



Offshore-Wind-Industrie-Allianz

Tendering Offshore Wind Energy: The German Experience

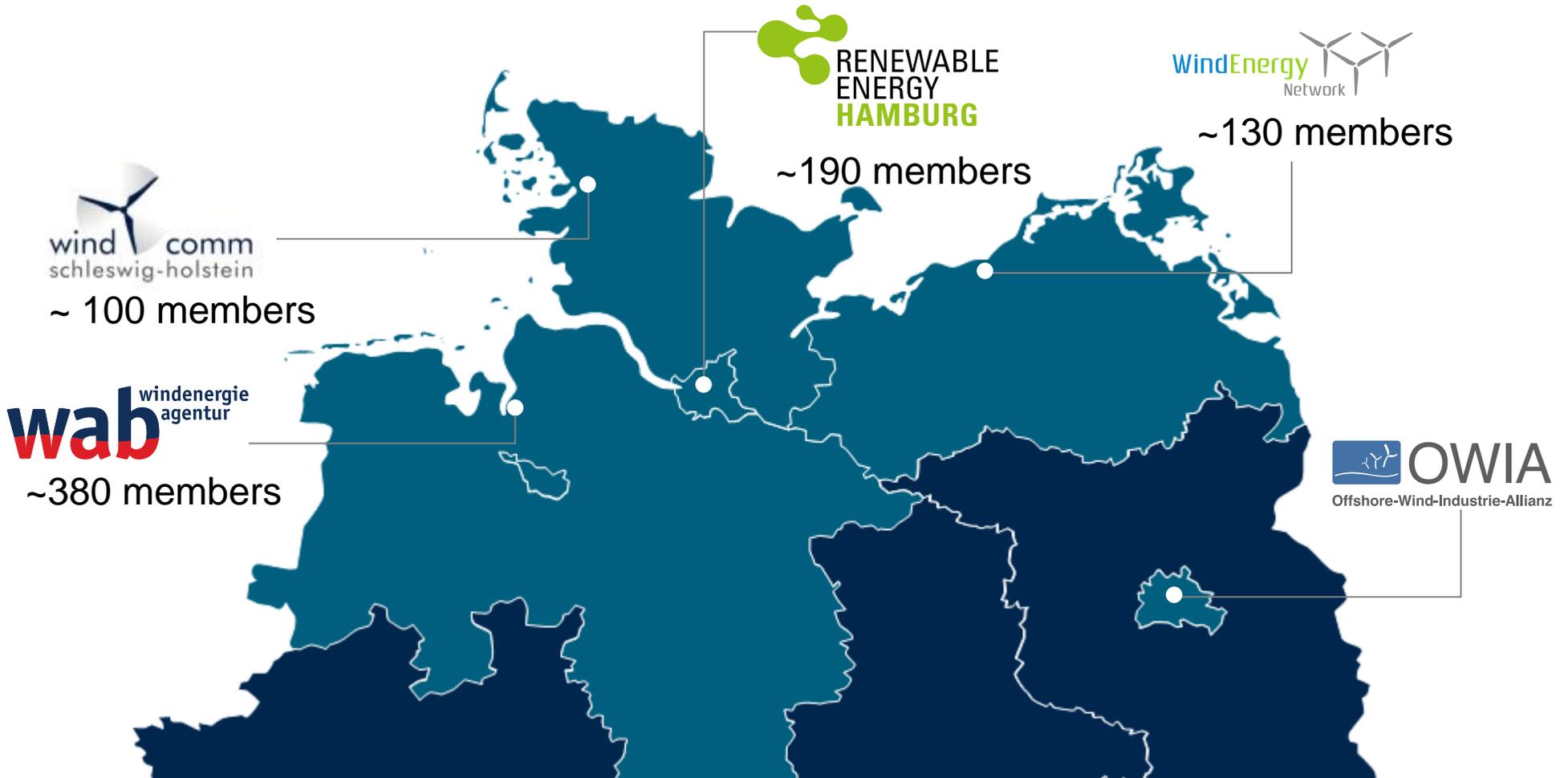
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Offshore Wind Industry Alliance: four strong networks linking the North and Baltic Sea markets



OWIA was founded in 2012 by WAB, EEHH and WEN, and windcomm joined the alliance in 2013



