

Technology neutral auctions

László Szabó
Director, REKK

Budapest, 24.06.2019



AURES has received funds for the years 2018-2021 from the European Union's Horizon 2020 research and innovation programme under grant agreement no. 817629

Programme of the AURES Regional Workshop

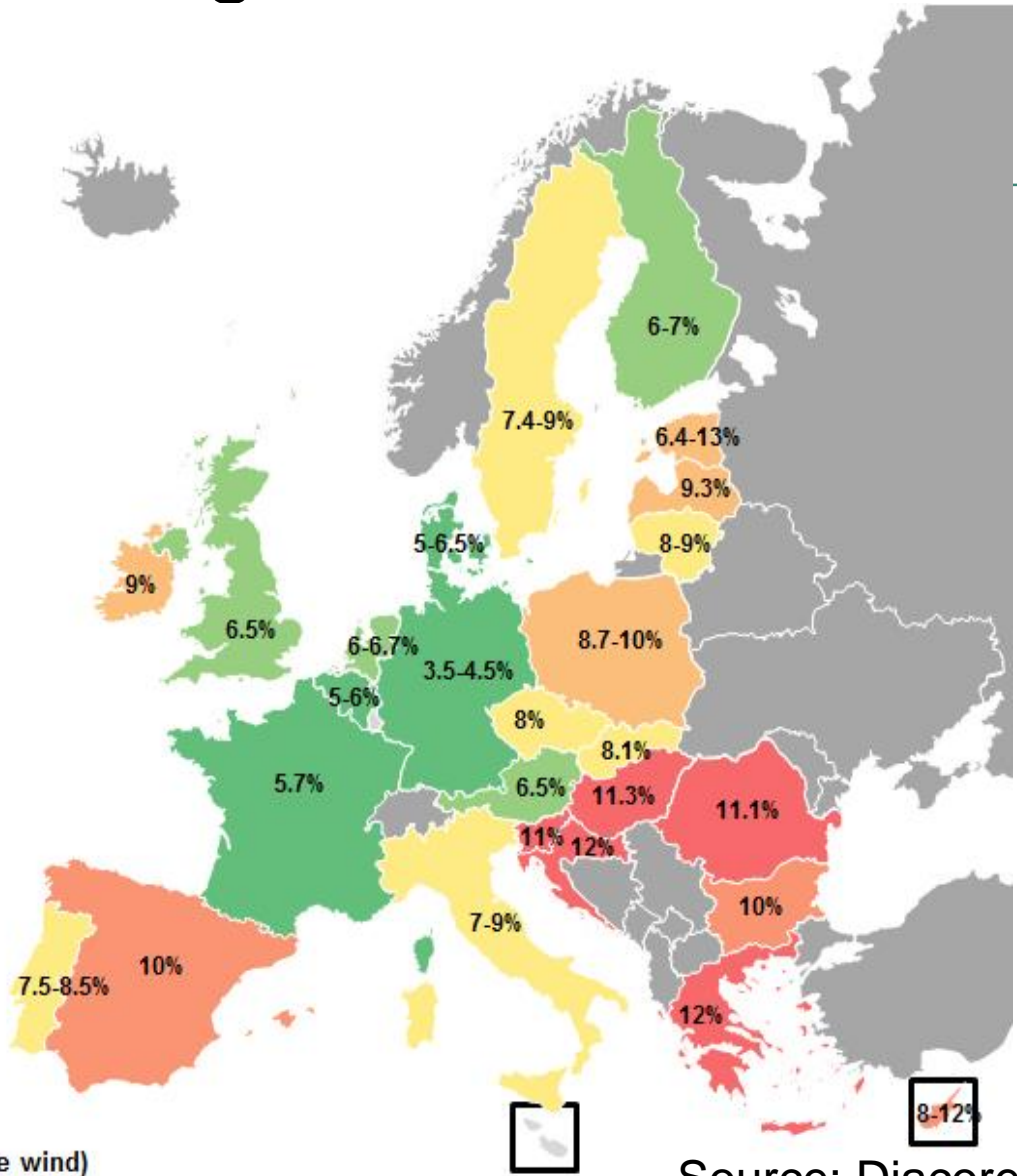
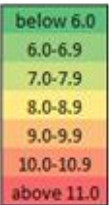


