

Welcome to The e-POWER Bulletin!

The e-POWER Bulletin aims to provide a unique focus, giving you - the generators - just what you need to know when selling your renewable power. No more, no less. In this issue we take a look at:

- recent e-POWER and e-ROC auction results
- insight on wholesale power prices
- embedded benefit update for 2015-16
- eligibility criteria for the Renewable Obligation grace period for solar PV; and

- the government's changes to the Feed-in Tariff scheme and tariff changes

Whether you're a prospective or existing e-POWER user, the aim of this newsletter is to meet your needs. So if it doesn't hit the spot or you've got ideas for future content, I would love to hear from you.

Thanks for reading,

Stuart Stephens



e-POWER – 100 sites auctioned!

The e-POWER auction for renewable electricity was completed on 28 January 2015 for a mixture of statutory NFFO contracts and commercial PPAs. Most technologies and various capacities of plant were represented ranging from 22KW to over 50MW in size. The majority of the contracts are for the Summer 2015 period, although several are for the twelve months beginning April 2015. 19 electricity suppliers took part in the e-POWER auction and bidding activity was high with an average of 11 bids per site. Most of the renewable generators are under the RO and the prices bid are inclusive of the ROC which is of considerable cash flow benefit as the generator receives payment for the ROCs two months before they are issued by Ofgem. The exported power from several FIT sites was also auctioned.

Technology Band	Average Price (£/MWh)	Average % of max
Hydro	92.9	96.6
Landfill Gas	100.3	100.6
Wind	94.1	97.3
Biomass	118.9	99.5
AD	140.9	98.6
Solar PV (FIT)	53.4	95.2
Solar PV (ROC)	142.4	103
MIW	50.6	103.5

Cornwall Energy [analysis](#) has shown that the summer 15 auction set a new record for the number of commercial projects auctioned. Increased interest from generators can be seen as indicative of expectations of a good balance of cost and benefits in the auction compared with other offtake options and of the increasing number of projects coming to market under the RO and FIT schemes.

Value retention was high with generators on average achieving 98% of the maximum value. The increased presence of 12-month contracts is also likely to be attractive for generators looking for longer-term pricing certainty.

A small number of PV sites were also auctioned in February.

The next e-POWER auction will be on 25 March

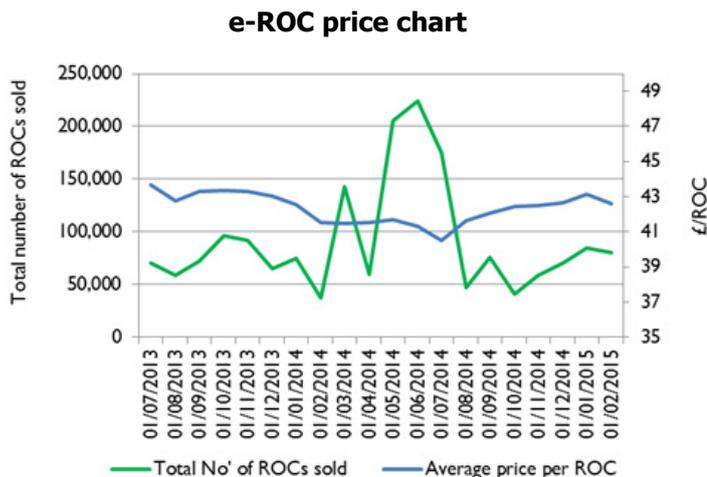


Latest auction results

Over 160k ROCs auctioned

An average ROC price of £43.13 was achieved in the January e-ROC auction, up 47p on the December auction. A total of 84,372 ROCs were sold, an increase in volume of 20% on the December 2014 auction and almost 13% on the same month the previous year.

The latest e-ROC auction took place on 25 February with an average price of £42.59 down 54p on the January auction, due to 1mn extra ROCs forecasted to come onto the market in CP13 (see page 3). In total 79,981 ROCs were sold, more than double the amount sold in the same month last year.



The next e-ROC auction will take place on 25 March.

Volatile wholesale prices could feed through to PPAs

January saw volatile trends for seasonal power prices. The first half of the month saw falls, as contracts followed steep downward trends in gas and coal contracts, which were impacted by tumbling oil prices. Summer 15 power dropped 9% over the month and hit a record low of £41.4/MWh, the lowest price seasonal contract since 2010.

Over the second half of the month, prices started to recover on the back of a rally in oil and gas prices. Overall, winter 15 power dropped 9% to average £46.7/MWh, summer 16 power fell 9.4% to £43.2/MWh and the winter 16 contract decreased 7.4% to £47.4/MWh.

