Regulating wind farms in future offshore grids
Market and regulatory framework conditions

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Agenda

Regulatory framework challenges

- Wind farms at meshed offshore grids
  - EU legislation, bidding zones, congestion and residual transmission capacity
  - Pricing rules?

Main future challenges?
Regulating future offshore grids

Currently, offshore wind parks in Europe are single-country approaches

Future **meshed** offshore grids will interconnect wind parks and countries

- Market access
- Pricing rules
- Support scheme for RES

Research Question
How should production in offshore grids be regulated in terms of
EU legislation

- **Priority Access** and **Priority Dispatch** for RES-E as per RES Directive (Directive 2009/28/E)

- **Congestion Management Guidelines** as per the 3th Energy Package legislation
  - electricity should flow between price or bidding zones according to price differences.
  - cross-border flows should not be reduced to solve a country’s internal congestion
Bidding zones

- **Home country / Fixed bidding zone**: Wind farm treated as any other trader in zone A
- **Primary access / Floating bidding zone**: May choose its bidding zone
- **Offshore hub / Own bidding zone**: Bidding zone separated from zone A and B
Home country / Fixed bidding zone

- "Domiciled" in bidding zone A - Treated as any other trader in zone A
- RES support only in home country
- Limited cross-country cooperation
- Residual inter-connector capacities dispatched by TSO

Country A

Border

Country B

Recommended by NSCOGI (North Seas Countries’ Offshore Grid Initiative)
Fixed bidding zone and congestion

- **Flow from A to B**
- **Flow from B to A** → Congestion

Priority leads to reduction in day-ahead interconnection capacity = residual capacity = 800 MW
Pricing rules and congestion compensation

- Lower price in high price zone \((/ \div)\) Higher price in low price zone
- Only residual transmission capacity is dispatched
  - Compensation to low price country? Of 200 MW or ???
  - Always the lower price? The high price zone buys all capacity from low price zone?

- Who should pay? Subsidy to wind in order to displace conventional emitting power - not to increase export
Market access & Pricing rules: Option 2

2) Primary access

- Floating bidding zone
- Wind park can choose its bidding zone
- Production is integrated into the most attractive of the neighbouring countries
- RES support in all countries
- Residual interconnector capacities dispatched by TSO

Wind park's viewpoint:
**Increased value of wind park.**
Higher income from choosing the highest price at any time.
3) Offshore hub

- Production of wind park forms its own market area
- No market choice for the wind park
- Joint RES support for the new market area
- All interconnector capacities dispatched by TSO
Discussion: future challenges

Regulatory re-thinking

- Wind farms at meshed offshore grids
- Bidding zones, congestion and residual transmission capacity
- Pricing rules? Support and burden sharing

Market Design:
- From passive to active dynamic generation / market actors. Value of ancillary services
Thank you for your interest

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Questions?
Regulatory framework challenges

Market integration and flexibility
From passive to active dynamic generation / market actors

- Act to negative prices at the spot market (day-ahead)
  - Case: Change in market design from 2009: negative prices at NordPool
  - Close down of wind turbines in hours with negative prices = saved costs

- Active at the balancing markets
  Close down of wind = down regulation

😊 **Case Denmark**: New wind turbines get a Feed In Premium in certain full load hours (depending on size). When down-regulation, the not "used" full load hour with support can be used later.

😊 **Case Denmark**: Some existing off-shore tenders have no incitements for WTs to be active in down-regulation.

😊 One (Anholt) doesn't receive FIT when negative prices.
Managing **Negative** Spot Prices

Managing **Negative** balancing Prices

Case: Downward regulation  –  9 August  2014
Last year with active participation of wind turbines in ancillary service

Activations where negative regulating prices are below -50 DKK/MWh.

- 25 times
- 51 hours
Last year with active participation of wind turbines in Day Ahead market.

Protection against negative spot prices 17. August 2014.

- Day Ahead trading resulted in negative spot prices
- Wind production was expected at high level
- Wind production considerably lower than expected
- Wind turbines were used actively and did not stop at all.