- 9.15-10.45: **Session I: Multi-technology auctions**
 - *Coffee Break*
- 11.15-12.45: **Session II: Financing issues in auctions**
 - *Lunch Break*
- 13.45-15.15: **Session III: Special topics of auction design**
- **Conclusion Session**

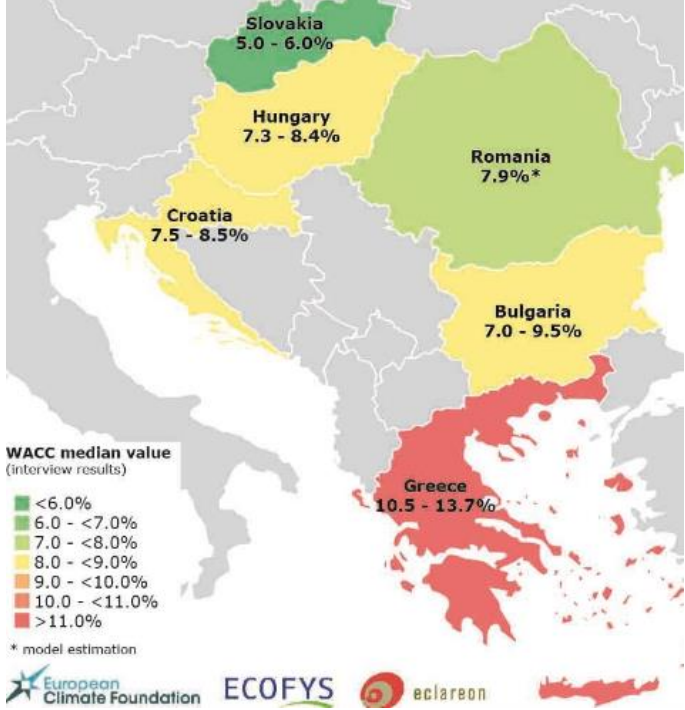
Why financing is in the focus?



DiaCore



WACC estimations can change significantly, SEE change between 2014-16



WACC across the EU-28 (interview results for onshore wind)

Source: Diacore, Ecofys 2016

Further information

On further events please visit:

<https://rekk.hu/events>

Or subscribe to the newsletter.

Our energy economic course:

https://rekk.hu/education/energy_economics_course

Agenda



- Overview
- Hungarian auction design
- Lessons from multi-technology auctions
- Concluding remarks

Hungary plans for first RES auctions in 2019 (1)



