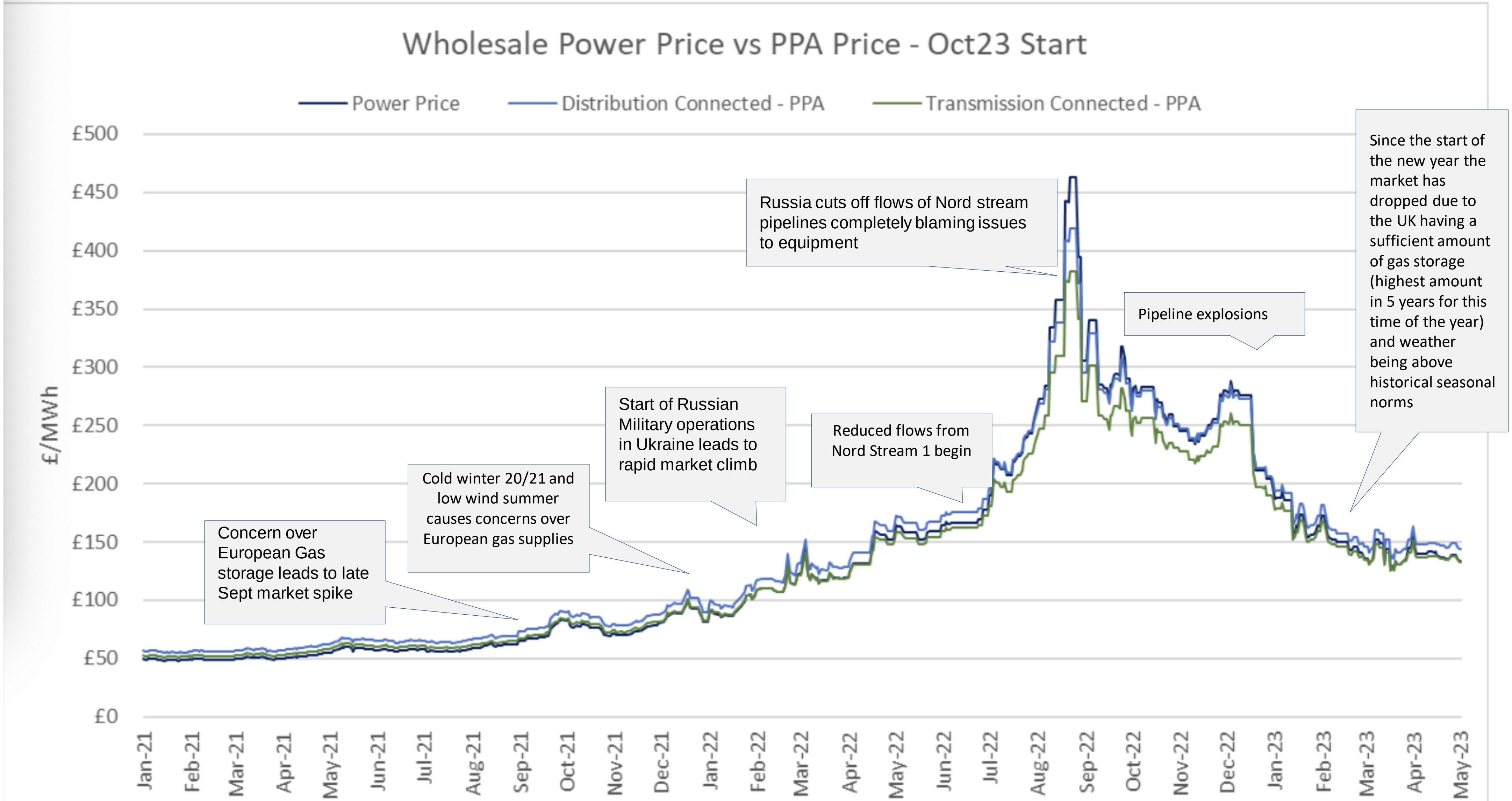
