

How low can power prices go?

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Abstract: For renewables developers, funders and operators, the question “how much can I get for electricity?” is a constant. In many countries, the regulatory environment provides either a separate dedicated price for renewables or a ‘green certificate’ in addition to the electrical value. However, country market prices for electricity to large end-users provide a valuable benchmark.

Figure 1 shows the range of electricity prices to Industry across Europe, where available. Of course wholesale prices are lower, but both the range of prices and the recent upward trends are clear.

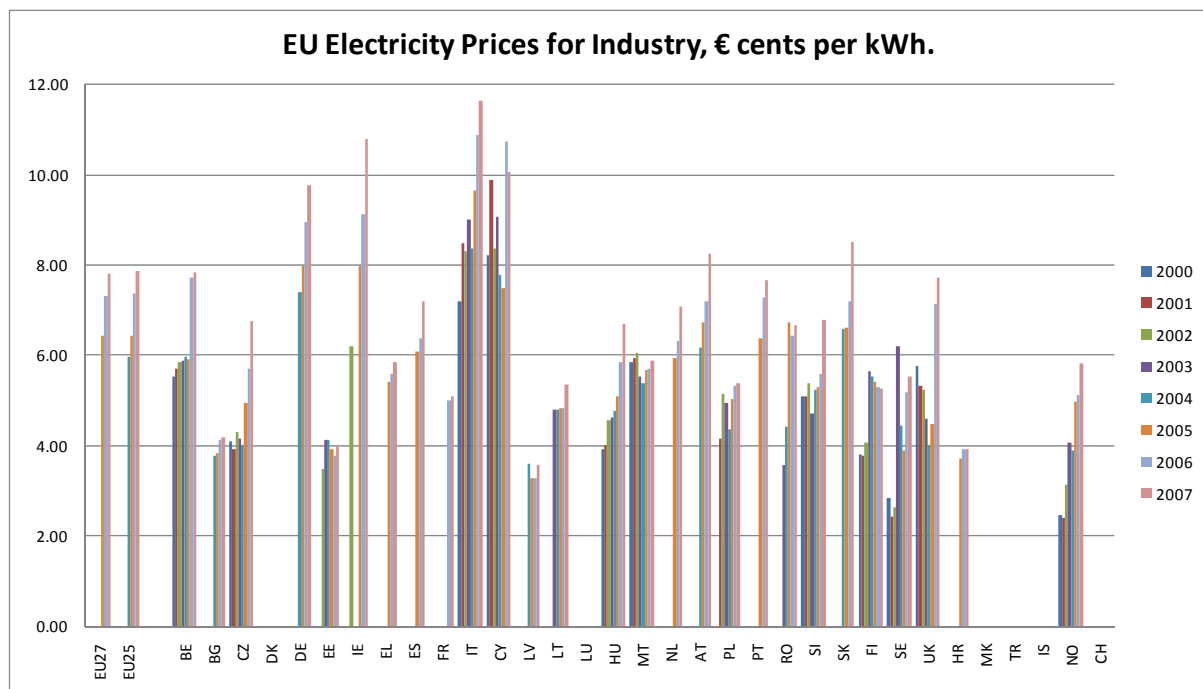


Figure 1 – historic trends in EU energy prices

Figure 2 illustrates relative energy price trends for one EU country back to 1970 which clearly shows the large price increase over the last five years or so.