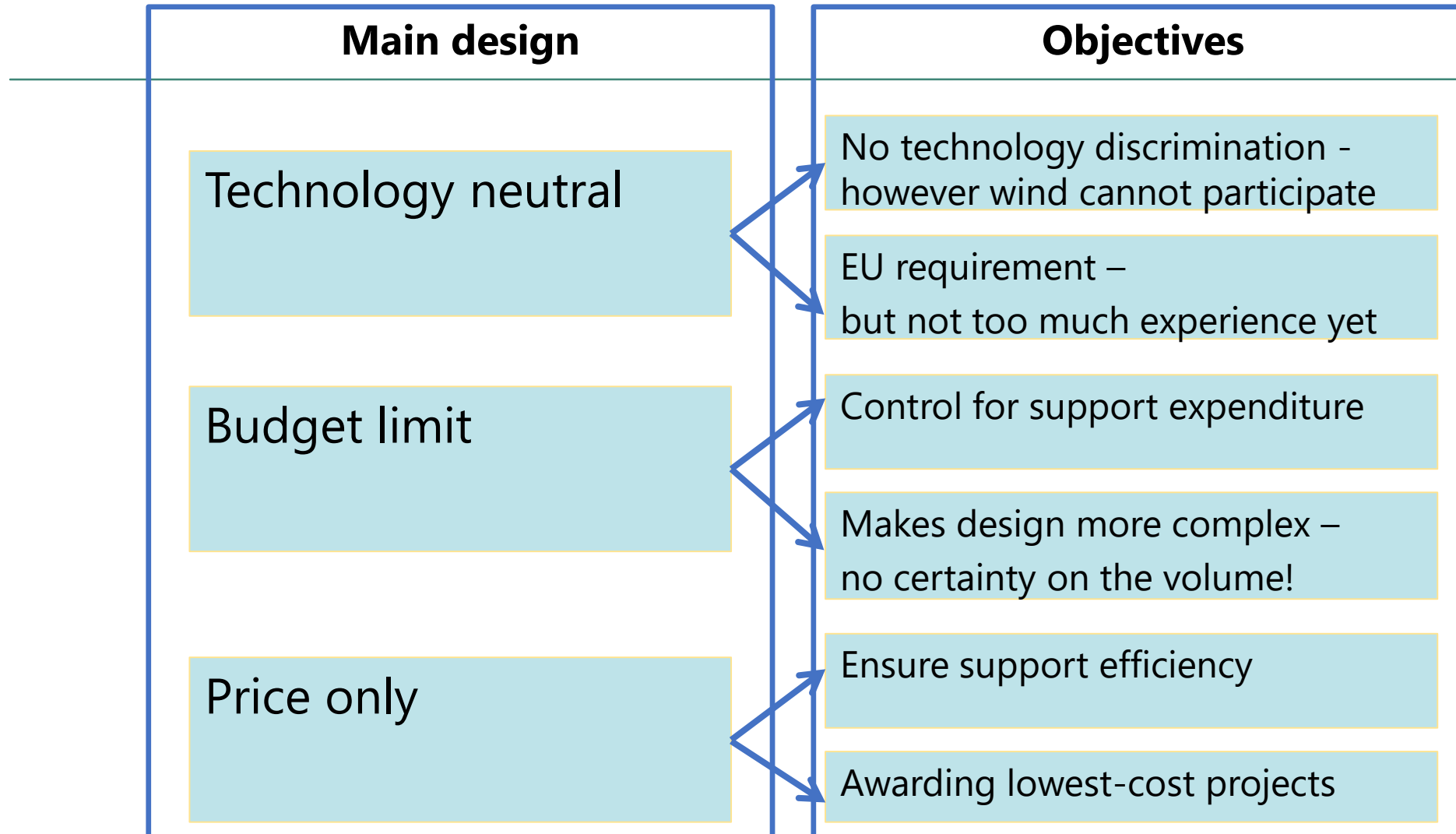
Main objectives:

- lower support expenditure of RES
- comply with policy/regulatory requirements (EU State Aid)

Risks to avoid:

- **Low competition level:** in case of low competition, inefficiencies in the auction outcome can arise
- **Strategic behaviour of bidders:** bidders can behave in certain, unfavourable ways, which can increase support costs
- **Non-compliance of targets:** in case of low realisation rates, RES targets might be missed
- **Actor concentration:** auctions tend to favour bigger players, which can decrease actor diversity

Hungary plans for first RES auctions in 2019 (2)



