

Welcome to The e-POWER Bulletin!

With a plethora of information out there, 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.

Recently we've instigated a number of changes to get you the best price for your power. We've transformed from being a purely statutory body auctioning NFFO contracts to a commercial entity responding to renewable energy generators' needs out in the marketplace.

In addition to our regular twice-yearly auctions that we've been running for some years now, at the end of 2014 we introduced a new generation of monthly auctions. We've started monthly auctions to give generators more flexibility in when they want to sell, meaning they can bring their power to market whenever it suits them. Andy Leach of Renewable Power Systems tells us why he wanted to do this in this edition (page 2).

Monthly auctions are also designed to cater for new RO and FiT generators commissioning outside of the normal biannual contracting regime or those whose existing PPAs terminate between times. Therefore in addition to our auction on 27 January - with several new FiT projects wanting to use us for their export power - we're also going to be running one on 25 February.

In each edition of The e-POWER Bulletin you'll always find the following regular features:

- latest e-POWER auction results;
- latest e-ROC results;
- wholesale power and gas prices;
- key market indicators; and
- upcoming auction information.

In this edition we breakdown what makes up your PPA - and how much each component contributes to your final e-POWER PPA price. We also take a look at recent developments impacting the RO, LECs, embedded benefits & FiTs and provide a summary of some of the more interesting energy-related developments which took place in December.

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



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

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Latest auction results

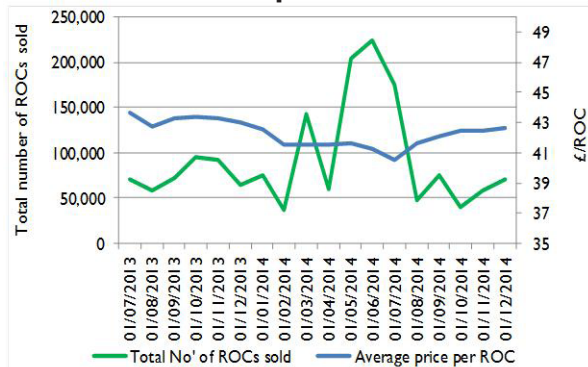
Over 70k ROCs auctioned

The latest NFPA monthly e-ROC auction took place on 22 December. The average realised price was £42.66/ROC - up 19p from the previous month.

In total 70,417 ROCs were sold during the auction, an increase of 20% from the November auction and almost 10% up on December 2013 levels. Approximately 36,000 ROCs were left unsold having not met their reserve price. Bidding activity was almost double that of the previous month at 358 bids, perhaps reflective of recent forecasts of higher ROC prices due to lower estimates for PV and wind ROC issue for CP13.

The next e-ROC auction will take place on 26 January.

e-ROC price chart



80MW of power auctioned

Over the last few months 18 sites have been auctioned on the e-POWER auction platform. These auctions are in addition to the normal January and July auctions for summer and winter power.

The sites across all technologies have been competitively fought over with feed-in tariff (FiT) sites typically achieving over £60 per megawatt hour (MWh), single-ROC banded sites over £100/MWh and double-ROC banded sites over £140/MWh.

The next e-POWER auction is on 27 January 2015 - this promises to be a big one with almost 100 generators signed up so far to take part.

There's still time to register to take part in the January e-POWER or e-ROC auctions

Why it's smart to switch to e-POWER: listen to our clients...

"I work in the agricultural market; that means many of my clients are farmers with FIT projects. A lot of these generators just aren't aware of how they can make more money from the export opportunity. What attracted me to the e-POWER auction was its potential to deliver the best price; the bigger the number of potential buyers out there, the better price you'll get. I want to make sure our clients get the best price; so while e-POWER continues to deliver a better return, then it's good for my clients. What's also attractive is the standard all-inclusive e-POWER PPA - that's very helpful to clients. From my perspective, the e-POWER auction is a very good tool to have at my disposal. If it takes less time than a tender process and gets a better price, it's got to be a great route!"

Richard Adams, Founder, Richard Adams Associates

"I'd seen the high prices achieved in the e-POWER auction and thought we'd give it a go, I wanted to be able to lock in and fix our prices for the whole of next financial year. I'm pleased to say the results we achieved in the last auction were great. The team at e-POWER are very helpful and very easy to work with. The other benefit for us is that we don't have to wait two months to get paid for our ROCs as it is included in the power price. Getting paid upfront really helps our cash flow: no-one else can offer all that."

Andrew Leach, Managing Director, Renewable Power Systems

What makes up my PPA?

