



DYNAMIC AUCTIONS UNDER THE NEW WINDSEEG: TEST BALLOON FOR MORE OR A FALSE START?

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About us



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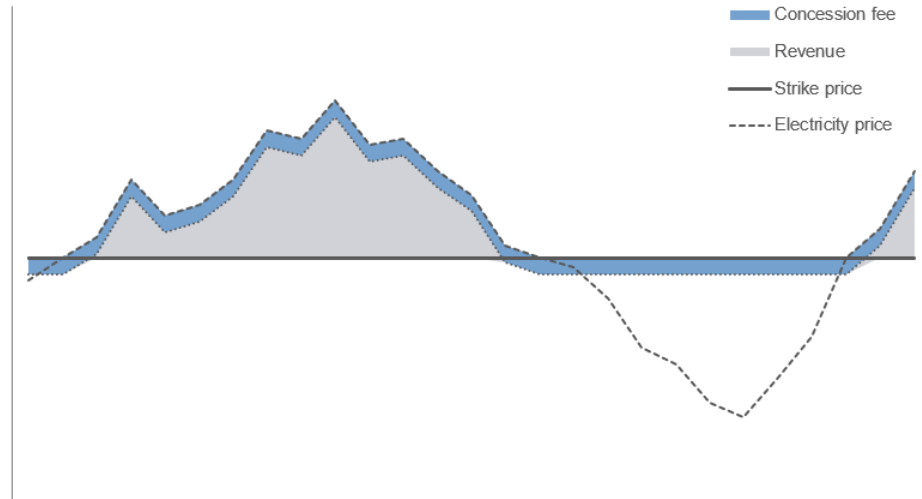
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- Associate Director in the Energy and Infrastructure Practice in Berlin
- 12 years of experience advising companies, investors, law firms and public institutions regarding renewable energy, e.g.:
 - Advice on instruments promoting renewable energy sources in Europe and bidding support for renewables investors
 - Regulatory and market due diligence for off-shore wind projects, cogeneration and regulated networks in Germany and Europe
 - Economic consulting in court and arbitration proceedings on renewable energy, including the Offshore Wind Energy Act, the Combined Heat and Power Act and state aid including in Germany, Bulgaria and Croatia
 - Several publications in energy economics, e.g. on Art. 51 EEG (reduction of the support in the case of negative prices), changes to renewable energy support schemes, financing costs,...
 - Regular lectures covering e.g. long-term risks of green PPAs and international experiences with auctions for renewable energies.

The bidding mechanism in Germany's new Offshore Wind Act: some old, some new

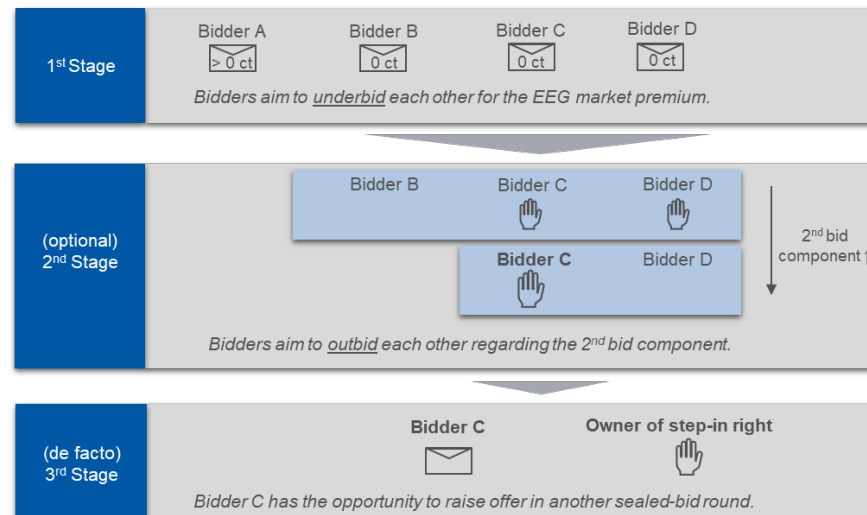
Proposed model retains a one-sided market premium but adds potential concession fees