Guiding principles in technology neutral auctions



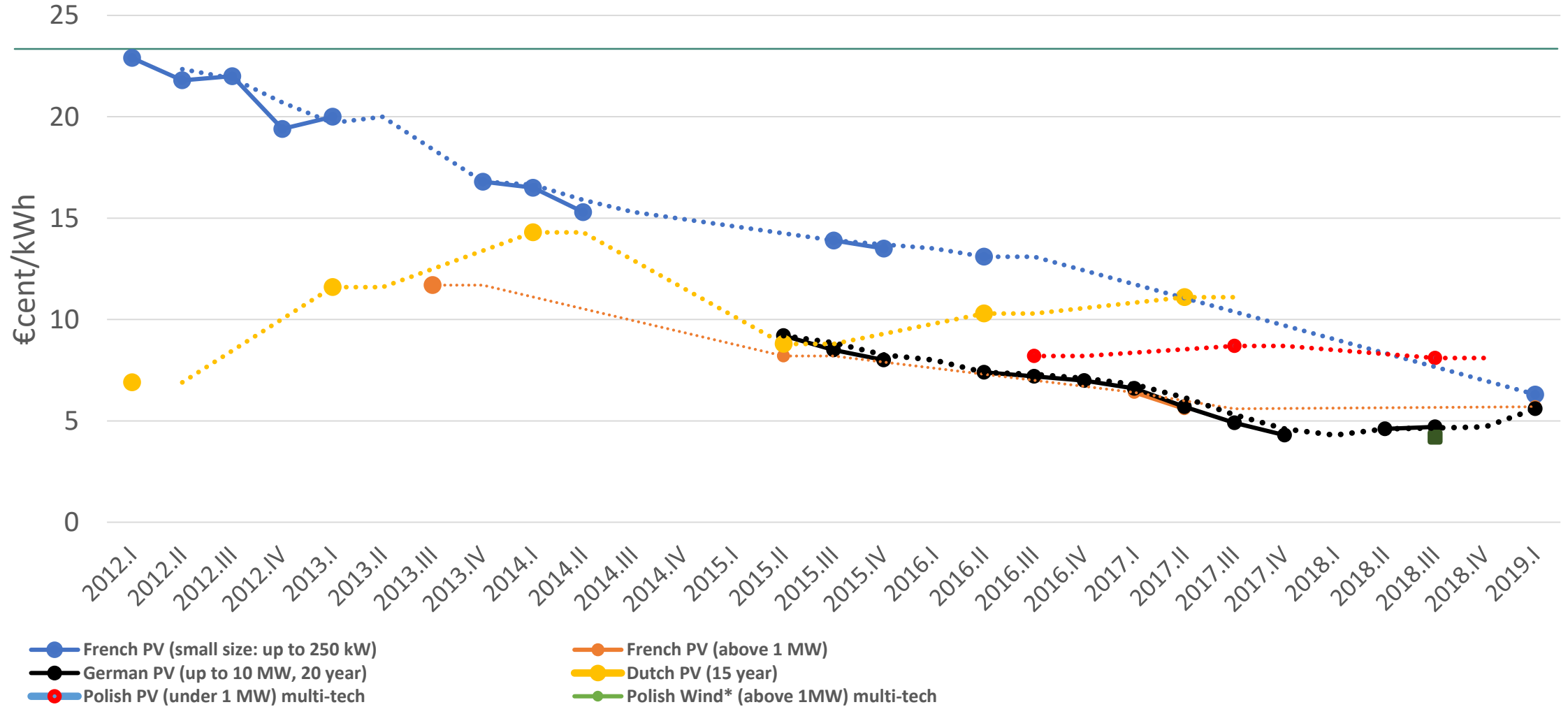
- Ensure **sufficient competition!**
 - Supply > demand
 - Decrease (administrative) barriers for developers
 - If uncertain, reduce auction volume or set a ceiling price
- Ensure **equal level of playing field:**
 - Not the same constraints but same rules on technologies
 - E.g. on deposit level: the same % of investment costs
 - E.g. realistic realisation period – which can differ by technology
- Ensure **fairness** and avoid unfavourable incentives:
 - Bids are binding/realisation commitment
 - Lowest bid wins
 - Winning bidders never receive **less support** than they asked for in their bid

Clear, simple rules!

Same rules for all participants!

