



MARKET REPORT (24 February 2014)

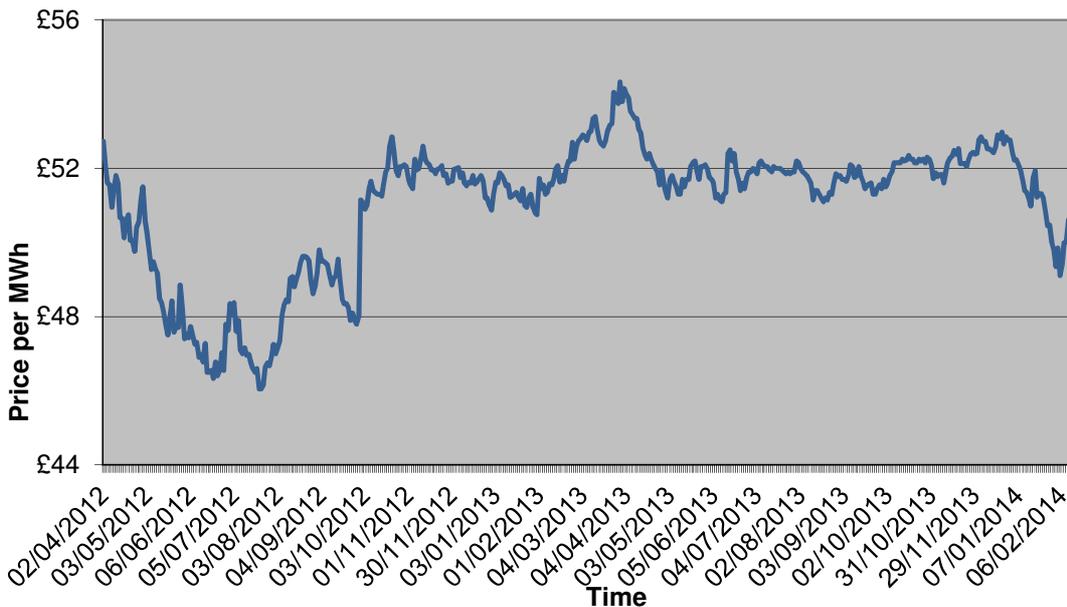
Power price update

Forward annual wholesale prices are currently at their lowest level for almost two years, dropping below £50/MWh, following a mild winter, well supplied in renewables terms, combined with comfortable capacity margins and a well-supplied gas system.

Prices farther out on the trading curve are down too, though not by as much, but curve liquidity is also decreasing.

The graph shows the price at which the forward annual baseload contract has varied since April 2012.

Forward Annual Base Load Price



ROC market update

ROCs sold through the NPPA auction in January dropped to the lowest level for the entire Obligation Period so far, averaging £42.57. This is just 55p above the Buy-Out price, and reflects the downward pressure on the forecast Recycle value caused by the wet and windy winter, increasing ROC production. Fixed prices for ROCs as part of a PPA are still hard to come by.

The CP13 (2014-15) Buy-Out price has been published, and is set at £43.30, a 3% increase on the current year.

FiT market update

Total FiT capacity is now over 2.1GW. The Central FiT Register shows that there are 421 accredited hydro schemes, totalling 43MW.

Hydro tariff bands are being cut in real terms (via the degression rules) by 5%, for newly accredited installations up to 2MW, from 1 April. Despite the fact that only 43MW of hydro capacity has been accredited under FiTs since 2010, 75MW is currently in Ofgem's application system for pre-accreditation, which could trigger further degression later this year and really threaten the industry's future. The BHA together with Scottish Renewables recently met with Fergus Ewing at the Scottish Government Hydro Summit, and proposed de-coupling pre-accreditation from degression. There are ongoing actions to take this principle forward - keep an eye out for BHA updates.

EMR update

The Energy Bill received Royal Assent in December, and a number of related consultations are open or awaited on detailed aspects of how the market will work, including proposals for an Offtaker of Last Resort i.e. back-stop PPA provider.

The Contract for Difference (CfD) strike price for hydro (>5MW) has been set at £100 per MWh. CfDs for renewables projects will run for 15 years.

Iain Robertson, Generation Sales Manager, SmartestEnergy