

PQ Energy downsizes German power plant projects to fit tender

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LONDON (ICIS)--PQ Energy has downsized its Gundelfingen and Griesheim gas-fired power plant projects in Germany to 300MW each to bring them in line with planned tender rules for grid stabilisation facilities.

Previously, the Griesheim project had been planned to be around 500MW and the Gundelfingen up to 1.2GW.

Based on the planned rules, projects of up to 300MW can participate when transmission system operators (TSOs) tender 1.2GW of capacity in southern Germany that should help stabilise the grid from 1 October 2022 to 30 September 2027, with an optional extension up to 2032. The capacity cannot sell power on the market.

Germany already [has a network reserve](#) of power plants that stabilise the grid. It consists of large thermal plants whose applications to close down have been denied as they are necessary for grid stability.

German TSOs were recently allowed to establish new grid stabilisation plants because the network reserve and other stabilisation means could become insufficient by 2022, when the country completes its nuclear phase-out.

The nuclear phase-out is exaggerating supply-demand imbalances between southern Germany and northern regions, where the country's growing wind power capacity is located. Germany considers transmission grid expansion a long-term solution to the north-south imbalances, but [these plans have been delayed](#) .

Tender delayed

Based on legal changes made last year after talks with the European Commission, the TSOs will establish the new grid stabilisation facilities based on a similar procedure used for setting up any other infrastructure, according to a spokesman for German regulator Bundesnetzagentur (BNetzA). This gives the TSOs more freedom compared to the initial legal framework approved in 2016.

The TSOs said in a market sounding paper they published in February that the tender is likely to start in April, but this is yet to happen.

A spokesman for TSO Amprion did not comment last week on tender timing. "We are still discussing some details with BNetzA," he said.

Creating the plan for tender details is taking longer than expected. The TSOs might make some changes to the plans they outlined in February based on feedback from plant developers and BNetzA.

PQ Energy proposed some amendments. For example in its view, the operators of reserve plants should not take the fuel price risk as the market sounding paper of the TSOs suggested.

"We expect the TSOs to start the tender process by the end of June," said Dominique Candrian, project development lead at PQ Energy.

Market conditions

Other companies with large German gas-fired power plants in the pipeline that eyed the tender may have also downsized their projects to participate. Alternatively, they might be waiting to see whether the projects could become profitable on the market. Germany's planned capacity reserve would not be a viable alternative for new plants as at its upcoming tenders, they would have to compete with existing ones.

German clean spark spreads have been on an upward trend over the past few years after falling to very low levels. They are a theoretical measure of gas-fired power generation that takes into account the cost of fuel and carbon emission allowances, but not investment expenses.

The German Cal '21 clean spark spread for gas plants with a high, 60% efficiency was at €2.18/MWh on Friday.

According to ICIS data, the largest German gas-fired plant to be commissioned up to 2020 is 300MW Lichterfelde, which also produces heat and replaces a larger plant that is closing. Several larger projects were put on hold a few years ago. *Laura Raus*