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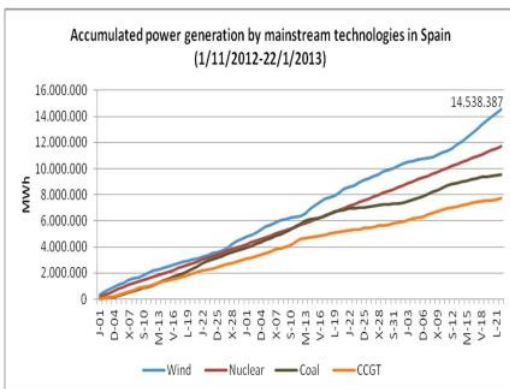
OPINION: Spain's capacity surge shows wind cuts prices

By Heikki Willstedt in Madrid Thursday, January 24 2013
Updated: Thursday, January 24 2013

How far has the Spanish wind industry come in the past decade and a half? Consider this comparison...

In the seven years from the first experimental wind farms in 1990 to the megawatt-size projects of 1997, wind power contributed 1.25 terawatt hours (TWh) of the country's electricity generation.

Fast-forward 15 years: in just four days in January this year, Spanish wind farms generated more than 1.23TWh, covering 39.8% of national consumption.



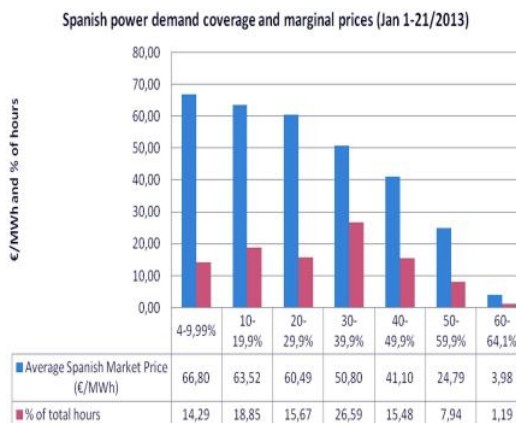
In the 83 days from 1 November last year to 22 January this year, wind was the biggest contributor to the Spanish power system, generating nearly 14.54TWh (see graph 1).

An analysis of wind's hourly contribution and average Spanish power-market prices in the first three weeks of January provides some illuminating results (see graph 2).

The effect is clear: when wind covered less than 10% of demand, the average market price average was €66.80 (\$88.50) per MWh (this was the case in 14.3% of the 504 hours analysed).

At the other end of the spectrum, when wind provided 50-60% of demand, which happened nearly 8% of the time, the market price dropped to €24.80/MWh.

During the 51.2% of the hours that wind met 30-40% of demand, the average price was €50.80 MWh; in the 48.8% of the time when wind produced less than 30%, the price was €60.50.



Still not convinced? Well, in the six hours that wind covered more than 60% of demand, the average market price was below €4MWh. A statistical anomaly, perhaps, but an interesting pointer to the future of Spanish energy.



This year, Spanish electricity generation installations have been hit by a new 7% tax, making the domestic power market more

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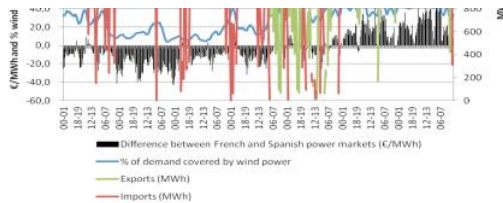
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