintenance of the plant. Maintenance of the plant includes heat production with no disturbances, cleaning and taking care of the surroundings of the plant, ash removal and disposal.
 - b) Operation of the plant. Operative duties include fuel acquisition, hiring of personnel for operating the plant, monitoring district heat distribution, and all maintenance and repairs of the plant.

- c) To run the plant in accordance with the indicative values mentioned in the “Terms and conditions for district heating connection and sale”.
- d) Be responsible for the electricity and water consumption costs. The connection fees will be included in the construction costs.
- e) Be responsible for the maintenance of the road constructed or repaired leading to the heat plant.
- f) Insure the heat plant and take third party insurance for ensuring operability in case of accidents. The seller is also responsible for making sure its subcontractors are validly and sufficiently insured for possible accidents to third parties with the heat plant’s equipment.
- g) Be responsible for snow ploughing and sanding of the heat plant area.
- h) The seller has the right to act in the _____ sector on the heat plant premises.

4.1.2 The buyer is responsible for:

- a) Taking care that the rented area can be safely utilised, especially in fuel handling, by, for example, fencing the area. The actions to be taken will be agreed upon by signatures of both parties (annex 2).
- b) Be responsible for the construction or repair of the road leading to the heat plant.
- c) Be responsible for the maintenance and repair of the possible reserve heating system owned by the buyer.

5 Energy production, delivery and measurement

- 5.1.1 The seller produces heat energy with the primary fuel as much as technically and economically possible and meaningful. The objective is to produce ___ % share of the total energy production. In exceptional cases the heat energy is produced with the reserve fuel system. The buyer has the right to demand an explanation for using reserve fuel, if ___ % of the annual heat is produced with the reserve fuel system.
- 5.1.2 When the seller uses the reserve fuel system owned by the buyer, the buyer pays the seller according to consumption or buys the reserve fuel. The price for the reserve fuel is the price at the time of filling the reserve fuel tank.
- 5.1.3 The heat supplied by the seller is measured at the heat plant with a heat meter, which the seller buys at his own expense and is responsible for its maintenance.
- 5.1.4 The heat meter is deemed to be functioning correctly, if the deviation in the inspection in each of 25%, 50% and 75% water flow and 25°C temperature difference does not exceed ±5%. The meter inspection is performed by _____.
- 5.1.5 If the deviation in the heat meter is more than ±5%, the invoicing shall be adjusted from the time the deviation has started. The compensation or additional invoicing will be made according to the readings given in the inspection, previous and forthcoming estimates of consumption. The compensation or addition invoicing will only be made for six months and an interest rate of ___ % will be applied. The compensation or additional invoicing will be determined by _____.

6 Price formation, adjusting the price and invoicing

- 6.1.1 The buyer pays the seller a fixed fee and heat price according to the heat price list.
- 6.1.2 The fixed fee and the price for delivered heat will be paid monthly, by the _____ day of each month. The monthly fee payments will commence after the heat network is in operation on the estates. If the monthly payment is delayed by _____ days, an interest rate of __% will be added on the payment.

7 Entry into force

- 7.1.1 This contract will enter into force with the signatures of both parties. The heat deliveries according to this contract will start after the obligatory receiving inspection and test runs of the heat plant have been made.
- 7.1.2 The contract is in force for ____ years (for example 15) and is valid until further notice with a termination period of one year notice. Both parties can transfer this contract to a third party after agreeing so with the other party.
- 7.1.3 The buyer has a right to buy the seller's heat production plant. The redemption price is calculated as:

$A = (B - C) - [D * (B - C) * E]$, where

A = redemption price of heat plant

B = investment costs of the construction of the heat plant

C = investment subsidies granted to the heat plant

D = annual expenditure residue writeoff -%, for example 7%= 0.07

E = age of the heat plant at time of redemption in years

The redemption price shall exceed 0€.

8 Termination of a contract in force

- 8.1.1 A contracting party has the right terminate the contract immediately, if the other party grossly neglects the contract and with this action can or has caused considerable economical or other harm to the contracting party or third party.
- 8.1.2 A contracting party also has a right to terminate the contract with a notice period of three months, if the other contracting party constantly breaches the contract and the termination cannot be deemed unreasonable.

9 Disputes concerning this contract

- 9.1.1 The seller has the right to stop heat supply, if the buyer neglects the monetary responsibilities, and the buyer does not pay his dues within 14 days of a written notification from the seller. The possibility of stopping heat supply must be mentioned in the notification.
- 9.1.2 The disputes concerning this contract will be settled in _____ district court, if the contracting parties are unable to unanimously agree on a solution satisfactory to both parties.

This contract is drawn in two copies, one for each contracting party.

Place

Date

BUYER

SELLER

Appendices: 1) TERMS AND CONDITIONS FOR DISTRICT HEATING CONNECTION
AND SALE
2) HEAT PRICE LIST