UK could double offshore wind capacity in 2024 auction: RenewableUK

- 14 wind farms, 10.3 GW eligible
- Could reach almost 15 GW by end-March
- Follows failed offshore wind auction in 2023

The UK government could double the country's offshore wind capacity in the forthcoming Contracts for Difference auction later in 2024, adding a record amount of new capacity, industry association RenewableUK said Feb. 23.

A total of 14 wind farms are eligible to bid into this year's Allocation Round 6 auction, with a total capacity of 10.3 GW, the industry group said in a statement launching its EnergyPulse Insights Offshore Wind report.

A further 4.7 GW of new offshore capacity, of 8.7 GW in the planning system, could become eligible before AR6 applications open at the end of March, bringing total potential eligible capacity to almost 15 GW, RenewableUK added.

"In this year's auction, we have the potential to prove again that Britain is one of the best places to invest in new offshore wind projects," RenewableUK's Chief Executive Dan McGrail said.

The report comes after the UK failed to draw a single bid in its last auction in September, forcing the government to raise its bid ceiling for 2024's auction by 66% to GBP73/MWh (2012 prices) after widespread industry criticism amid rising project costs.

Platts, part of S&P Global Commodity Insights, assessed UK offshore wind capture prices at GBP53.07/MWh ($67.30/MWh) Feb. 22.

Operational UK offshore wind capacity stands at 14.7 GW, RenewableUK said, generating 14% of the country's power requirements.

A further 5.2 GW is under construction in UK waters, and the report forecasts almost 45 GW could be fully operational by the end of 2030.

The UK is targeting 50 GW of offshore wind capacity by that date.

The UK government is due to set the budget in March for the next auction in the summer.

Global operational offshore wind capacity now stands at over 70 GW, up by 12.5% in a year. China leads the way, with 34.7 GW of installed capacity, while Germany lags the UK with 8.3 GW.

UK offshore wind projects eligible for AR6

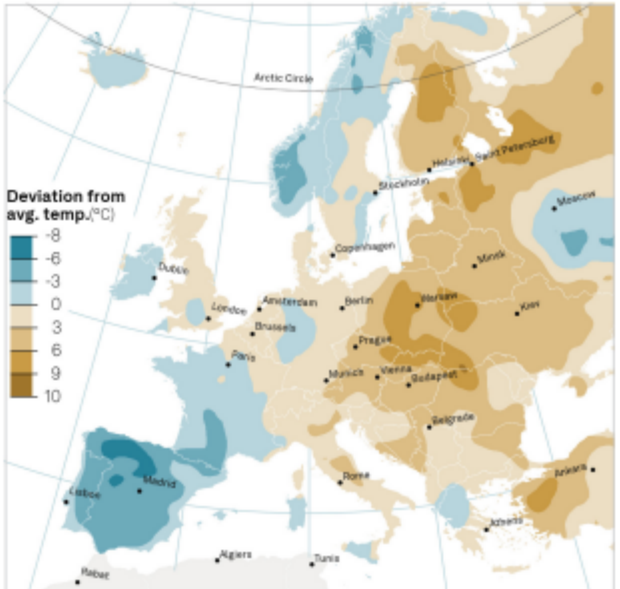
Project	Capacity (MW)
Norfolk Vanguard West and Norfolk Vanguard East	2,760
Hornsea Four	2,600
Awel y Mor	1,100
East Anglia 2	900
East Anglia 1 North	800
Hornsea 3	753
Seagreen 1A	500
East Anglia 3	318
Inch Cape	270
Pentland (floating)	100
Erebus (floating)	100
Blyth 2 (floating)	58
Forthwind (test and demonstration site)	8

Source: RenewableUK

— James Burgess

7-day-ahead temperature deviation forecast

March 01 forecast



Note: Deviations are based on 5-year average temperatures
Source: S&P Global Commodity Insights, CustomWeather

UK's energy price cap to fall 12.3% as markets 'near normality'

- Average bill down GBP238/year to GBP1,690
- Energy debt at record GBP3.1 billion
- No change to wholesale cost allowance

The UK's energy price cap is to fall by 12.3% from April 1 to June 30 to an average GBP1,690/year ($2,141/yr), energy regulator Ofgem said Feb. 23.

The drop of around GBP238/year takes energy bills for around 29 million consumers on standard variable tariffs down to their lowest levels since Russia's invasion of Ukraine in February 2022.

"Ofgem recognises that the cost of living remains high and many customers continue to struggle with their bills as standing charges rise and energy debt reaches a record figure of GBP3.1 billion," the regulator said.

In response, Ofgem has levelized standing charges, removing the premium paid by prepayment meter customers, and allowed a temporary GBP28/year charge under the price cap so suppliers have sufficient funds to support those struggling with energy debt.

