

## THE POLISH RENEWABLE ELECTRICITY MARKET REPORT



February 2007 Edition

**Pöyry Energy Consulting, established experts in the European energy markets, have recently completed an update to our Polish renewable electricity market study.**

This new February 2007 edition contains a **detailed explanation of the operation of the Green Certificate system**, together with an analysis of this young market's development to date and its prospects for the future. It also presents **price projections for the wholesale electricity market in Poland** and investigates the key issues that are likely to affect the market in future.

The report discusses the **development of the wholesale electricity market** in Poland, outlining some of the key trends that have been emerging over recent years. These include the liberalisation process, changes in regulation, and interconnection.

We also examine the effects of environmental legislation—particularly the EU's Emissions Trading Scheme and the Large Combustion Plants Directive.

These are likely to have a significant effect on the Polish electricity market because of coal's dominance of the generation mix.

The report describes how **we simulate wholesale prices** in the market and how we project the fundamental drivers of price in order to develop our scenarios for future electricity prices.

The report looks at three underlying scenarios:

- a high scenario, where strong demand growth, high fuel prices, and a high carbon price under the EU ETS sustain a high electricity price during the period modelled;
- a central scenario, where a less aggressive growth in demand, combined with our central projections for fuel and carbon

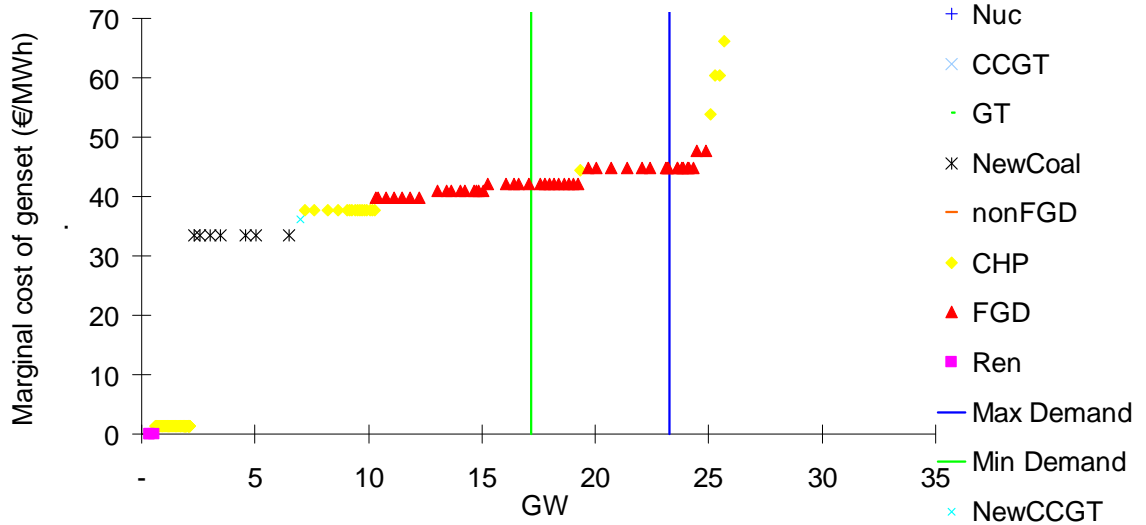
prices result in a central price for electricity; and

- a low scenario where moderate demand growth, low fuel prices, and a weak carbon price result in a low electricity price.

As well as the underlying wholesale electricity price, the report examines the other stream of revenue available to renewable generators, **the value of Green Certificates**.

The report uses Low, Central and High projections of the cost of developing onshore wind projects in Poland to project how much of the Green Certificates' value a developer would need to realise in order to justify an investment in onshore wind.

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The figure above shows the merit order, together with minimum and maximum demand, for a modelled December business day in 2015.

Coal, oil and gas price projections are explained, plant availabilities given, capacity growth in CHP, renewables and thermal plant reviewed and demand projections presented.

There are six scenario projections of electricity price, at the wholesale level, out to the year 2025.

The three main scenarios assume that generators incur, and pass through to consumers, a carbon cost determined by the EU ETS. The other three scenarios are 'without carbon'.

We comment on **what each of these scenarios means for the profile of prices** through the year. We also present the spark spread projections that result from our wholesale electricity and gas price projections.

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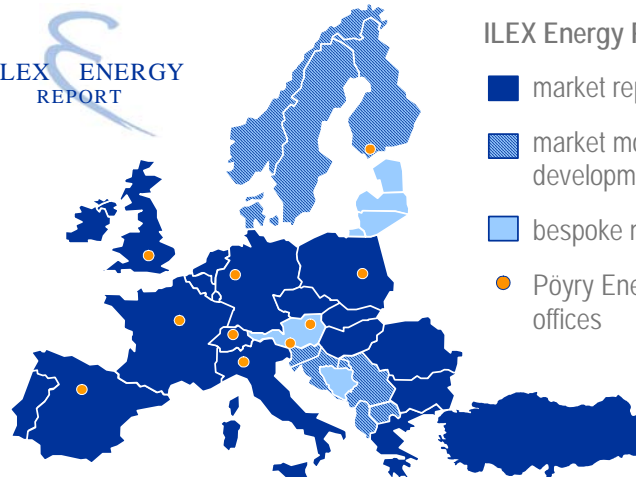
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