- Unlike most other main European offshore markets (UK, DK, FR, PL) Germany retains a one-sided market risk premium
- In case of negative bids the developer pays an annual concession fee over a 15-year period



Proposed auction model is a hybrid dynamic / static auction

- Initial sealed bid round (as before)
- Dynamic second bidding stage in case of multiple zero-subsidy bids in round 1
- Winner of the dynamic bidding round gets the opportunity to raise bid (in de facto sealed bid) before the owner of the step-in right gets the chance to take over



Not entirely uncharted territory: Dynamic auctions have been already been used elsewhere



- SDE+ in NL
 - Multi-item auction with an increasing ceiling price. Bids are awarded up to the auctioned budget.
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- Dynamic, zone specific auction for PV in PT
 - „Ascending clock“ auction (increasing net present value) which continues until the offered volume is less or equal to the auctioned volume.
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- Spectrum auctions
 - Dynamic auction designs are the standard in telecommunication tender processes.
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Benefits of static vs. dynamic auctions



- Standard for renewables in most European countries
- Simplest operational model
(but can be strategically complex under first price award rules)
- May be better at ensuring competitiveness of auction where step-in rights exist
(lower “cost” of information revelation)



- Plenty of precedent and experience from spectrum auctions for mobile telephony and capacity auctions in the energy sector
- Reduced risk of winners curse, as the behaviour of other bidders can be observed
- More suitable if multiple areas are auctioned simultaneously (but will they?)

Some questions on the proposed German mechanism



HYBRID AUCTION DESIGN

- Why the back and forth between static and dynamic bidding within a single auction
-



THE TWO SIDES OF INFORMATION REVELATION

- Usefulness of Additional „costs“ which may deter potential bidders from participating in the auction
-



ARE WE AUCTIONING THE RIGHT PRODUCT

- Costs and benefits of the current one-sided market premium vs. a symmetric market premium (CfD)
-

Will we see the new mechanism in action?



- Highly competitive market as proven by recent bidding in DE, NL, UK
- Technological progress expected to bring down costs



- Lower power prices due to Covid
- Small lot sizes in 2021 in particular
- Existence of step-in rights may deter bidders
- Lower option value (higher penalties / shorter time frames) under new design may limit aggressiveness of bidding

Where we can help



- **Auction analysis and bid support**

(e.g. Vattenfall, Equinor, SSE, ...)

- Auction simulation and bid optimisation
- Analysis PPA-market and co-investors
- Competitor analysis
- “War Gaming”



- **Market entry/ economic analyses of offshore wind in Germany**

(e.g. for China Three Gorges, ...)

- Analysis of the regulatory framework (electricity market and renewables subsidies)
- Electricity price prognosis in various scenarios
- Analyses of auction scenarios



- **Evolution of regulatory frameworks for RE subsidies**

- Impact assessment of CfD introduction for UK DECC
- Analyses of different tender mechanisms for offshore wind in NL
- Design, preparation and subsidy analysis regarding the introduction of CfD in RO



- **Economic consulting in court and arbitration proceedings on RE**

- Long-term delivery contract Solar-Wafers (ICC)
- Adjustment of regulatory framework conditions wind (ICSID)
- Adjustment subsidy conditions hydro power, biomass (both ICSID)
- Diverse, e.g. grid connection, financial feasibility (FERC, ad hoc)

Recent NERA publications on renewable energy auctions

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pswp
POSSER SPIETH WOLFRERS & PARTNERS

Reform der Ausschreibungen für Offshore-Windenergie

Nach dem „Nullgebot“ das „Negativgebot“: Neues Ausschreibungsmodell gefährdet die Verwirklichung der erhöhten Ausbauziele