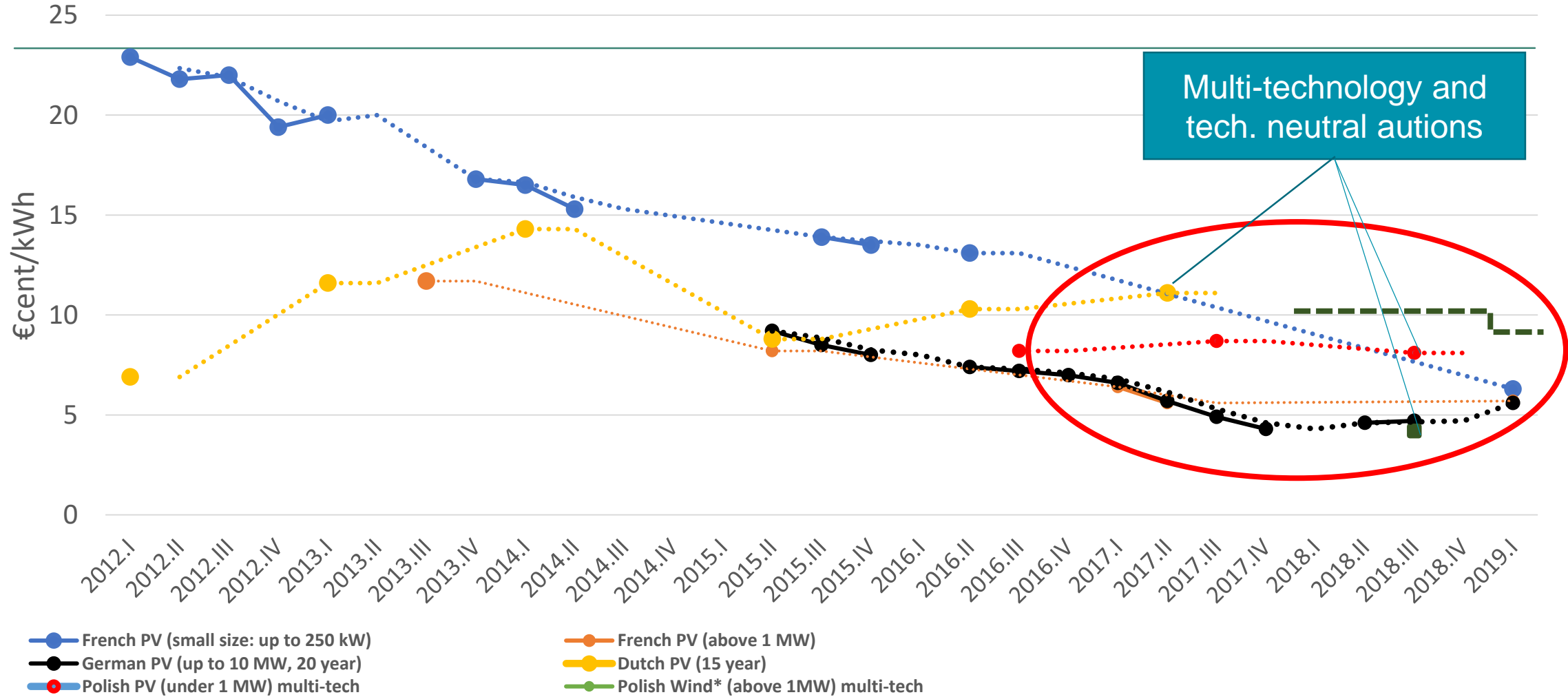
No frequent changes!
~~Retroactive changes~~