Given the wholesale power price makes up a significant proportion of a PPA, the potential impact for renewables generators is that the price gained through flexible PPAs could fall.



Embedded benefit update

National Grid [issued](#) final Transmission Network Use of System (TNUoS) tariffs for 2015-16 on 30 January.

Half hourly demand tariffs are used to set the level of the embedded benefit for distributed generators.

Demand tariffs have been set to recover £2,025mn, an increase of £217mn year-on-year. Half hourly demand tariffs have increased by more than 10% in most regions compared with 2014-15.

The TNUoS embedded benefit received by distributed generators will depend on the station's generating capacity during the Triad periods - the three half hourly periods of highest demand over the previous winter period (November to February).

Embedded generators could see their TNUoS benefits uplifted by 10% or more as a result of these changes.

See box opposite for examples of the TNUoS and other network embedded benefits and how these changes may effect the prices you receive for your asset.

CP13 ROC trends

The ROC market in CP13 2014-15 to-date has shown how heavily ROC values are driven by weather conditions.

The compliance period started with the very real potential for oversupply, as high levels of banking were expected in the market following exceptional wind generation in CP12. However, over much of CP13, this risk has subsided as wind conditions have been closer to seasonal norms.

Persistent below average wind output occurred from April to September, reaching a trough in the latter month. Wind output for onshore and offshore wind hit 12% and 16% respectively during September, 17 percentage points (pp) and 22pp lower than average load factors for the month. Similar trends for the rest of the six-month period helped shift the market from a position of potential large scale oversupply, to one of expected recycle value, with fewer ROCs expected to be produced compared with the obligation. Some trends from CP12 have continued. There has been continued high capacity rollout from solar projects. Capacity rose to 1,180MW by January 2015, 945MW higher than it was at the end of CP11 two years ago. High biomass output has also continued, especially from Drax's biomass conversion and enhanced co-firing units, helping to offset the closure of one unit at Ironbridge, which occurred late in CP12.

More recently, high wind output in December and January has seen revisions of ROC supply forecasts; with the market moving back towards low recycle values and potential oversupply.

Embedded benefit case study 1

5MW wind in South Scotland

TNUoS

- 1MW during Triad
- $1,000\text{kW} \times £25.85 = £25,850$ in TNUoS
- £21,240 in 2014-15 using same parameters

GDUoS

- HV connected
- Unit rate of -0.408p/kWh
- equivalent of £4/MWh as a benefit in 2015-16 (based on the above unit rate minus a small standing charge)
- £3.7/MWh during 2014-15

Minor uplift in line loss factors too = higher distribution loss benefit

Embedded benefit case study 2

1.1MW landfill gas in North Wales

TNUoS

- 1MW during Triad
- $1,000\text{kW} \times £34.68 = £34,680$ in TNUoS
- £29,700 in 2014-15 using same parameters

GDUoS

- HV connected
- Unit rates of -5.812p/kWh , -0.439p/kWh and -0.104p/kWh
- equivalent of £7.5/MWh as a benefit in 2015-16 (based on the above unit rate minus a small standing charge)
- £6.7/MWh during 2014-15

Minor uplift in line loss factors too = higher distribution loss benefit

Embedded benefit case study 3

4MW solar PV in South West

TNUoS

- 0MW during Triad = no TNUoS benefit

GDUoS

- HV connected
- Unit rate of -0.394p/kWh
- equivalent of £3.9/MWh as a benefit in 2015-16 (based on the above unit rate minus a small standing charge)
- £3.7/MWh during 2014-15

Notable uplift in line loss factors too = higher distribution loss benefit



FiT Update

A new Feed in Tariff (FiT) Order has been [laid](#) in parliament and is due to come into effect on 1 April 2015. The Order makes a number of key changes to the FiT. Most notably the current requirement for two sites to have separate grid and meter connection points will be removed for community wholly or partly owned schemes. This means projects will be able to share one grid connection and receive separate tariffs based on their individual generating capacity, provided one project is owned by a community organisation. The Order also introduces a definition for “stand-alone” solar photovoltaic (PV) installations. A specific opportunity arising from these changes is that 5MW-10MW solar projects that fail to be built under the RO, could now be split into two FiT projects with one grid connection, provided that community ownership is involved.

On 30 January the energy regulator Ofgem [set out](#) the tariff rates for the Feed-in Tariff scheme for solar PV and non-PV installations. Tariffs have been uplifted by the annual Retail Price Index rate (as at December 2014) of 1.6%.