It has also decided not to change wholesale cost allowances between October 2022 and September 2023 following a review.

"As we return to something closer to normality we have an opportunity to reset and reframe the energy market to make sure it's ready to protect customers if prices rise again," said Ofgem CEO Jonathan Brearley.

Electricity rates under the latest revision of the price cap are to average 24.50 pence per kWh. Gas rates are to average 6.04 pence per kWh. Combined daily standing charges amount to 91.53 pence per day.

Annual bills in the UK are now down around GBP700/yr since the peak of the crisis, when wholesale power and gas prices spiked to record levels. The energy price cap is revised on a quarterly basis.

Platts, part of S&P Global Commodity Insights, assessed the UK NBP day-ahead gas price at 58 pence/therm Feb. 22, down from August 2022's record 555 p/th.

It assessed the UK day-ahead baseload power price at GBP56.50/MWh, down from December 2022's record GBP660/MWh.

UK energy price cap nears pre-crisis levels

Note: Price cap drops to GBP1,690 April 1, 2024.
Price cap expressed as average annual dual fuel bill.
Source: S&P Global Commodity Insights, Ofgem

— Henry Edwardes-Evans

Switzerland-based power traders hopeful to reach EU power trading agreement

- Market coupling, balancing key issues for agreement
- Switzerland key power transit hub with 60 TWh/year
- Utility calls for recognition of Swiss GOs, CBAM

Switzerland-based energy traders are once again hoping an EU electricity agreement can be landed this year after the last attempt failed in 2021, stakeholders told S&P Global Commodity Insights.

A successful agreement would allow power market-coupling on Swiss borders and the participation of Swiss utilities in European balancing markets, and would improve security of supply.

"The current status quo is far from ideal for us and for Switzerland," Domenico De Luca, head of trading at Swiss renewable producer Axpo, said in an interview at the E-World trade fair in Germany on Feb. 20.

Switzerland, which is one of Europe's most integrated power markets in a physical way, is becoming increasingly isolated due to its exclusion from the EU's internal energy market.

"This makes no sense," De Luca said. "Being part would simplify everything. We have flexible assets and would like to optimize those with the best tools available, be it the balancing market or other platforms."

According to Axpo, a more efficient market means lower prices and lower costs from grid services to actual wholesale prices, even in the day-ahead market.

Switzerland has 41 interconnectors with Europe and remains a key transit hub, with over 60 TWh having flowed across its borders in 2022, official government data shows.

In 2023, over 20 TWh was net exported to Italy, while flows on the German and French borders were more bi-directional pending seasonal and other factors.

Swiss power for 2025 delivery settled at Eur72.84/MWh on Feb. 22, compared to Eur85/MWh in Italy, while delivery prices in France and Germany fell below Eur70/MWh on the same day, EEX data showed.

Negotiation details

Swiss utility association VSE supported the talks with the EU power treaty that is essential for Switzerland to achieve its energy and climate targets, as well as to improve its national energy security of supply especially during winter, the group said.

The Swiss government could very soon get a mandate for negotiations with the European Commission based on its Common Understanding guidelines set out in late 2023, which could result in a treaty.

In its detailed position for the talks, VSE called for recognition of Swiss guarantees of origins, the inclusion of the Swiss carbon market into the EU's carbon border adjustment mechanism, as well as the future inclusion of Switzerland into the planned EU hydrogen backbone.

"Concluding the negotiations by the end of 2024 seems quite ambitious, particularly in light of the European Parliament elections in June and the subsequent shake-up in the European Commission," Axpo's Head of EU energy policy, Eberhard Roehm-Malcotti, said.

On the Swiss side, the treaty could be subject to a referendum. On the EU side, the draft negotiation mandate must be approved by the Council, which also has to ratify the outcome of the negotiations.

Market coupling

Epex Spot, which has been operating the Swiss power market since 2006 when talks on an EU treaty first started, sees a new dynamic from the negotiations, but also many hurdles to cross in terms of the regulatory and political details.

"The coupling of Switzerland with the EU Internal Electricity Market would be beneficial for both Swiss and European consumers," Davide Orifici, Head of Epex's Swiss office and Director Regulatory Affairs, said. "Switzerland, with its geographic location at the heart of Central Western Europe, would contribute to grid stability and security of supply of its neighbors, and vice-versa."

Orifici said the integration would mean more trading opportunities and increased price convergence for market participants.

Meanwhile, Swiss grid operator Swissgrid said that an agreement would allow it to be fully integrated into the EU's coordination processes.

"This would minimize unplanned electricity flows through Switzerland," Swissgrid said.

Full inclusion would also ensure the "greatest possible import capacities" with the country dependent on imports in winter, it said.

"Self-sufficiency is an illusion and makes no sense with regard to the grid or the economy," the Swiss TSO said.

— Andreas Franke

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