Remuneration for power from onshore wind in Germany – reduced by auctions?
Theoretically, auctions reduce prices via competition. Empirical comparisons are popular, but difficult:

- Usually, auctions and other instruments do not co-exist in same jurisdiction for same technology and size
- General trend for cost reductions, not only in jurisdictions with auctions
- Often, timing not comparable (time of price-setting, date of commissioning etc.)
- Country conditions differ (meteorology, installation costs, interest rates etc.)

Example of remuneration for power from onshore wind in Germany:

- For plants commissioned in December 2016: 6.98 ct/kWh (nominal average, ‘100%-site’)
- Auctions carried out in 2017: 5.71 to 3.82 ct/kWh (nominal average, ‘100%-site’)

→ Are prices comparable?
→ Have auctions caused a price reduction?
Approach used for analysis of remuneration for onshore wind in Germany

Administratively set remuneration
(pursuant to EEG 2017)
- Set to regulate transition period to auctions
- Expansion of wind capacity influences remuneration for new capacity (flexible cap): 2.4% digression / quarter if expansion > 3.5 GW / year

Auctions carried out in May, Aug, Nov 2017
(pursuant to EEG 2017)
- So-called Bürgerenergie / Community Energy (BEG / CE) bids
  - required no building permission,
  - have 4.5 (instead of 2) years for commissioning
- BEG/CE won 93% of successful bids

Analysis accounts for
- Remuneration adapted to site quality
- Date of commissioning
- Tariff digression pathway by law

New reference yield model in EEG 2017
But: no consideration of transaction costs
Comparison of administratively set prices with those determined in 2017 auctions

Katherina Grashof: Remuneration for power from onshore wind in Germany – reduced by auctions?, presentation at Strommarkttreffen 04.05.2018
Conclusions

- Quality of wind sites higher in 1st than in 2nd and 3rd round
- > 90% of awarded bids: BEG/CE-projects without permission and realisation deadline of 4.5 years
- Expected date of commissioning crucial to compare prices
- Level of successful non-BEG/CE bids not indicative for future bids

- In 2017, switch to auctions caused marginal cost reduction at best
- At the same time:
  - High efforts and uncertainty within the industry and the administration
  - Challenges regarding permitting and costs → Significant risks for high realisation rates
Further reading

Thank you for your attention!

Katherina Grashof

IZES gGmbH
Albrechtstr. 22
D-10117 Berlin
+49 (0)30 5683 7292

grashof@izes.de
www.izes.de
Comparison (II) of administratively set prices with those determined in 2017 auctions

Katherina Grashof: Remuneration for power from onshore wind in Germany – reduced by auctions?, presentation at Strommarkttreffen 04.05.2018