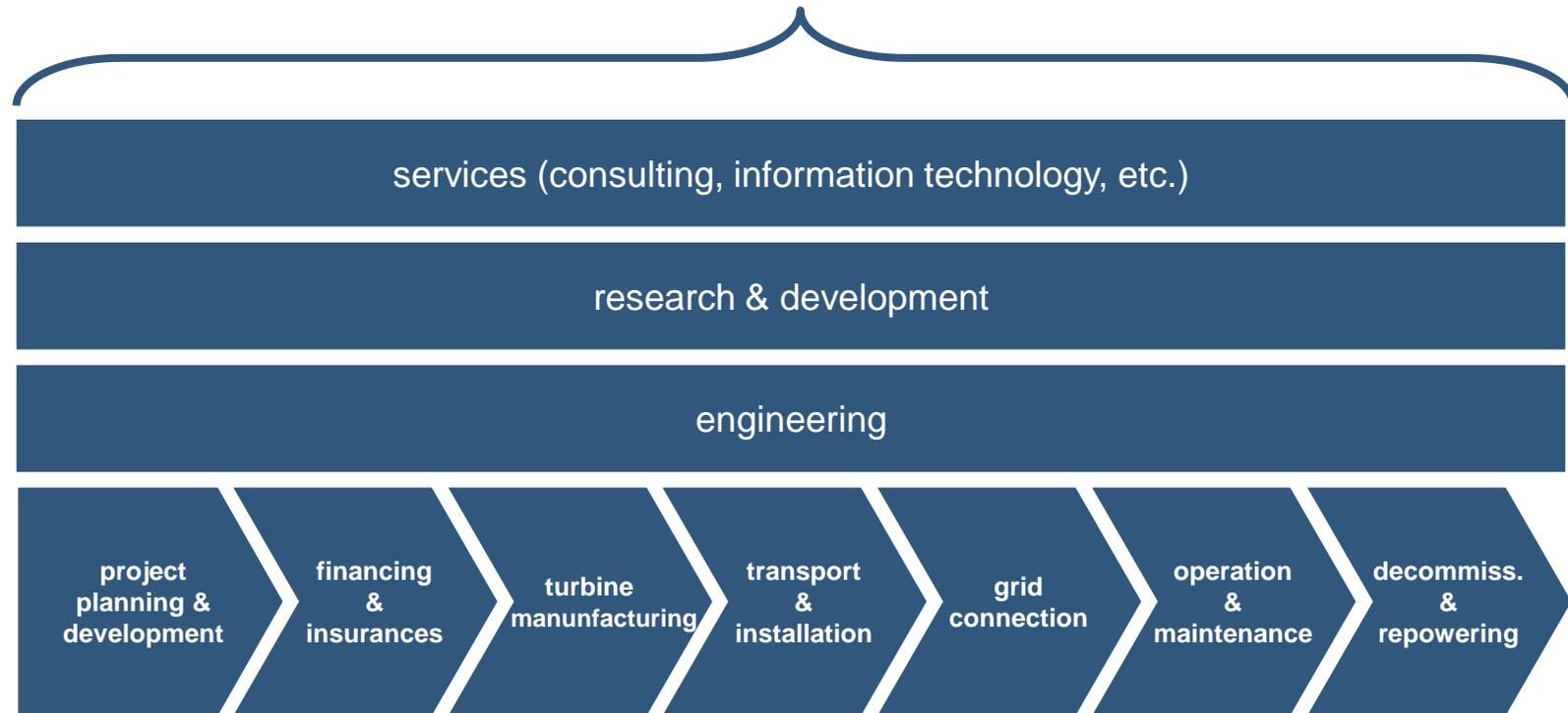
advocacy in energy policy and industrial policy

communicating for the offshore wind industry



strong partnership between OWIA, and politics and economy

OWIA's member companies covering the whole value chain



The German Experience?

There is none... except two pilot-auctions for ground-mounted photovoltaics. But their results are hardly applicable for any other generation technology.

What we do have, are desired outcomes:

- competition
- cost-reduction
- quantity control

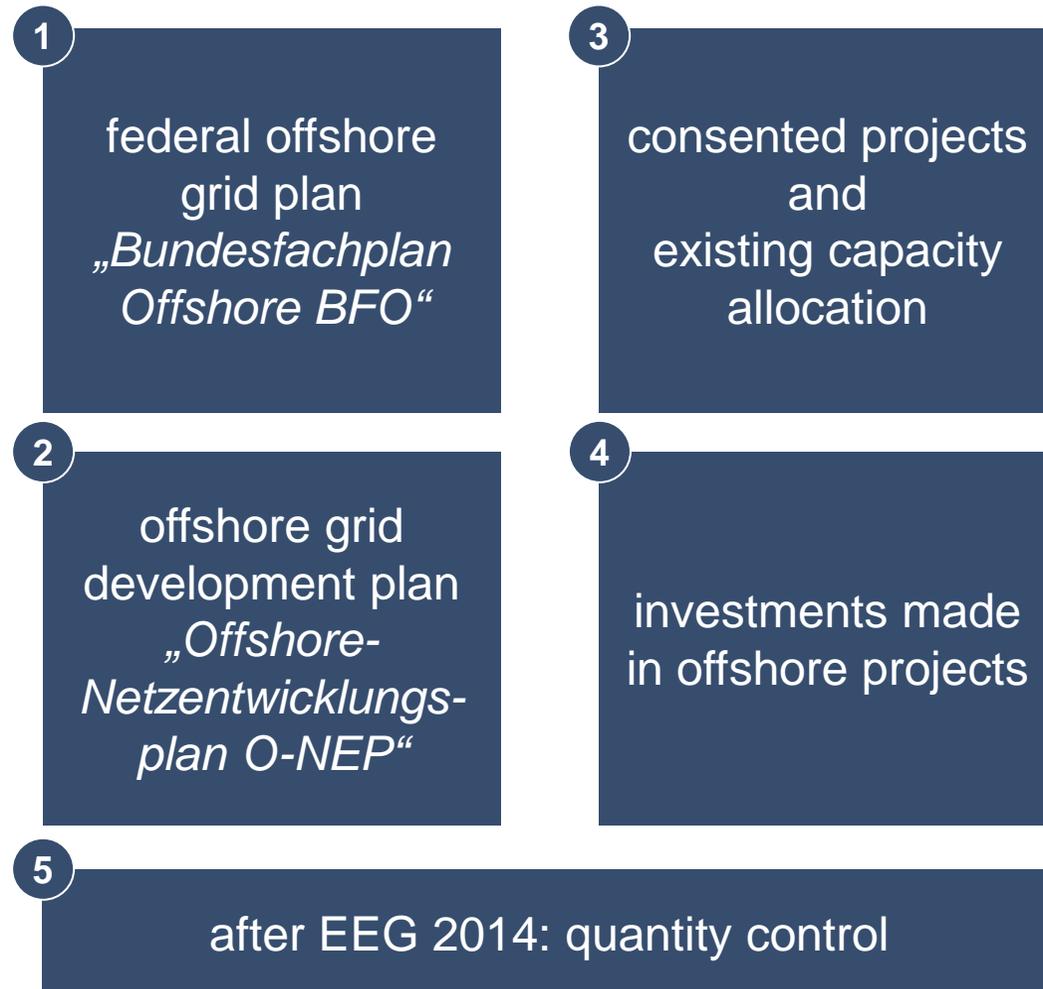
... and foreseeable risks:

