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SMART ENERGY

PPA opportunities and challenges in the region

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Market trends and PPA products

- Intensive investments in RES
- Increasing price and profile volatility
- Increasing number of new players on energy market that lack infrastructure or experience on power markets
- Increasing demand for longer tenor PPA (demand and production side)
- Increasing demand for flexibility services



New opportunities and challenges

- Increasing demand for PPA represent a huge opportunities for trading companies but also brings new challenges
- New market participants and investors requires new products that are often tailor-made
- Time required to conclude a PPA is very extensive and time consuming
- Demands and requirements are often non-realistic
- New investors are often unaware of the market risks
- Timing

New opportunities and challenges

- High volatility represents both challenges and opportunities for traders
- Demand for flexibility services and products will have a crucial role on the market in the future
- New market situations will require the involvement of all market participants
- Digitalisation and integration in the whole production and consumption chain will be required

Challenges arising from conclusion of long-term PPAs

- Concluding PPA with longer tenor represents a substantial challenge for a trading company
- No liquid market for products beyond 4 year horizon
- Stack and roll strategies can be costly and in and risky if not managed correctly
- Collaterals and price exposure

Trading companies needs to find alternatives for their hedging strategies:

- Finding synergies within their supply and/or production portfolio
- Connecting mPPA with cPPA for minimising risks

mPPA and Risk mitigation

- Having a mPPA with RES production in portfolio represents a substantial risk and needs to be managed correctly
- Risks deriving from managing a RES production:
 - Market risks:
 - Price volatility
 - Profile volatility
 - Performance risks
 - Operational risks (Balancing costs, etc.)
 - Regulatory risks
- Risks can be managed by different contractual models

Thank you for your attention