CfD AR#2 – A prediction

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As most of you reading this post will know, the window for participants in the second CfD auction to submit their sealed bids is open until Friday (the 18th of August). As the time has dragged on since the application window in spring this year, with delays caused by eligibility appeals, it appears that sentiment about the strike prices achievable is hardening around some pretty low numbers. In spring I was cautious about how much capacity could be delivered from the £290m budget, but now I'm coming to think that something remarkable might occur: all the offshore capacity that is applying could be awarded a CfD.

The logic goes like this. There would appear to be three offshore wind projects that are in the running: Triton Knoll, Hornsea 2 and Moray Firth. The other consented sites in Scotland have been caught up in the RSPB challenge that has caused Neart na Goithe so much grief (and which appears not to be quite over yet). The Forewind consortium developing Dogger Bank have also only just sorted out their plan for enduring ownership of the four consented sites within the zone. And there are no other commercial scale consented sites. So these three projects are the field.

The consented capacities of the projects are 900MW, 1,800MW and 1,118MW respectively, for a total capacity of 3,616MW. My spreadsheet scenario has two tranches of capacity of equal size, both with three equal phases but with one having its first Target Commissioning Date in 2021/22 and the other with its first TCD in 2022/23. In this, with a clearing price of £70/MWh and TCDs set towards the end of the year, 3,600MW of capacity is achievable. Note also that the rules around phasing dictate that the maximum size of a single project is 1,500MW, with three phases of 500MW each – so Dong can't bid the whole of Hornsea 2 in this round, even if they could build a project of that gargantuan size in one construction programme – I think that would be a step too far, even for the Danish wizards.

So, if the strike price bids are in the region of £70/MWh, Hornsea 2 is limited to a maximum of 1,500MW, and everyone plays the game smartly, then all three projects will get a CfD with over 3GW of capacity coming forward. And while I was nervous before about predicting such an outcome, now I will state that I believe this will be the result on 11 September.

There. I've said it out loud now. I shall be posting about the contract awards come September and giving myself marks out of ten for accuracy.