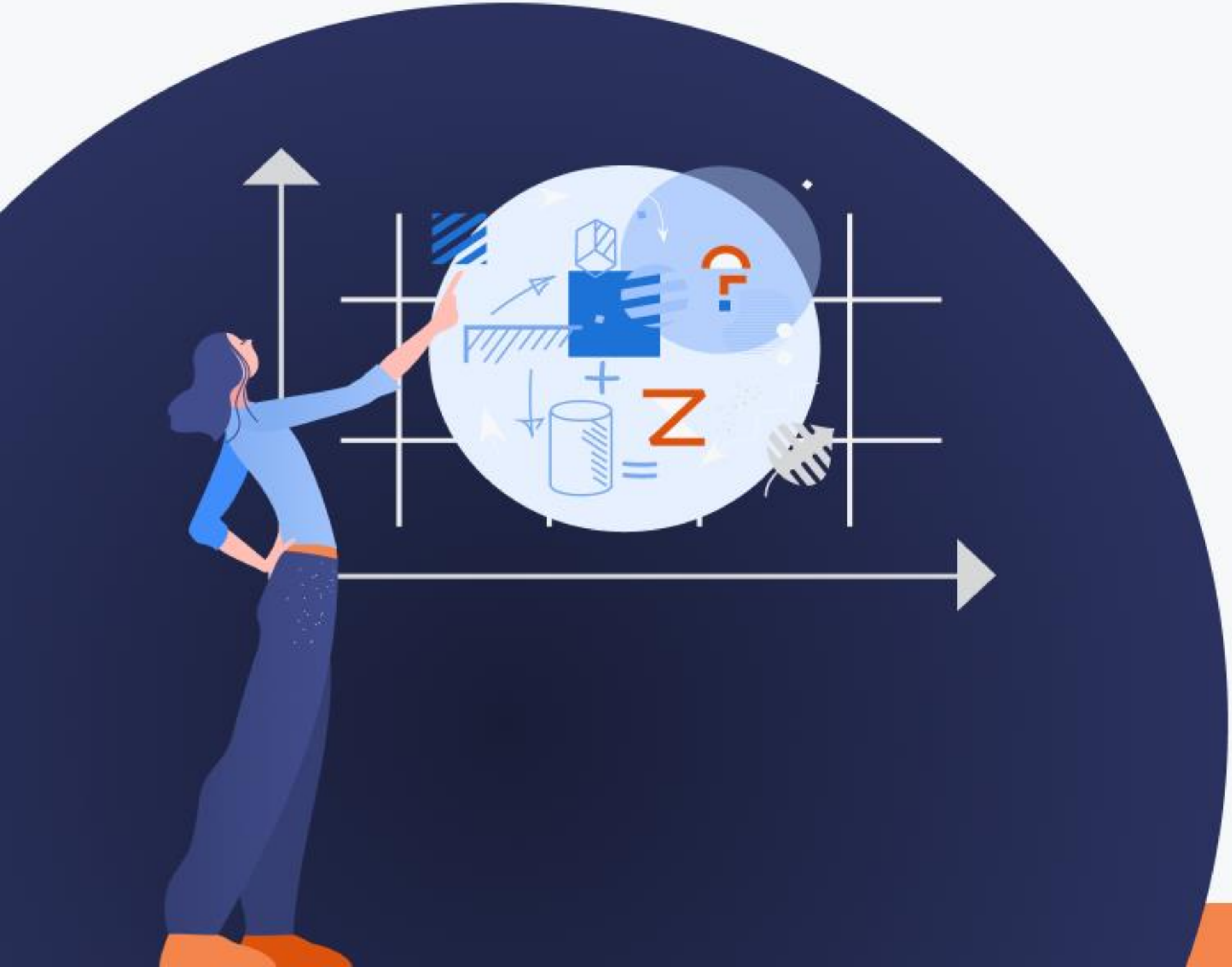
Uppaya

