Offshore wind auctions in Europe
Presentation to EPRG

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European offshore wind auctions 2016-2017
Tech cost, financing cost and competition driving bids lower

- Grid connection costs c.€15/MWh
- One way CfD – i.e. floor
- Not indexed
- Other differences

Source: NERA White Paper, September 2017
UK offshore wind auctions 2017
How close are we to “non-subsidy”?

OSW subsidy prices vs market electricity prices

Risk exposure affects costs

- CFD contract is a risk sharing instrument between generator/investor and consumers/Government

- “Non-subsidy” OSW projects would face full market price risk

- This would decrease debt finance and increase cost of capital

- Wind “captured prices” lower

- New CCGT gets electricity price + capacity market payment (+ ancillary services revenues)

Source: NERA analysis of BEIS data
Technology neutral auctions require careful bidding. DONG/Orsted’s Hornsea 2 project could have won at £75/MWh…

Available Support Budget

Budget GBP (2012) million

2020 2021 2022 2023 2024

Triton Knoll  Moray Firth  Advanced Conversion Technologies
Hornsea 2  Dedicated Biomass (with CHP)  Budget

Actual results spent only c. 60% of the budget

Scenario Analysis: If H2 had bid in 2021, they could have got £75/MWh

H2 at £75 would have fit within the budget

Source: NERA auction modelling scenario
Next UK auctions – Spring 2019
Key policy questions and trade-offs

- “Non-subsidy” bids – will we see more of these? In UK? In theory the CfD auction could clear below the wholesale price projection – generators “paying” Government for PPAs.

- Onshore wind & solar PV? Further Pot 1 auction with market stabilising CfD contract at or below wholesale price projection.

- More technology neutrality? More competition, lower bids?…..but less certainty for investors (higher cost of capital) meaning higher bids…?

- Maximising competition (as many bidders as possible) versus maximising likelihood of delivery (avoiding Winner’s Curse)…

- Including whole system cost considerations?

- Auctioning subsidies for pre-developed sites versus auctions for subsidy contracts across projects and technologies? Danish vs UK model.

- Longer term – Government auctions off sites/concessions like in oil & gas with companies managing market price risk through private sector PPAs?