The UK energy industry is a complex one, full of acronyms and jargon that may get confusing. Selling power can be a particularly complicated task - generators often ask us what are the different elements that make up their power purchase agreement (PPA), what factors drive changes and how might they change in future. Let's start at the beginning...

A PPA is essentially an agreement between the owner of an electricity generating facility and the electricity supplier for the purchase of the output from the generating facility. The prices in a PPA can be made up of a number of components:

- Wholesale power prices. One of the main components is the wholesale price of electricity. Wholesale electricity prices reported on British forward markets have cycled vigorously since the turn of the decade. As the pre-eminent fuel for power generation in Britain, the wholesale market for gas has become a key driver of that for power. But power prices are also influenced by the value of oil, coal and carbon. Values for wholesale power tend to be referenced against contract maturities, including summer and winter seasons. In the past year summer contracts have trended between £44-£53 and winter has ranged between £48/MWh and £58/MWh.
- Renewable Obligation Certificates (ROCs). Some green generators can claim ROCs on every MWh of renewables electricity generated. They are banded: some technologies receive more ROCs than others, and the price per ROC is determined by the market. For the current phase of the scheme the price per ROC has ranged between £40/ROC and £43/ROC.
- Levy Exemption Certificates (LECs). Similarly to ROCs, some green generators can claim LECs on every MWh of renewables electricity generated. The certificates are used by suppliers to discharge the Climate Change Levy (CCL), which is a government levy added to business energy bills. This means LECs can be sold by generators to suppliers at a percentage of the CCL. Typically the price ranges between £3/LEC and £5/LEC.
- Embedded benefits. Suppliers may see some cost advantage from purchasing power from smaller generators locally for onward supply to end users in the same region. This cost advantage is typically described as "embedded benefits". The value arises from avoided costs associated with the usage of networks (both transmission and distribution). Some of this value may be shared between the supplier and generator and may be priced into the e-POWER price achieved at the auction. Generators could see this component make up 5%-10% of their final e-POWER price.

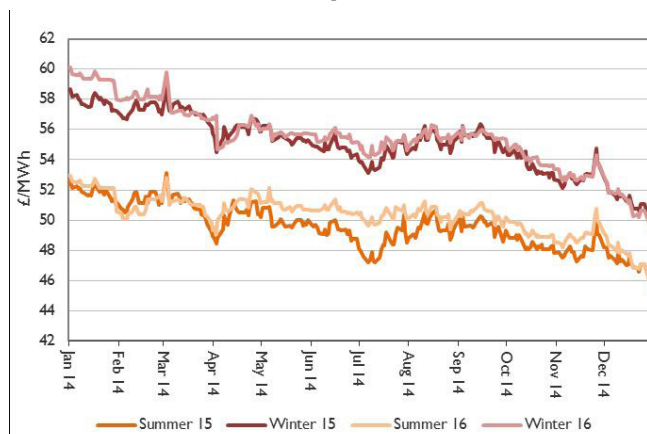
Falling wholesale prices could result in lower PPAs

Seasonal power contracts fell to record lows in December as falling oil, gas and coal prices fed into the market. Prices were also dampened by the return of two nuclear stations which boosted supply margins for the rest of the winter demand season.

This trend has accelerated at the start of the New Year with Summer 15 power at £42.80/MWh, 18% down on the same period last year and Winter 15 power down 19% at £46.80/MWh. Annual contracts from April 15 also hit record lows at £44.80/MWh.

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

Seasonal price trends





ROC and LEC update

The government has said it will [implement](#) a grid delay grace period under the Renewables Obligation (RO) for large-scale solar photovoltaic (PV) projects.

At the end of March this year the RO will close to new solar PV installations over 5MW, but stakeholders have argued that the risk of missing this deadline - and the resulting financial consequences - is dissuading funders from investing. The 12-month grace period will extend this "cliff-edge" for projects and will be available for PV projects with an accreditation date on or before 31 March 2016 that have a connection agreement in place. Additional capacity added by the same date to existing projects accredited by 31 March 2015 will also be eligible.

New stations that benefit from the grace period will receive the ROC in force on the date of accreditation. For 2015-16, this is set at 1.3ROCs/ MWh for ground-mounted projects, and 1.5ROCs/ MWh for building-mounted solar PV.

The grace period is good news for investors looking to develop additional solar capacity under the RO.

Separately the government has put forward [plans](#) to end the current grandfathering policy, designed to protect biomass conversion units accredited under the RO from future changes in support levels. The department said the move had been made necessary as market intelligence suggested biomass deployment would be higher than anticipated, and that the budget for the RO would, without action, risk being exceeded.