ALL-ENERGY®
EXHIBITION AND CONFERENCE 2023

Over the past 18 months price spikes have punctuated a steadily rising market





Energy crisis

Reshape of the PPA market

How to secure the best price for your power?

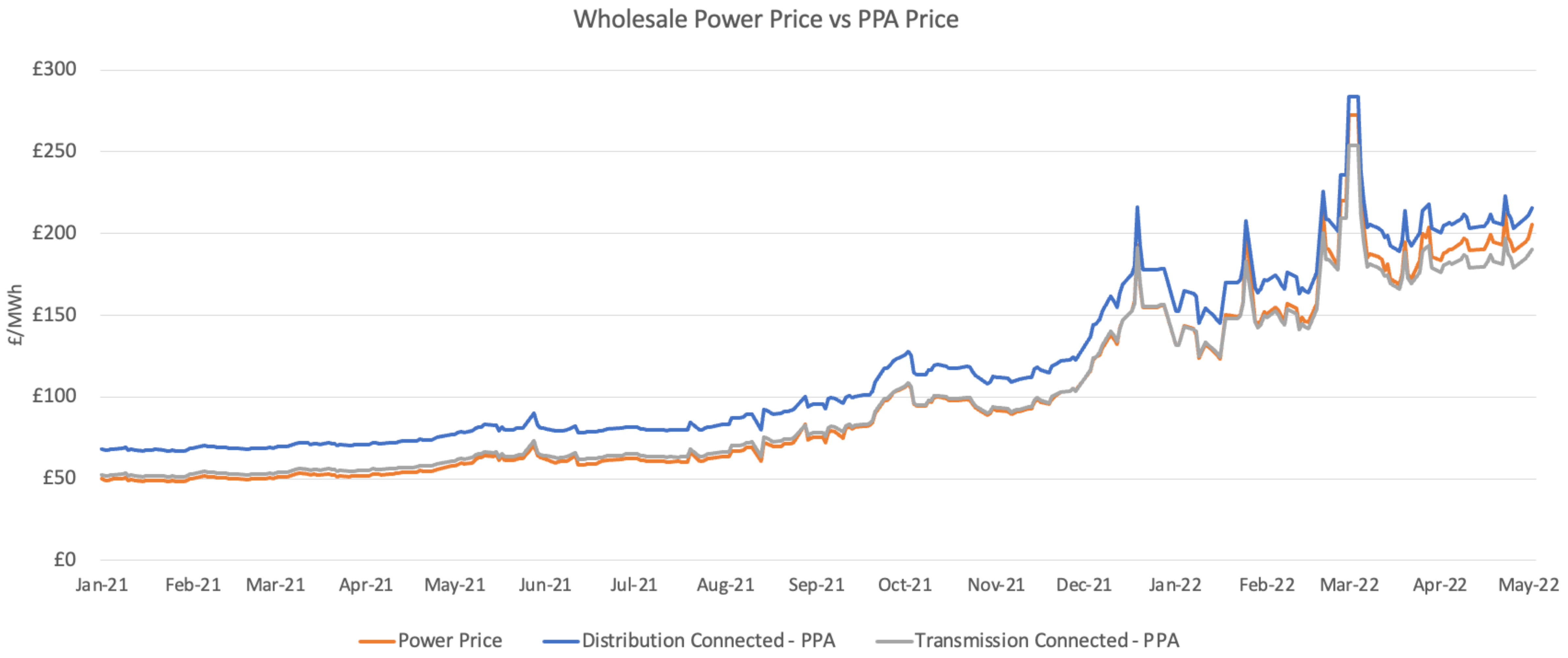
So, what’s changed in the market in the last 24 months?

- **Power prices quadrupled**
- **Over 30 suppliers went under**
- Bid and offer spreads **£0.5p to £10+ per MWh**
- **Risk premiums increased**
- **Market volatility** - extremely risky to trade intermittent generation
- It is crucial that generators pay **extra attention to their start dates**