09.06.2020

Bundesregierung beschließt Reform des Windenergie-auf-See-Gesetz (Wind-SeeG-E)
Erhöhte Ausbauziele bei verschärften Ausschreibungsbedingungen

Das Bundeskabinett hat am 3. Juni 2020 die Reform des Windenergie-auf-See-Gesetz (Wind-SeeG-E) beschlossen. Neben einer Erhöhung der Ausbauziele von 15 GW auf 20 GW im 2020 auf 40 GW in 2040 ist der Schwerpunkt des WindSeeG-E die Einführung einer sogenannten Gebotskomponente. Damit sollen in den Ausschreibungen für Offshore-Windenergie negative Gebote zugelassen werden. Die stellt einen Bruch mit dem System der Förderung der erneuerbaren Energien in Deutschland dar. Denn seit der Einführung des EEG im Jahre 2000 wurden die Erzeugung von erneuerbaren Energien gefördert. Nun soll die Möglichkeit geschaffen werden, dass Erzeuger von Offshore-Windenergie stattdessen Konzessionszahlungen leisten müssen.

Eine genaue Analyse zeigt, dass das neue Modell höhere Kosten und größere Unsicherheit bei der Erreichung der Ausbauziele verursacht als das im Vorfeld ebenfalls viel diskutierte Differenzierungsmodell mit einer symmetrischen Marktprämie:

- Eine symmetrische Marktprämie führt im Vergleich zu dem Konzessionsmodell zu ca. 30% niedrigeren Finanzierungskosten.
- Ferner zeichnet sich eine symmetrische Marktprämie durch höhere Realisierungswahrscheinlichkeiten und tendenziell höhere Wettbewerbsintensität in der Ausschreibung aus. Dies spricht dafür, dass die Vorteile der symmetrischen Marktprämie eher beim Endkunden ankommen als in von der Bundesregierung beschlossenen Konzessionsmodell.
- Mit einer symmetrischen Marktprämie können auch die Probleme der Ausschreibungen bei der Windenergie an Land mit niedrigen Teilnahme- und Realisierungsraten bei der Windenergie auf See vermieden werden. Daher wäre die Einführung einer symmetrischen Marktprämie besser als die vorgeschlagenen Konzessionszahlungen geeignet, die von der Bundesregierung beschlossenen Ausbauziele tatsächlich zu erreichen.
- Schließlich wäre die symmetrische Marktprämie auch eine systemkonforme Fortentwicklung des bestehenden Ausschreibungsmodells für Offshore-Windenergie im WindSeeG. Gegen die symmetrische Marktprämie bestehen auch nicht die verfassungsrechtlichen Bedenken wie gegen das Konzessionsmodell.

https://www.nera.com/content/dam/nera/publications/2020/Briefing%20-%20Reform%20der%20Ausschreibungen%20f%C3%B4r%20Offshore-Windenergie_15_06_2020.pdf

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Hart am Wind: Einsichten aus der Optionsbewertung zu den Ergebnissen der ersten deutschen Offshore-Wind-Ausschreibung und ihren Auswirkungen

Autoren: Daniela Hubler, Daniel Radov, Lorenz Weishammer

Kernpunkte

Die Nutzung von Ausschreibungen zur Vergabe von Subventionen für erneuerbare Energieträger ist in den vergangenen Jahren vielerorts Gegenstand wissenschaftlicher und politischer Diskussionen. Die Ausschreibungsergebnisse, die die Bundesregierung am 19. April 2017 erzielte, dürften diese Diskussionen weiter anheizen.

Die der vier beachtlichen Offshore-Projekte haben Gebotsraten von 0,6 €/MWh (im Folgenden „Nullgebote“) abgegeben, die eine fast subventionfreie Vermarktung des erzeugten Stroms am Markt bedeuten. Der Ertragsstrom (EOL) der ersten beiden Projekte in der Nordsee mit einer Gesamtkapazität von 600 MW, davon 480 MW in zwei Nullgebots- und 120 MW in einem beachtlichen Gebotsangebot, hat im Folgenden die ebenfalls mehrfach in staatlicher Hand befindlichen Ostpreussen EOLW in der Nordsee mit einer geplanten Erzeugungskapazität von 900 MW.

