

# Analysis of the first REER auction in Spain

January 2021



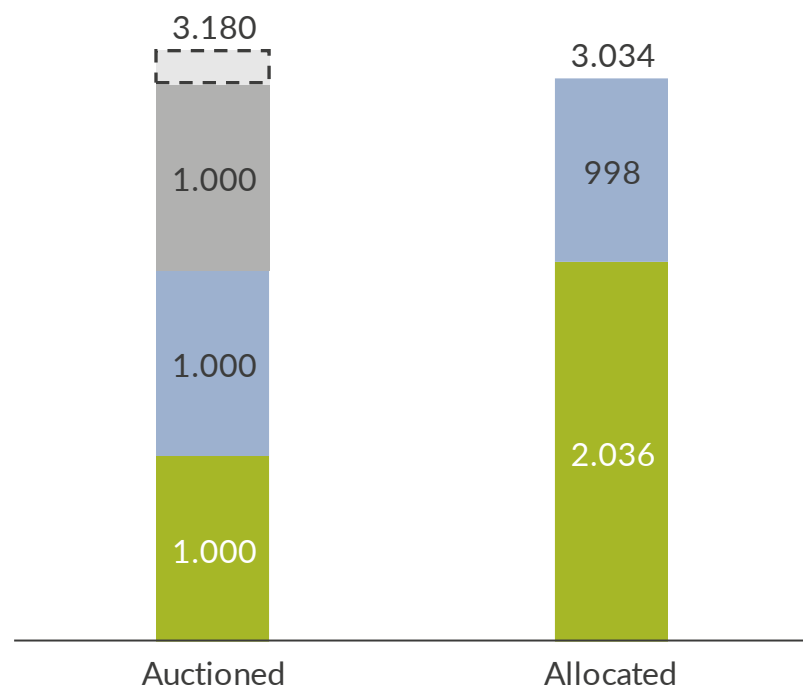
# The first REER auction has secured just over 3 GW of capacity, with solar PV entirely dominating the technology-neutral volume

Key outcomes from the first REER<sup>1</sup> auction in Spain

1

Solar PV took the 1GW of the technology-neutral capacity auctioned

Capacity auctioned and allocated by technology  
MW



2

The process has been highly competitive, with nearly 10 GW participating in the auction

Bidding agents	84
Number of bids	~1500
Awarded agents	34
Volume of bids	9700 MW
Ratio of participation <sup>2</sup>	3.23