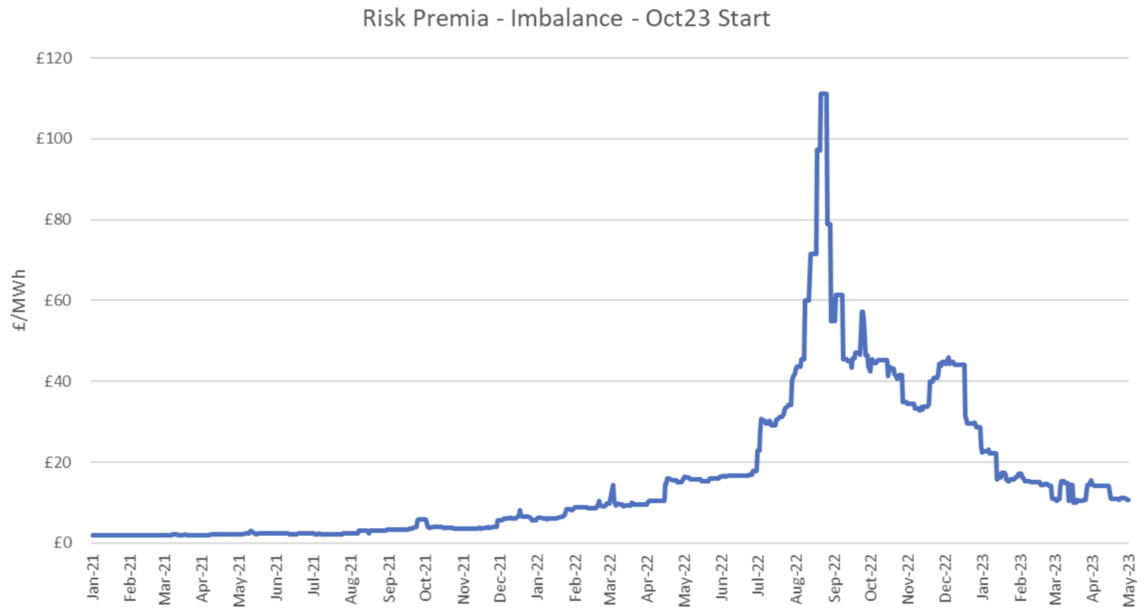
Impacts on suppliers:

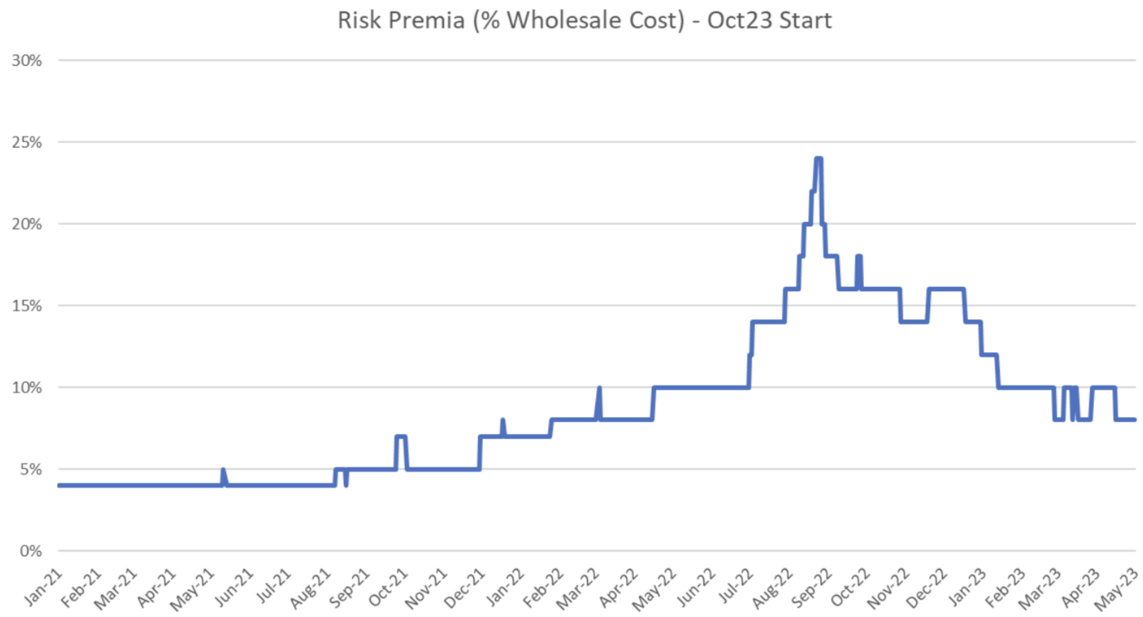
- The **big 6 are now the market leaders** again
- 90% of **generators would rather take a lower price**
- Due to heavy administrative burden, when the prices peak **only few will receive offers**
- **Volatile markets + higher power prices** – suppliers in a lot of risk given the possible exposure

