

U.K. Power Prices Soar Above £2,000 on Low Winds

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(Bloomberg) -- Some coal and gas power stations in Britain were paid double the price of exchange-traded electricity to help plug a gap left by a drop in wind generation on Monday.

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Two coal-fired units at Uniper SE's Ratcliffe station got more than 3,200 pounds (\$4,295) a megawatt-hour while four gas units received 3,500 pounds. Intraday power in the U.K. soared to 1,500 pounds for the half-hour to 6:30 p.m. on the Epex Spot exchange, with wind-power generation falling to the lowest level in 56 days. Prices for Monday were almost double the average day-ahead rate for this year.

Britain is set to end the use of coal within three years and make power generation free of fossil fuel by 2035. But for now it falls back on high-emission coal when wind drops or demand increases. Wind generation on Monday was meeting just 6% of total demand, National Grid data show, while gas contributed 55% and coal 2%.

It's Finally Getting Cold and Europe Doesn't Have Enough Gas

U.K. gas prices are more than three times higher than at the start of the year, as imports from Russia to Europe slowed, and periods with low wind will only increase dependence on the fuel. In the day-ahead power auction, the hourly contract rose to the second-highest on record while the average price for Monday was the highest since Sept. 14.

A strained power situation in the rest of Europe is also limiting export capacity to the U.K. French day-ahead power prices rose as a strike lowered output on Monday, while prices in Germany increased to the highest level since Oct. 6.

The strike has cut output from Electricite de France SA's generation fleet by about 2 gigawatts. That will reduce the amount of supply that can be exported to Britain along two key interconnectors. A limit on flows through the North Sea Link, that has been reduced to half capacity since Oct. 1, was extended to Thursday. The fault has delayed a ramp up to 1,050 megawatt that was planned for later this week.

The supply situation is expected to ease by Tuesday with U.K. prices dropping to 175 pounds a megawatt-hour as wind generation resumes.

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