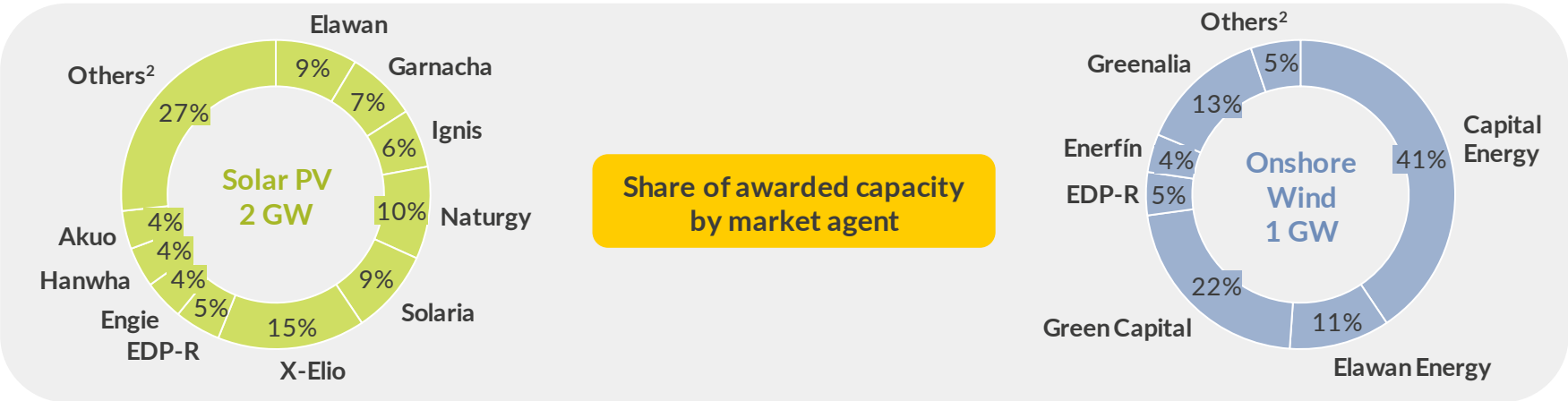
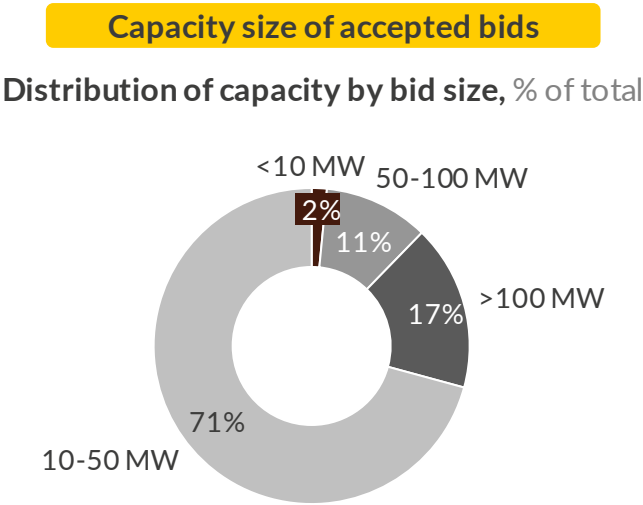
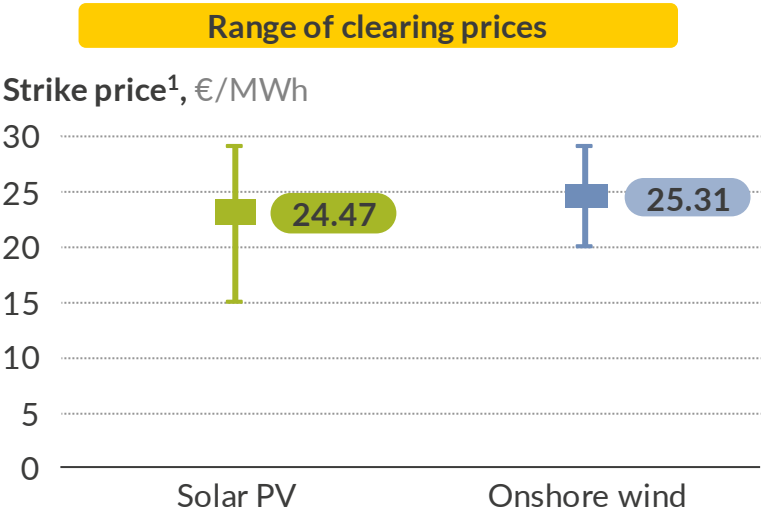
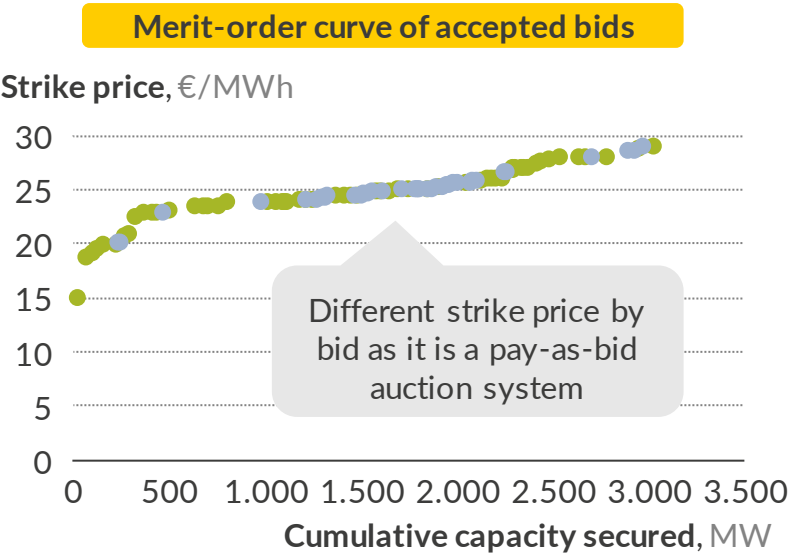
## Comments

- On the 26<sup>th</sup> of January, the first auction of the REER<sup>1</sup> scheme was held, following the parameters established by [Order TED/1161/2020](#)
- The auction was heavily oversubscribed, with 10 GW participating against an auctioned volume of 3 GW
- The awarded bids will receive a 12-year contract that guarantees a fixed remuneration per unit of generation, although with a small adjustment based on the market price
- Projects awarded with a contract will have to hit the next process milestones in order to keep their deposit of 60 €/kW, with solar projects expected to be fully commissioned by Feb-2023 and onshore wind by Feb-2024

 Exceedance margin  Technology neutral  Onshore wind  Solar PV

1) Régimen Económico de Energía Renovable. 2) Defined as the volume of bids divided by the capacity auctioned without considering the exceedance margin.