PPA prices are constantly higher than power prices due to embedded benefits and REGO value – this is eroded as markets rise



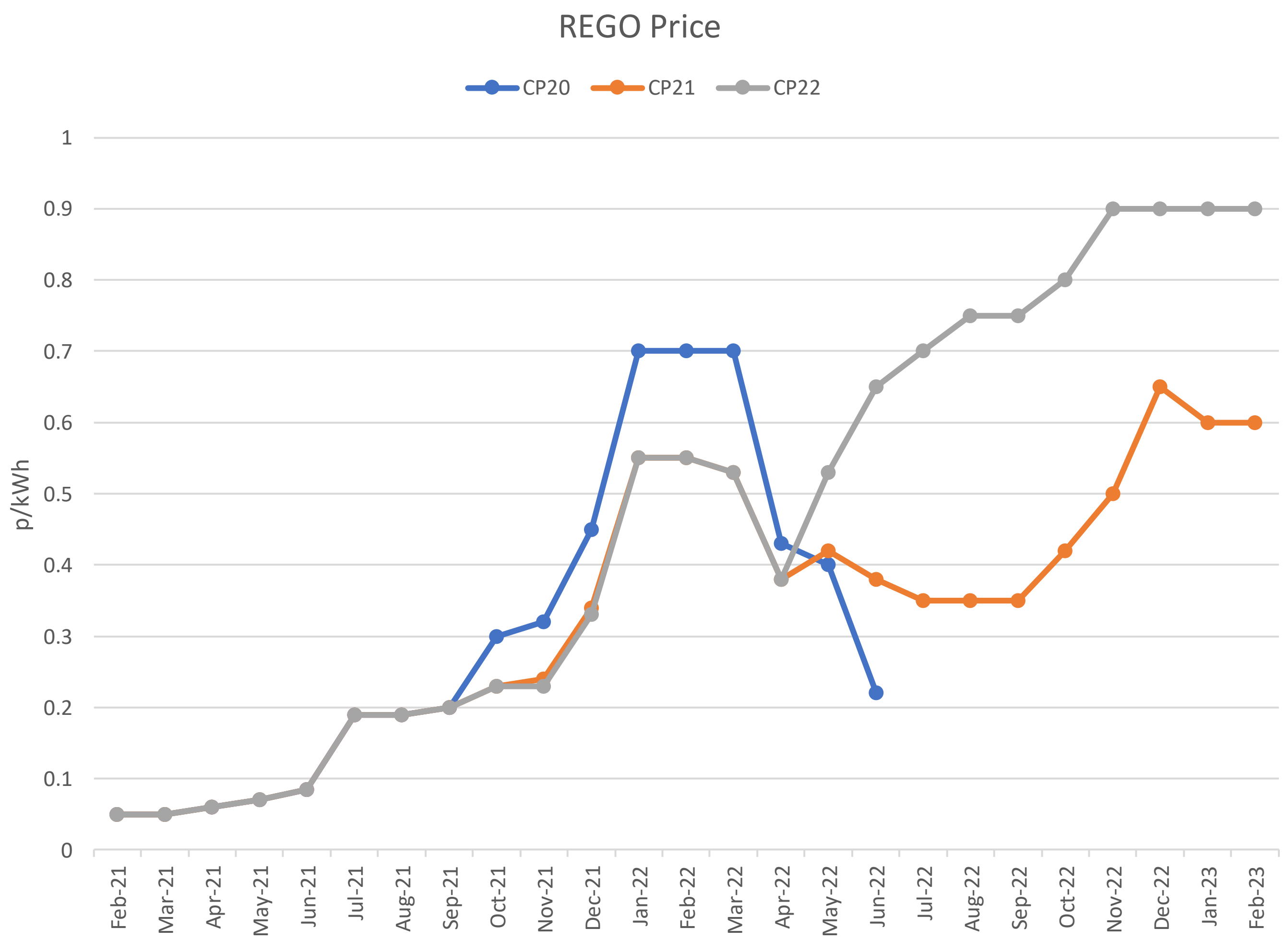
As power prices increase so do risk premia due to non-linear imbalance risks