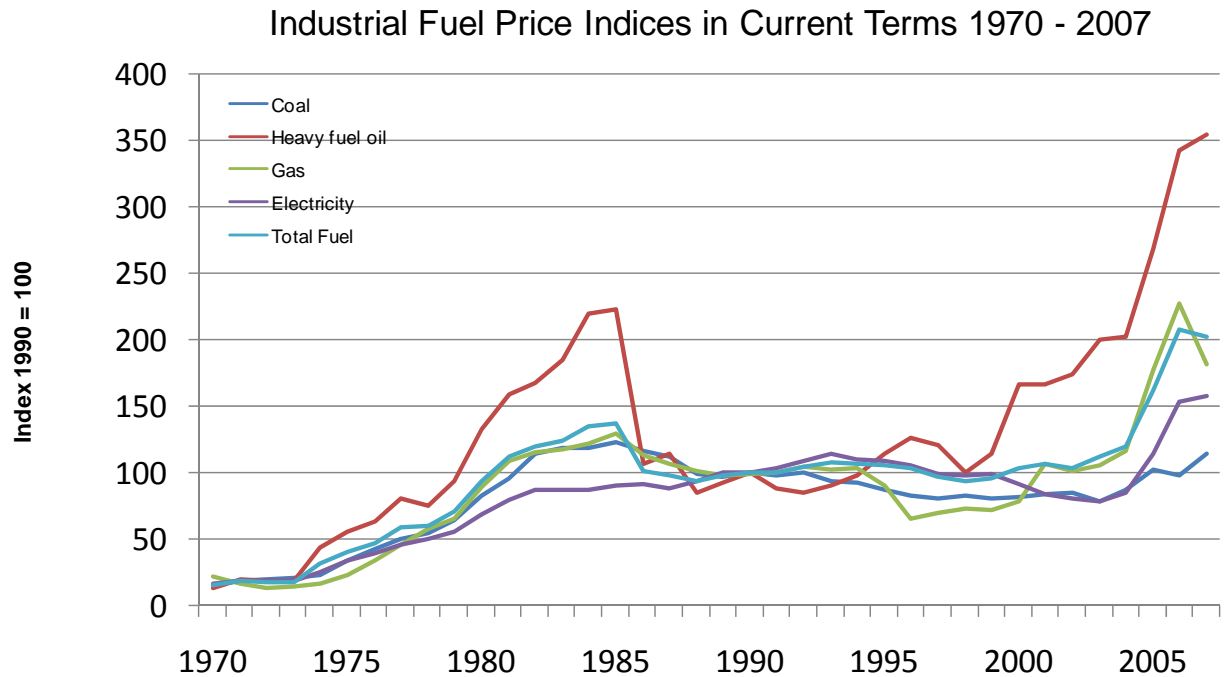


Figure 2 – historic trends in UK energy prices

In £/MWh terms, Figure 3 also illustrates the recent price spike, but also shows a lowly long term average of power price of around £40/MWh, or approximately €45/MWh. This provides a very conservative floor price to use in modelling assumptions.

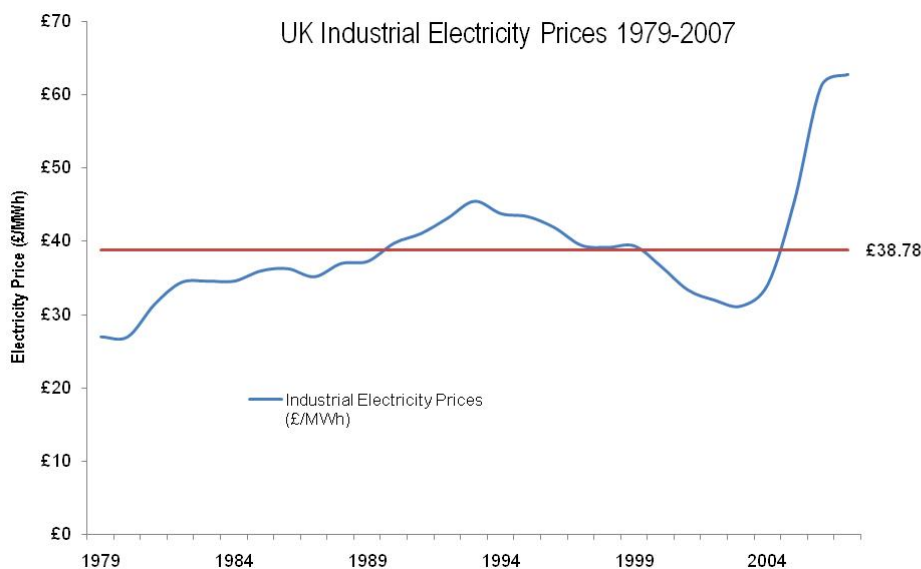


Figure 3 – Historic UK Industrial Power Prices

Developers should also look carefully at how they structure power deals – the potential attraction of selling to industrial customers is illustrated in Figure 3, which shows that customers using relatively less power than others are used to paying premium prices.

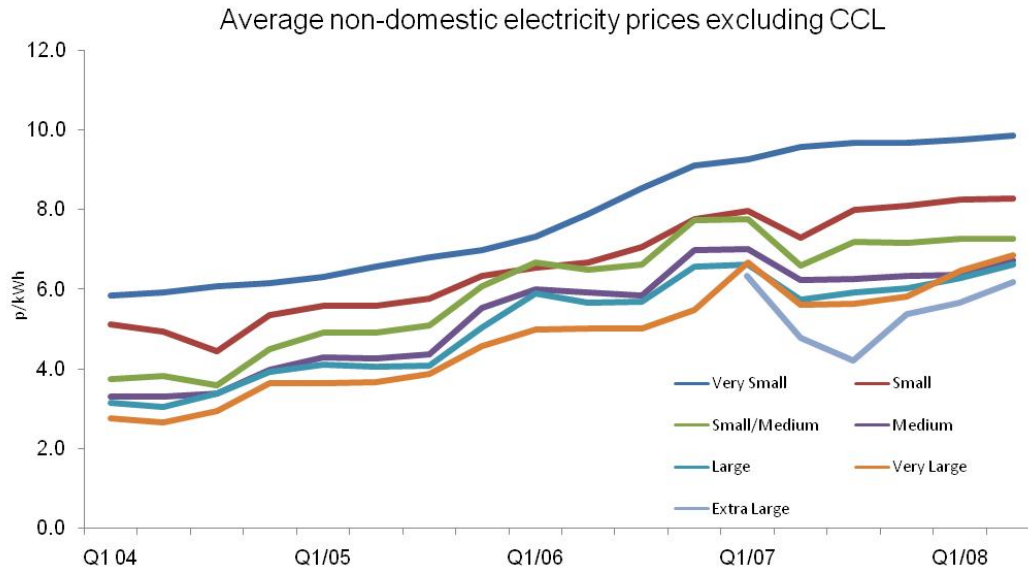


Figure 4 – Comparison of UK electricity prices by market segment

Pure Energy Professionals has considerable experience in structuring and executing power purchase agreements and providing economic analysis of renewables projects. For more information please contact **Ben Lundie** or **Bruce Woodman** on 01326 572720 or email info@peprenewables.com

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