The government's plans to retrospectively change grandfathering policies has come as a shock to the industry.

The government's latest Renewables Obligation Certificate and Generation [data](#), published on 11 December, shows that the number of ROCs issued to accredited generators increased 25% in July 2014 from July 2013. Overall generation increased by 22% in the same period, from 2,600GWh to 3,166GWh.

Embedded benefit update

A rule change [proposal](#) has been raised that seeks to introduce grandfathering arrangements for the small generator transmission system discount.

This discount currently applies to the transmission network use of system (TNUoS) charges paid by sub-100MW generators connected at 132kV in Scotland and in onshore waters. It reflects the fact that 132kV connections are treated as transmission in Scotland but as distribution in England and Wales.

The level of the discount, which is worth £8.96/kWh in 2014-15, is determined by the energy regulator Ofgem and is based on 25% of the total generation and demand residual

transmission tariff. It is paid for through a non-location charge to demand users and the grid. But the discount scheme is due to expire at the end of March 2016. To ensure that generators that have made commercial decisions based on the existing arrangements are not adversely impacted, a rule change proposal has been tabled. This would enable existing beneficiaries and generators that connect up to 31 March 2016, to continue to receive the discount, until such time (if any) that the 132kV system in Scotland is designated as distribution.

If implemented this rule change will avoid a situation where eligible generators are faced with significant increases to charges when the discount expires. An industry group report on the proposal is expected in April 2015.

FiT Update

The government is to move forward with [plans](#) that will require buildings with mounted solar projects accredited under the FiT scheme to use at least 10% of the electricity generated by the project. The plans, which were confirmed on 25 November, mitigate concerns that some developers are nominally wiring PV installations through structures created or amended so as to enable the installation to meet the definition for a building-mounted scheme, and thereby potentially qualify for a higher tariff.

In a separate move, businesses and factories could be allowed to move solar PV installations between buildings without losing the feed-in tariff (FiT) payments, under new government [proposals](#). Under the current arrangements a FiT installation becomes ineligible for support if it is moved, a rule believed to be a barrier to the development of building-mounted solar PV. To address these concerns the government has set out plans to allow solar PV installations of 50kW and above to be moved without loss of FiT payments.

For an installation to qualify it must remain the same size, continue to be classed as a building-mounted system, secure planning permission and have a grid connection agreement before the move.

Other industry news in brief

The Low Carbon Contracts Company (LCCC) has [confirmed](#) that contracts for difference (CfD) applicants would not find out if they had been successful in the first allocation round until 18 March 2015.

Under the CfD mechanism low-carbon generators will receive a fixed price for low-carbon electricity generated. As the mechanism is ultimately paid for by electricity customers through their bills, the mechanism is designed to provide certainty to developers – encouraging investment in the UK's aging energy infrastructure at the lowest cost.

In an updated CfD Implementation Plan, published on 15 December, the LCCC said that the date in March represented the earliest point at which successful applicants would be notified of their award. It had earlier been intended that applicants would be notified on 6 January. The plan further confirmed that the sealed bid window for the round would open on 18 February and would close six days later.

Meanwhile the results of the first UK capacity market auction were [confirmed](#) on 2 January.

The auction procured 49.26GW of capacity at a clearing price of £19.40/kW and an overall cost to consumers of £0.96bn. In return for payments under the mechanism successful generators will be required to provide power capacity when the system needs it or face financial penalties.

The Balancing and Settlement Code Panel, has [sent](#) a rule change proposal that would introduce a single cash-out price ahead of winter 2015, to a workgroup for further development.

If implemented, this rule change could lead to increased imbalance charges for some parties and potentially higher discounts against traded power prices applied in offtake agreements. The rule change could come into force on or shortly after 1 September 2015 - potentially reducing income for generators.

RenewableUK has [hailed](#) figures from National Grid revealing that, on 7 December, an average of 7.315GW of power was produced by windfarms - surpassing the previous record of 7.234GW.

In a statement, the association said this meant - on that particular day - wind was powering the equivalent of 43% of GB homes.

On 3 December chancellor George Osborne presented the 2014 [Autumn Statement](#) to Parliament. While the headline energy announcements were largely focused on the oil and gas sector, further details were provided on plans to prevent companies benefitting from both renewables subsidies and tax-advantaged venture capital schemes.



the best price for your power

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Web: www.epowerauctions.co.uk

Email: hello@epowerauctions.co.uk

Tel: (0191) 245 7330

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