# Despite a higher contracted volume for solar PV, the awarded bids from onshore wind are equally competitive



● Solar PV ● Onshore wind

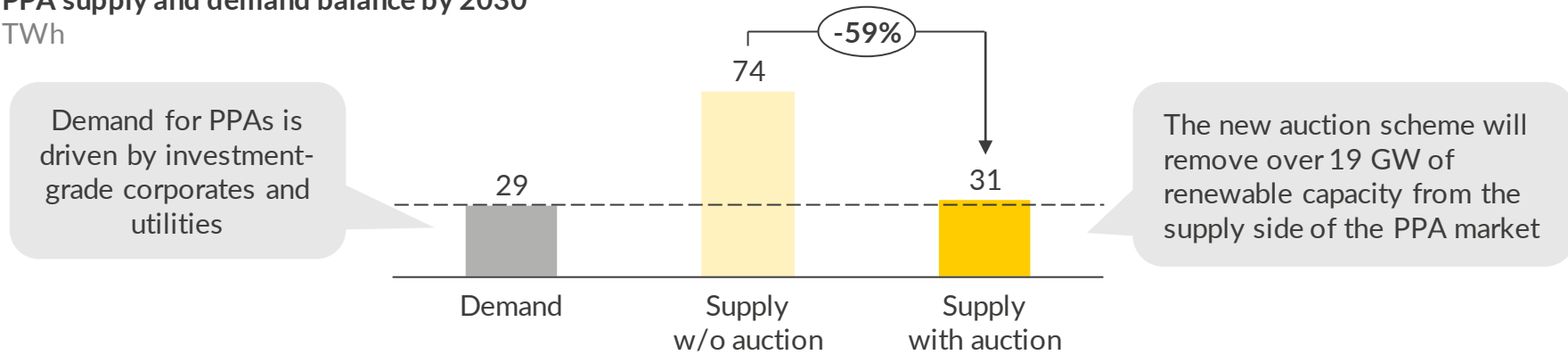
1) The chart shows bottom and top prices, as well as the capacity weighted average price by technology. 2) Includes agents with shares up to 4% of the total awarded capacity.

# The effect of the auction prices on the PPA market will depend on the expected demand/supply balance in the market

## 1 Renewables coming in through the REER auctions reduce the likely oversupply in the PPA market...

### PPA supply and demand balance by 2030

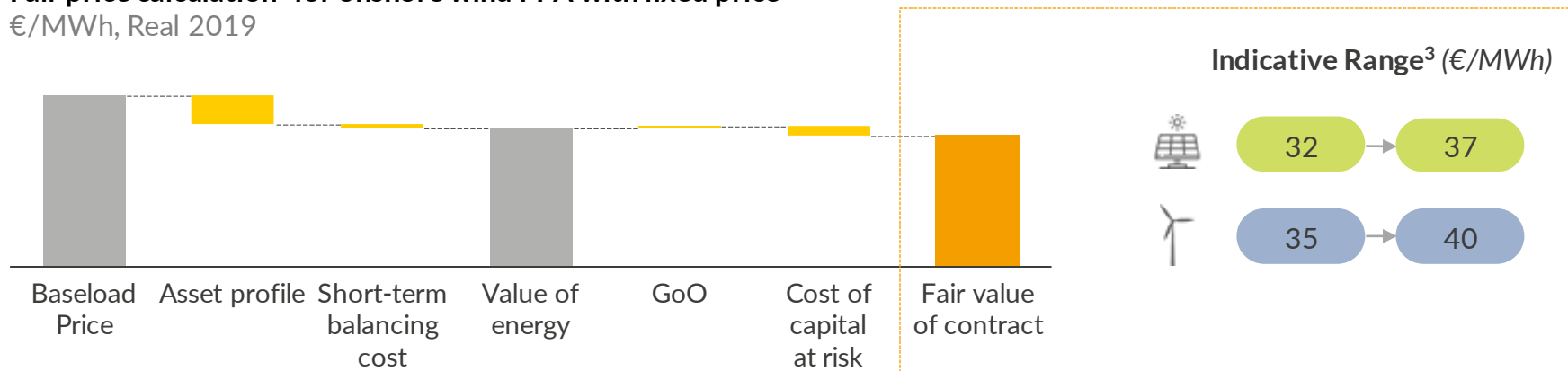
TWh



## 2 ... With a more balanced PPA market, PPAs prices are more likely to reflect a “fair value”, which Aurora estimates to be significantly higher than the average awarded price in the auctions

### Fair price calculation<sup>1</sup> for onshore wind PPA with fixed price

€/MWh, Real 2019



### Comments

- Without the auctions, the supply of PPAs would significantly outstrip PPA demand (mainly from corporates and utilities)
- The auction is expected to remove over 19 GW (or 44 TWh) of renewable capacity from the supply side of PPA,<sup>2</sup> balancing the market
- With a more balanced market, PPAs can be priced at their “fair value” – which Aurora expects to be in the range of 32 – 40 €/MWh
- These prices are significantly higher than the auction clearing price as we forecast market prices to rise due to higher commodity prices

1) Based on Aurora's methodology, assuming a 10-year, fixed price, pay-as-produced contract, and an investment-grade counterparty 2) Bilateral contracts are not allowed under the new REER scheme. 3) Further differences between auction prices and PPAs also reflect the risk profile of offtakers, with some corporate PPAs seen as more risky than a government contract

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