The previous day Ofgem [announced](#) that over 3GW (568,612 individual installations) of renewable capacity has been accredited under the FiT scheme.



ROC and LEC update

On 27 January the RO Closure (Amendment) Order 2015 was [laid](#) in parliament. This Order will close the RO to large-scale solar PV from 1 April 2015.

The closure applies to new generating stations with a total installed capacity greater than 5MW and any additional capacity added to existing stations that have, or would have, a total installed capacity greater than 5MW.

Operators of large-scale stations that meet certain criteria may be eligible for a grace period, meaning they can apply for accreditation until 31 March 2016.

The following day Ofgem began [seeking views](#) on its proposals for how to administer this closure, including the process for applying for the grace periods that are available.

It has proposed that generators could be eligible for a grace period where significant investment was made on or before 13 May

2014. Operators of generating stations that were granted preliminary accreditation under the RO on or before 13 May 2014 will also be eligible. Grace periods will also be considered where a generator experiences a grid connection delay that is outside its control.

To gain accreditation between 1 April 2015 and 31 March 2016 operators will need to submit an application, submit their grace period evidence, commission the station and meet all RO eligibility and grace period criteria on or before 31 March 2016.

Separately, following its decision to introduce a cap of 400MW on the total new build dedicated biomass capacity that can expect grandfathered support under the RO, on 19 January the government [published](#) further details on the application process and guidance for generators.

The cumulative capacity of projects within the 400MW cap is now over 118MW.

Other industry news in brief

CFDs

Successful contract for difference (CfD) applicants were [announced](#) on 26 February, with 27 contracts worth £315mn being offered to projects which will deliver over 2GW of renewable energy across England, Scotland and Wales.

CfDs will begin replacing existing incentives for renewable energy generation from this year, with the RO due to be phased-out entirely by 2017.

The contracts will provide guaranteed payments to operators of approved renewable generation technology at a pre-agreed strike price, while enabling the system operator to claw back money when market prices exceed this rate.

Onshore wind dominated in the “established technologies” pot – only 72MW of solar PV was awarded a CfD (five projects) compared to approx 750MW of onshore wind. The majority of the “less established technologies” budget was taken up by two large offshore wind projects: the 714MW East Anglia One and 448MW Neart na Gaoithe projects.

Separately the funding pot for less established technologies in the first contracts for difference allocation round has been increased by £25mn.

The extra funding, [unveiled](#) on 28 January, will mean that technologies in the pot, including offshore wind, will compete for £260mn during

the first round: £155mn for projects commissioning from 2016-17 onwards, and a further £105mn for those commissioning a year later.

Established technologies, such as onshore wind and solar, have been allocated a budget of £60mn for the first round overall: £50mn for projects commissioning from 2016-17 and the remainder for developments commissioning from 2017-18. No budget has been released for the biomass conversion funding pot in the first allocation round.

Watch this space for announcements on an e-POWER auction for CfD holders.

Wind generation

The energy regulator has [approved](#) a rule change that will require wind generators to provide an indication of the maximum achievable output they could deliver under the current prevailing conditions, for example, the weather.

The rule change took effect on 22 January, but will only apply to new generators with a completion date on or after 1 April 2016. While this will result in an additional burden for some generators, it could result in additional revenue streams for generators where they can provide balancing services competitively.

The renewables industry has [welcomed](#) figures showing that, in January, wind power had met 14% of GB’s electricity needs (4.13TWh), while in surpassing the weekly record wind generated 1.119GWh. The news came

as overall UK wind capacity topped 12GW for the first time.

Politics

The leaders of the three biggest parties at Westminster have [signed](#) an agreement to work together to tackle climate change irrespective of the outcome of this year’s General Election.

The agreement, brokered by environmental think tank Green Alliance on 13 February, saw David Cameron, Nick Clegg and Ed Miliband acknowledge that climate change was “one of the most serious threats facing the world” and that acting to tackle it represented an economic opportunity for the UK.

The leaders agreed to seek a global climate deal that would limit temperature rises, to agree carbon budgets in line with the Climate Change Act 2008, and to end the use of unabated coal in power generation.


the best price for your power

For further details on our auctions or more information about us, visit our website, send us an email, or give us a call.

Web: www.epowerauctions.co.uk

Email: hello@epowerauctions.co.uk

Tel: (0191) 245 7330

Follow us: [@ePOWERrenewable](https://twitter.com/ePOWERrenewable)