

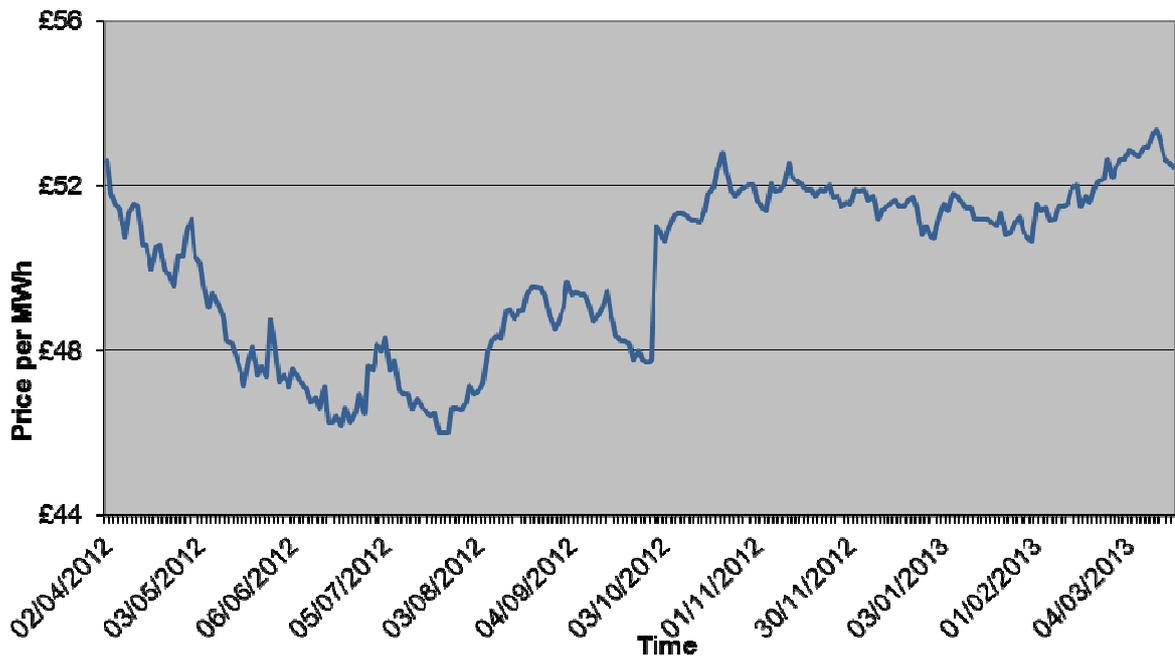
Market Report

Power price update

The forward annual wholesale power price finally broke out of its recent narrow trading range on the back of colder late winter weather, reaching a 12-month high in mid-March, and a level not seen for any sustained period since late summer 2011. Generators who were able to hold off fixing their April seasonal/ annual forward prices until as late as possible will have benefited.

The graph shows the price at which the forward annual baseload contract has varied over the past year.

Forward Annual Base Load Price



ROC market update

ROC volumes sold through the NFPA eROC auction have tended to be lower this year (despite an ever growing number of ROCs being issued), reflecting lower liquidity in the ROC market. However each of the last four auctions has seen a rise in average selling price, the most recent (February) averaging £42.34, which is £1.63 above Buy-Out. Current predictions by the leading consultants for the CP11 Recycle value range from £2 to £5 per ROC, highlighting the difficulties

in accurate forecasting. We can expect to see large ROC volumes changing hands towards the end of the Compliance Period, in June and July.

Liquidity in the long-term ROC PPA market is reported to be low, as suppliers weigh up the risk of long-term ROC values against effects that legislative changes under EMR may bring.

1 April sees the new ROC bands take effect. New hydro under ROCs will qualify for 0.7 ROCs per MWh, except in Scotland, where 1 ROC has been maintained. Onshore wind decreases to 0.9 ROCs per MWh.

FiT market update

New tariff rates come into effect from 1 April, including an alignment of the highest hydro band with the ROC equivalent, at 3.23p per kWh. The Export Tariff for new projects rises to 4.64p per kWh on 1 April.

Further clarity on the application of degression principles is still awaited. DECC has to balance the costs of all subsidies – FiTs, ROCs and, in future, FiT CFDs under EMR – within the Levy Control Framework in order to control costs to consumers.

The Central FiT Register shows that there are now 360 accredited hydro schemes (up from 275 a year ago), totalling 34.95MW (up from 19MW a year ago).

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