The end of the RES auction?

scenarios and pathways outline task 7.2 findings report
Defining auctions

- It has been common to talk about RES auctions as a transitional instrument between (e.g.) FiTs and ‘unsubsidised’ renewables to be removed once prices become ‘competitive’

- But:
  - Auctions (or the outcomes) provide more than revenue support – including very substantially altering project risk profiles
  - The concept of the auction does not specify the identity of the auctioneer – it may be public, private, community, etc
  - Or what is exchanged

*A scarce number of agreements giving a route to market for electricity production and allocated through a competitive, largely bid price-driven ranking process*
Defining scenarios

• Research questions
  • What *could* auctions be used for in the future?
  • Who is involved?
  • And what products are being priced?

• Future role for auctions determined by technical, economic and social trends

• Routes to market: commercial and/or regulatory arrangements
Proposed scenario framework

- Top-down tech
- Shiny happy energy citizens
- Leviathan
- Make-do-and-mend

- More flexible
- Less decentralised
- Less flexible
- More decentralised
Future routes to market

- Public RES auction guaranteeing supplements to private revenues
- Corporate or community PPA
- Return of the feed-in tariff
- Merchant contracting
Boundary conditions

• All scenarios meet EU decarbonisation goals for 2050
• RES auctions for electricity production as the main focus
Shiny happy energy citizens

High flexibility, high decentralisation:
• Local governance
• Active distribution system management
• Greater demand-side response
• Accurate valuation of system services
• RES-compatible, local markets
• Broad participation (actor diversity)

RES auctions
• Private and public procurement
• Auctions held by diverse range of actors at numerous governance levels
• Regulatory input to manage (inter alia) network impacts, actor diversity
High flexibility, low decentralisation:
• National or transnational governance
• Active transmission system management
• Greater demand-side response
• Accurate valuation of system services
• Large role for technology companies
• RES-compatible, national or trans-national markets
• Incumbent firms dominate

RES auctions
• Private procurement rather than public support (of a range of products)
• Auctions held by major consuming industries or utilities
• Public-good design input (e.g.) actor diversity likely absent from auctions
Make-do-and-mend

Low flexibility, high decentralisation
• Local governance
• More passive, but locally planned networks
• Less demand-side response but strong incentives to reduce demand through EE
• Poor valuation of system services
• Local markets
• Broad participation (actor diversity)

RES auctions:
• Little central procurement/support
• Local and community-scale actors playing a significant role, primarily on the demand-side
• But possibly procuring energy through ‘community’ PPAs
Low flexibility, low decentralisation
- National or transnational governance
- More passive, centralised networks
- Less demand-side response
- Poor valuation of system services
- National or trans-national wholesale markets
- Incumbent firms dominate

RES auctions:
- High risk environment for independent producers
- Regulated PPA offers from incumbent utilities
- In extremis, public FiTs required to fulfil obligations
The end of the RES auction?

• Auctions (in some form) are likely to remain an important part of the RESe landscape for the foreseeable future

Next steps:
• Further validation of the framework until publication end October 2020

https://exeter.onlinesurveys.ac.uk/scenarios-for-the-future-of-res-auctions

• Future directions
  • Modelling some of the implications of the scenarios
  • Closer look at PPA innovation
  • Possible expansion towards non-RESe auctions