A combination of factors have led REGO prices to rapidly increase over the past 24 months

- Until 2021 the REGO market was heavily oversupplied and a large percentage of REGOs expired (c20%) without being declared
- Demand for REGOs for FMD usage is increasing
- Starting from 1st of April 23, UK recognition of Guarantees of Origin (GoOs) will cease.
- Demand for REGO will rise as suppliers look to replace 42TWh of renewable energy that was imported in 21/22. (28% of UK renewables supply)



Contracts for Difference

The new consultation on non-price factors has the potential to change the way that projects are awarded and the prices they receive. For example, projects that score highly on non-price factors, such as those that generate significant local economic benefits or have a high degree of supply chain resilience, could be more likely to receive a CfD. Factors could include:

- Sustainability
- Building capacity
- Addressing skills-gaps
- Enabling system flexibility and operability

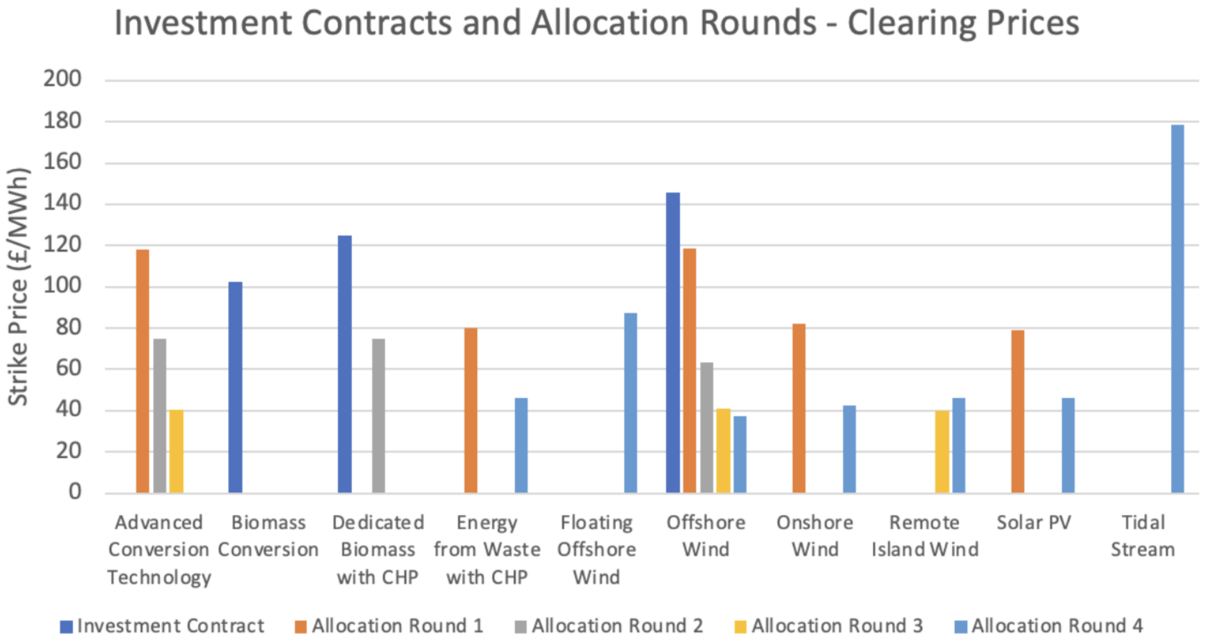


Figure 1.0 (bar graph indicating the clearing prices for different renewable technologies since the inception of the CfD scheme)

New PPA structures

- Suppliers cannot fix risk premiums for longer than 12 months
- Suppliers that fix further out have defined tolerance levels
- Some suppliers no longer allow 100% hedges
- Generator’s appetite for long term PPAs is back!

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