European PV auctions



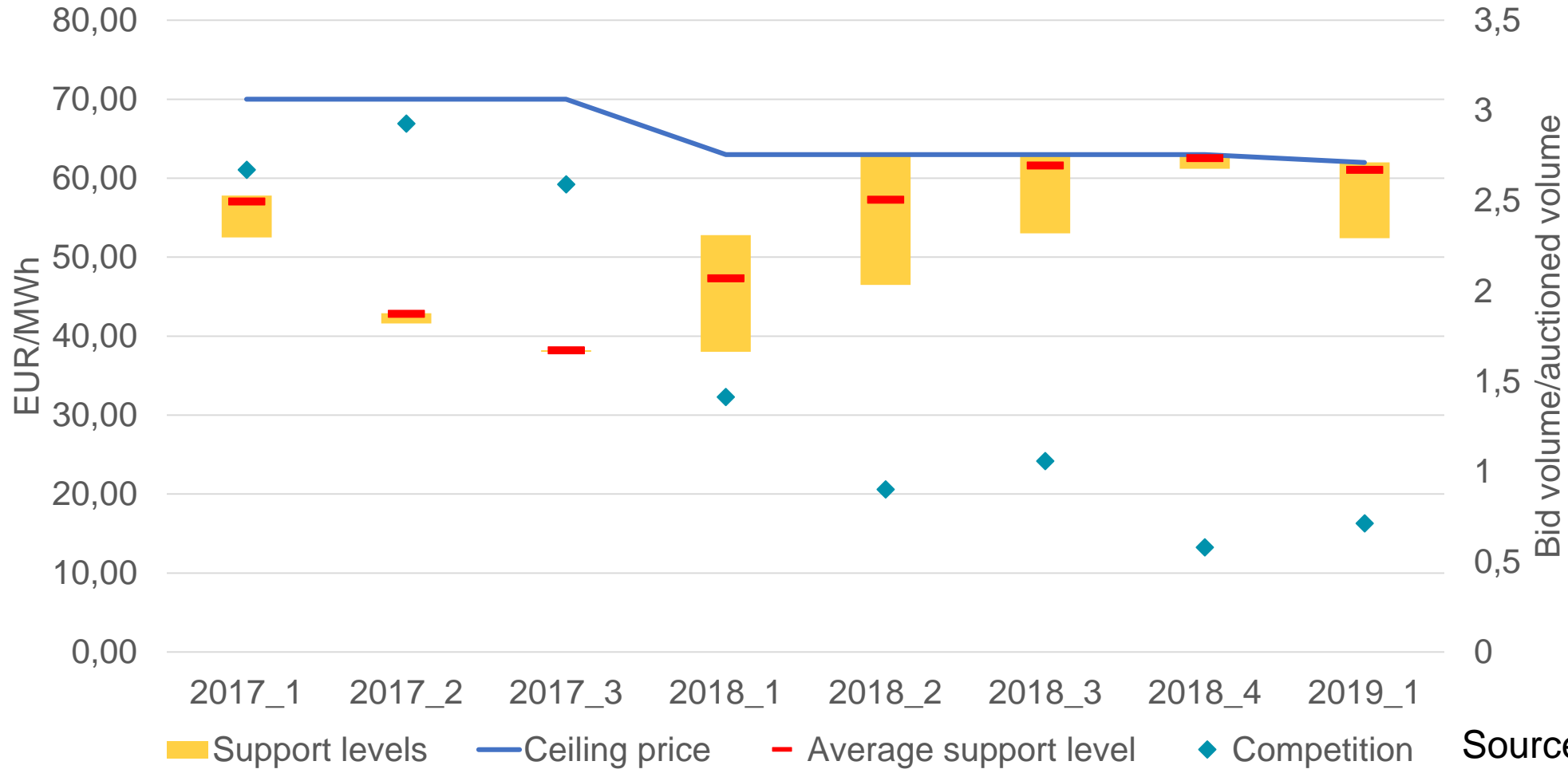
Source: Aures I: Ecofys, REKK

European PV auctions



Source: Aures I: Ecofys, REKK

Ensuring competition: onshore wind auctions in Germany



Source: V. Anatolities

Concluding remarks

- Hungary selected a general auction design with high complexity
- Further complications e.g. on pricing rules, differentiation of auction baskets (e.g. by size, technologies) should be avoided in order to keep number of participants high
- The clear rules would also make financing more readily available
- Keep the present regulatory directions:
 - E.g. present support level reduction was moving support level closer to LCOE
 - Continue with the suspension of the other remuneration schemes – actors should concentrate on the auctions now
 - Further clear the rules for grid connection



László Szabó
Regional Centre for Energy Policy Research (REKK)
laszlo.szabo@rekk.hu

AURES II

Website: <http://aures2project.eu/>
LinkedIn: AURES II
Twitter: @auctions4res
Newsletter: <http://eepurl.com/gd42zz>



AURES has received funds for the years 2018-2021
from the European Union's Horizon 2020 research and innovation programme
under grant agreement no. 817629