



Going, going, gone: selling solar at auction



By Gaynor Hartnell

Selling energy at competitive rates has always been a challenge for renewable developers. Gaynor Hartnell explores how online market places are aiming to deliver value for solar through auctions

With solar PV an increasingly important part of the UK's energy mix and the ever-downward pressure on prices, it's essential generators get the best value for their power generation. Solar has now used the e-Power online auction platform for the first time.

Until recently, the body that runs the auction (the Non-Fossil Purchasing Agency) focused mainly on Non-Fossil Fuel Obligation (NFFO) and ex-NFFO contracts, among which it obviously has a loyal following. This is due in the main part to its statutory origin administering these NFFO contracts which were awarded in the 1990's. Electricity suppliers have been buying NFFO output via auction since 2003. But the NFFO contracts are now coming to the end of their 15-year terms and the NFFA had to make a strategic decision not to simply rely on their business, but to offer new services.

As well as auctioning RO projects e-Power can now be used for auctioning the export from feed-in tariff (FiT) projects. It is also developing a contracts for difference (CfD) compatible contract. New technologies are coming on board (solar and AD) along with generators that weren't around in the NFFO era. Plus there are also new customers on the buying side, with some smaller suppliers in particular using it to source the major part of their renewable generation portfolios.

In responding to generators' needs the service has also had to become more flexible. E-Power has experimented recently with offering ad-hoc mini-auctions in between its main summer and winter auctions. At the first of these the price achieved for the export from PV FiT projects was just over £62.00 per MWh, with generation under the RO (and earning 2ROCs/MWh) getting over £140 per MWh.

In e-Power's main auction for winter 2014 power, which took place in July, 20 suppliers placed an average of 13 bids across 98 generating sites. According to independent analysis by industry specialists Cornwall Energy, sites achieved 8 percentage points (PP) higher prices than they would have achieved via a short-term PPA, and also 18 PP higher than terms offered under a long-term PPA.

E-Power's commercial director Stuart Stephens says that in the rush to get accreditation under the RO before it closes at the end of March 2015, several PV generators were missing a commercial opportunity by opting for short-term arrangements for their power only, usually at 'system sell price' which is normally 20% or more below wholesale prices. "We've been able to help these generators out: by switching to e-Power we can increase their revenue flows by around 50%. When ROC

accreditation finally comes through we can auction their ROCs separately; and then at the next e-Power auction ROCs and power can be sold together," says Stephens.

Alan John of Osborne Clarke extolled the benefits of standardised contracts at Solar Media's conference on CfDs and this applies to e-Power's PPA too. The standard PPA is accepted by all suppliers and generators, and its use saves time and effort. There are no financial penalties or minimum requirements for generation, as the supplier guarantees to buy at the auction price all that the plant produces. With e-Power managing the whole billing and settlement process, there is also less administrative burden on the generator. Finally, for schemes under the Renewables Obligation there are significant cash flow benefits as the generator is paid for their ROCs two months before they have even been issued by Ofgem.

With the closing of the RO to larger PV schemes, project developers are now looking to CfDs and e-Power is adapting its auction platform to offer CfD-compatible PPAs for generators to sell their power from January 2015. This new auction will work in reverse with suppliers bidding a fixed £ per MWh discount to the market reference price

The screenshot shows the 'ON-LINE AUCTION SERVICES' interface with a table of contracts. The table has columns for Contract Name, Tech Band, Capacity (MW), No. of Arrays, PPA Length, Current Auction Price, Status, and other details. A red box highlights a specific contract: '200 Generating Station 4 PV' with a capacity of 25 MW and a PPA length of 25 years.

(MRP); the supplier that wins will be the one that bids the smallest discount. The simulation above demonstrates how the three-year PPA has sold for a £10.50 discount to the MRP and the one-year PPA for a £5.20 discount to the MRP.

Whilst these prices are for illustrative purposes only, Stephens explains the discount will probably be smaller on the one year rather than the three year PPA. "Our experience in the e-Power auction is that suppliers discount PPAs to a greater extent, the longer the duration," he says. Another advantage is that e-Power will also manage

the daily settlement required under the CfD arrangements with the PPA offtaker and the Low Carbon Contracts Company (LCCC).

With its online auction offering such a commercially attractive route, e-Power could become a popular choice for the solar PV sector. Stephens comments: "At e-Power we are well and truly open for solar business. We look forward to helping many more PV generators realise the true value of their generation."

Gaynor Hartnell is a freelance renewable energy consultant.

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