Lessons Learned: Delays in Finalizing O&M Contract Due to Misaligned Expectations and Knowledge Gaps

1. Context

GVBA was engaged by the Customer to support the negotiation of an Operations & Maintenance (O&M) contract with the power plant owner. While all parties agreed on the importance of having an O&M agreement in place before operations began, the initial attempt to structure the contract failed. Eventually the Customer and the Owner suspended the negotiations.

Despite the Customer's sense of urgency, five months passed before a meaningful negotiation could take place. GVBA had to dedicate this period to educating the Customer on the operational, financial, and legal complexities of O&M, and on the non-negotiable responsibilities that an operator must carry.

2. Root Cause Analysis (5 Whys)

Why Question	Answer
1. Why did the first negotiation fail?	The O&M scope was not defined by the neither the Customer nor the Owner. There were unclear and misaligned expectations.
2. Why was the scope unclear?	The Owner did not fully understand what an operator is responsible for.
3. Why didn't the Owner understand operator responsibilities?	They lacked internal experience with power plant operations, but some experience of other industrial plant operations.
4. Why wasn't that experience provided by a third party?	The project team was focused on financing and construction, not operations.
5. Why was GVBA's educational role necessary?	Because the Customer assumed O&M could be treated like a procurement contract rather than an ongoing service with performance risks.

3. The Core Problem

The initial O&M contract negotiation failed because the Customer did not have a clear understanding of:

- The full scope of O&M responsibilities

- The risks and liabilities involved for the operator
- The difference between owning an asset and operating it

This knowledge gap led to misaligned expectations, an unstructured process, and ultimately, a negotiation that was bound to collapse from the start.

4. Consequences

- 5-month delay before a real negotiation could occur
- Loss of momentum and credibility in front of the operator
- The plant being completed before a suitable operator was contracted

5. Lessons for Future Projects

A. Align Early on O&M Philosophy: Stakeholders need to agree early on whether the operator is a service provider, a partner, or a liability carrier. Without that alignment, all downstream discussions (KPIs, termination rights, performance guarantees) are moot.

B. Don't Assume the Customer Understands O&M even if he says to do it: Many customers understand construction and financing, but not operations. Budget time and resources to bridge this gap at the start of any O&M negotiation.

C. Start from the Risk Matrix, Not the Scope: A generic scope (e.g. "operate and maintain the plant") is meaningless without a risk allocation framework. Start negotiations from the matrix of who bears what risk: availability, fuel quality, emissions, spare parts, personnel, etc.

D. Contractual Tools Require Maturity: Contract drafting is the *last* step, not the first. Real progress happens when the customer is mature enough to make trade-offs.

Why Contacting GVBA:

GVBA's team is composed of former executives with deep, hands-on experience in power plant operations and the structuring of O&M contracts. We have successfully supported both sides of the equation: negotiating and signing robust long-term O&M agreements, and also guiding clients through the process of internalizing operations when the risk-reward profile justified it. While we know that a "one-size-fits-all" solution doesn't exist, we have developed a structured decision-making framework that balances technical performance, contractual leverage, and financial prudence.

Do you know how to decide — without emotion — whether your solar PV operations should be internalized, or whether what you really need is to renegotiate your existing O&M contract? GVBA can help you approach that question with clarity, facts, and a path to execution.