- breach of confidence
- legal risks
- market monopolisation
- centralised authority not in place by the time needed

False friends: The Danish model and „dänisches Modell“



The German situation: Path dependency



Overview: Possible tendering models in Germany

Three tendering models developed in a study undertaken by Pöyry in 2014

- | 1a
Basecase | 1b
O-NEP+ | 2
Centralised model
<i>„Markt für Genehmigungen“</i> | 3
Grid connection for winning bidder |
|--|----------------------------|--|---|
| <ul style="list-style-type: none"> • Applicants with consented projects compete for generation capacity and network connection capacity • Accepted regulatory framework (e.g. O-NEP) • Participation is limited to projects in clusters, which hold free grid connection capacity at the time of tendering • Tenders can be called for on short notice before project realisation • The O-NEP grid expansion plan 2021 is more ambitious than the EEG expansion plan, resulting in competition between OWP in both same or different clusters • Specific for O-NEP+: Within the model „O-NEP+“ grid development is accelerated, hence at the start of a tendering phase there is more free capacity than planned in O-NEP | | <ul style="list-style-type: none"> • O-NEP remains in place as binding plan for grid development • Free access to tender for all competitors • Bidders have access to planning- and licensing-documents and are obligated to buy those in case of winning the tender • Competition for a location instead of between projects • After the allocation of all consented or developed projects existing today, incentives have to be created to initiate further project developments • Developers become service providers for a centralised authority | <ul style="list-style-type: none"> • Grid development follows order of successful projects in auction • Offshore wind power operators bid independently of the O-NEP • Grid development follows the expansion of generating capacity, respectively there constantly is sufficient grid connection capacity • Single windparks can initiate the construction of new connectors and new connections • Renumeration is planable, while – due to extremely long planning periods – there is high insecurity when it comes to project costs |



Main points in BMWi's *Eckpunktepapier**

- **Technology specific auctions**
 - De facto limited to onshore wind, offshore wind, ground- and roof-mounted PV >1MW
 - For offshore wind energy: in contrast to other technologies, a fundamental decision (centralised model vs. O-NEP+) still to be made prior to a more concrete and detailed design, but there is a clear preference
- **Short transition period: 3 years**
 - Single auction $3 \cdot 800\text{MW} = 2.4\text{GW}$ (minus „2015 surplus“) in the year 2016
- **Target model: centralised model**
 - For projects after 2023, first auctions 2019 or 2020
 - establishing central authority
- **Criteria for acceptance: lowest price**

Short formula for offshore wind: centralised model + 3 years transition period/single auction, price is decisive

OWIA defines four central criteria for a successful introduction of a tendering model

1. Generation of the best price through competition (cost reduction) and preservation of plurality of actors („*Akteursvielfalt*“)
2. Continuous development of offshore wind energy
3. Building and sustaining the industry by scale and export
4. Preventing an irreversible disruption: „*Fadenriss*“

**BMWi-suggestion means a double change of systems.
Change to the centralised model is irreversible.**

OWIA Position: Start with O-NEP+ and subsequently evaluate

1. In a starting phase from 2020, remuneration for offshore projects should be determined in a competition between developed projects
2. In a starting phase of 5 years, each year 900MW on average shall be auctioned in multiple auctions
3. In the case that more than 6.5GW will have been installed after 2020, there must be no fast „melting off“ of the surplus
4. Evaluation after two auction rounds whether a second system change (i.e. to the centralised model) is necessary
5. In order to keep up competition, accelerated grid development is a necessary precondition

The introduction of tenders for offshore wind from 2020 already is one significant change of systems! On top of that, establishing a centralised authority from scratch is a huge challenge.

Thank you for your attention!



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