Auf den ersten Blick spricht die Tatsache, dass beide Bietter angedauert haben. Ihre Profile ohne eventuelle Subventionen zu realisieren. Dafür, dass OEW und EOLW EOLV-Ertragssteigerungen erwarten, die weit jenseits dessen liegen, was Experten für möglich halten. Sollten die Projekte wie geplant realisiert werden, wäre dies ein Zulauf für die Offshore-Windenergie in Deutschland und würde die Effizienz von Ausschreibungen bei der Erreichung der Förderziele erneuerbare Energien unterstützen.

https://www.nera.com/content/dam/nera/publications/2017/PUB_Offshore_EMI_German_A4_0417.pdf

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Gale Force Competition? Auctions and Bidding Strategy for Offshore Wind

Introduction

Many governments worldwide are rolling out auctions as their preferred method for allocating subsidies to renewable energy projects. Well-designed auctions can harness the benefits of competition to deliver renewable more cost-effectively than other government officials can support well. Auctions, however, involve allocation criteria, the risk that a project will not be allocated support. Bidders need to understand auction dynamics and must be able to identify which bidding strategy is most likely to result in a favorable outcome. Ideally, bidders seek a winning bid at an attractive price, or at the very least, at a price that does not leave them regretting their choice: the so-called “winner’s curse”.

This paper considers the use of auctions to set support levels for offshore wind power projects—both the experience to date and the implications for bidders in future auctions. Offshore wind auctions have recently been held in Denmark, the United Kingdom, France, and the Netherlands, and are planned for Germany in 2017. The paper begins by comparing recent clearing prices in offshore wind auctions, discussing some of the reasons that they differ, and outlining plans for future auctions. The paper then explores the issues that bidders must consider when designing their strategy in these auctions and from this can analyze the risks. Finally, the paper concludes with some lessons learned and reflections on the potential outcomes of these auctions.

Recent Offshore Wind Auctions in Europe

Until recently, offshore wind had been a relatively expensive form of renewable electricity, but government and the offshore wind industry have undertaken concerted efforts to make it more cost-competitive. In early June 2016, energy ministers from the European countries signed a Memorandum of Understanding to reduce offshore wind costs. Since then, 11 major energy companies issued a letter confirming their belief that offshore wind costs will fall to €80/MWh by 2020. The industry has been given strong incentives to cut costs, several countries have made clear that future offshore wind auctions will get ahead without significant cost reductions.

Insight in Economics

https://www.nera.com/content/dam/nera/publications/2016/PUB_Offshore_Wind_A4_0916.pdf

QUOTIDIANO ENERGIA
www.quotidianoenergia.it

ste Fer: le esperienze di UK e Germania

La chiusura delle aste previste dal DM 23 giugno 2016 è fra novembre ha segnato un momento importante per il mercato elettrico italiano. Il mercato elettrico italiano ha infatti raggiunto un punto di svolta importante. Il mercato elettrico italiano ha infatti raggiunto un punto di svolta importante. Il mercato elettrico italiano ha infatti raggiunto un punto di svolta importante.

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<https://www.nera.com/content/dam/nera/publications/2016/Quotidiano%20Energia%20NERA%2013%20December%202016.pdf>

NOMOSKOMMENTAR

Spieth | Lutz-Bachmann (Hrsg.)

Offshore-Windenergie recht

WindSeeG | EEG | EnWG

Handkommentar

Nomos

<https://www.nomos-shop.de/titel/offshore-windenergie-recht-id-80902/>

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Imperial College London

UK Renewable Subsidies and the Role of Competition

The Case for Allowing Biomass Conversion to Compete for a CfD

Prepared for Drax

16 February 2016



Thank you for your attention!

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