

Using Money To Transmit Electricity Through Space And Time

Whilst at Wessex Water to meet our green power aspirations, we looked at various wind energy schemes as a means of offsetting future power prices rises.

We found that the best sites were in Scotland but the costs of transmission outweighed any saving in overall power costs.

Therefore we looked at selling the power in Scotland and using the money to buy power in England and this worked financially.

The point being we didn't care where the power came from as long as we were paying less than otherwise and it was of a green origin – we could point to having invested money and caused the creating of green energy, whether or not we could be said to be using it.

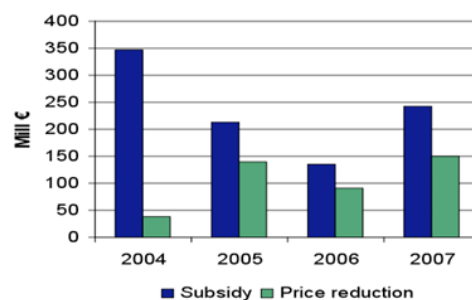
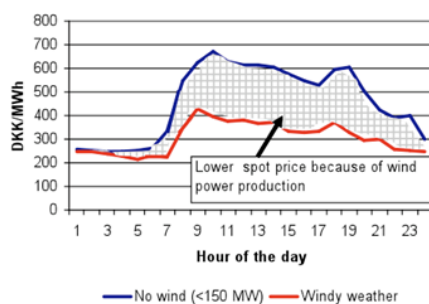
It seems to me that the same argument arises in Denmark's case – how much is exported and used elsewhere, or indeed re-imported at a later times is irrelevant – Denmark has secured a hedge against future power prices, and can be said to have caused the creation of assets to generate a given amount of green energy – it seems to me totally irrelevant whether or not the stuff gets used in Denmark – ultimately, it will be displacing marginal coal somewhere in Europe.

Regarding value, it may well be that the exported power does not realize the value the Danes may like – but as Jerome Guillet points out, the existence of wind energy, which has virtually a zero production cost, and therefore takes precedence, has forced the general level of prices down in Denmark.

Political & regulatory risk



Is understood and limited (2)



- Under market price setting mechanisms, wind power (which has zero marginal cost) brings wholesale prices down when it is available
- The overall effect (price reduction multiplied by the relevant volume) now brings savings to consumers in Denmark that are equivalent to the gross cost of feed-in tariffs, and significantly higher than the net subsidy.

(source: [The effect of wind power on spot market prices](#), Rune Moesgaard, Poul Erik Morthorst, EWEC 2008)