

Solar Equipment Contract Options

Solar-electric generating equipment (“solar equipment”) installed at your home can supply much or even all of the power you use. Your home usually remains connected to the electricity grid for extra power when you need it. The most common contract options for residential solar equipment are through direct purchase, a solar lease, or a solar power purchase agreement (“PPA”).

Direct purchase of solar equipment historically required a large cash payment. However, low-interest solar loans now allow monthly payments similar to paying your electricity bill.

Solar Leases are long-term rental agreements that usually require little or no up-front payment. The homeowner pays a monthly rent for the solar equipment and receives the electricity it generates.

Power Purchase Agreements or “PPAs” are similar to solar leases. The solar company owns the solar equipment, but instead of renting the equipment, the homeowner pays for the electricity it generates at a price specified in the contract.

All three solar contract types set out the rights and obligations of the homeowner and the solar company and involve a long-term (often 20-year) commitment. For this reason, it is important that homeowners carefully consider their options and fully understand the terms before entering into a contract.

Key Terms in Solar Contracts

Net Metering: The two-way flow of electricity through the home’s electric meter. Any surplus electricity generated by the solar equipment can offset your electricity purchases from the utility.

The Term: The length of a solar lease or PPA, usually stated in the contract as a number of months or years. Some companies offer the option of renewing or extending the solar lease or PPA at the end of an initial contract term.

Power Production Guarantee: The amount of electricity that the solar company guarantees the equipment it installs will generate.

Price Escalator: In solar leases and PPA’s, the price you pay the solar company for power can be fixed for the entire length of the contract, or have scheduled increases. These price increases are known as a price escalator.

Important Considerations for Homeowners Considering Solar Installation

Determine if a Purchase, Lease or PPA is Right for You

Purchase: You own the solar equipment and may qualify for tax credits and incentives that can lower the cost. However, make sure you are eligible for any credits or incentives built into the purchase price. Look for solar loans that can significantly reduce monthly payments. You will be responsible for any maintenance or repairs.

Lease or PPA: The solar company owns the equipment and is typically responsible for maintenance and repairs. But, you are committing to have the equipment on your property and make the payments over the entire contract, unless the contract has an early buy-out or pre-payment option. Before signing, make sure you fully understand maintenance responsibilities and the contract term.

Consider the Future Sale of Your Home

Understand your rights and obligations in the event that you need to sell your home. Typically, selling your home does not relieve you of your obligation to make all of the remaining payments on the loan, lease or PPA. Some solar companies may allow the new owners to take over the payments if they meet certain requirements.

Consult an Attorney on any Large Solar Farm

Leases and options for solar farms are much more complex than residential solar contracts. To protect your property and your rights, landowners are strongly encouraged to consult with a private attorney and with farm or forestry agents before signing.

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Solar installations are typically for 20 years, so find a solar company that is reputable and responsible. (You can find accredited solar companies at ny-sun.ny.gov.) Ask the solar company for references from customers in your area. Getting solar power up and running on your home can take up to several months and consists of the following steps:

Site Evaluation: Solar companies will look at your electricity usage and your property to see if it’s suitable for solar equipment and, if so, propose a system and a price estimate.

Scrutinize Future Payments and Savings Claims

Some solar leases or PPAs ask for no money down and offer low initial payments. Carefully review any price escalator in the contract to understand how your payments may increase in the future.

The solar company may provide you an estimate of savings from installing solar equipment that is based on a comparison with projected electric utility rates. It is not possible to accurately predict future electric utility rates, so be aware that estimates of savings may be unreliable and are usually not guaranteed.

Get a Power Production Guarantee

Any solar lease or PPA you sign should include a power production guarantee that spells out how the solar company must compensate you if the equipment does not produce the amount of electricity stated in the contract. If purchasing solar equipment, look for how the equipment warranty guarantees electricity production over the life of the warranty.

Protect Your Roof

Before you sign a solar lease or PPA, find out if the contract insures your roof. The installation of solar equipment may void your existing roof warranty. Look also for additional expenses if the solar equipment needs to be removed and reinstalled to perform any roof work or replacement during the term. Homeowners should also consult with their homeowners insurance company.

Entering a Contract: Most solar companies will want you to enter a contract soon after providing an estimate. Read the contract carefully and ensure that any oral commitments from the company are in the written contract. The company may be required by law to provide you with a three business day cancellation period.

Permits and Approvals: Solar equipment installation requires numerous permits, inspections, and other construction approvals. Make sure you understand — and the contract addresses — who is responsible for getting these necessary approvals.

Installation and Grid Connection: Once all approvals are obtained, solar equipment can usually be installed in 1-2 days. However, your electric utility may wish to inspect the solar equipment before allowing it to operate.