

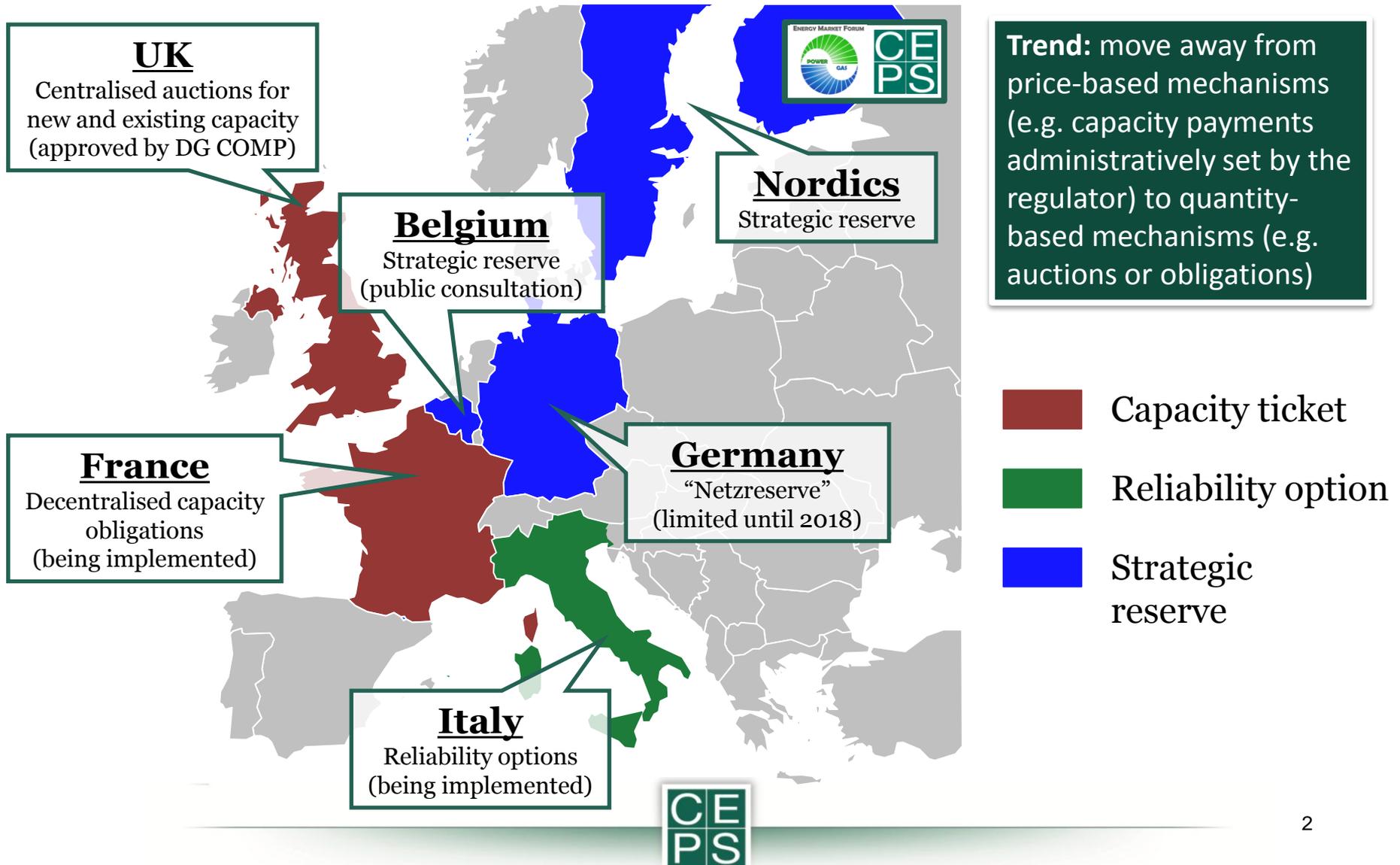


Recent EU development on capacity markets

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Capacity markets in the EU: Where do we stand?



Agenda

- Recent publications
 - Eurelectric: “A reference model for European capacity markets” (March 2015)
 - Pöyry: “Decentralised reliability options – securing energy markets” (March 2015)
- Cross-border cooperation & participation
- Timeline of the European Commission

Eurelectric study

Recommends one of the following models:

Capacity obligation certificates

- Decentralised system, obligation on suppliers
- Capacity needs of suppliers
 - ex-ante (before delivery period) vs. ex-post
 - Recommends ex-ante to provide adequate signal for new investments
- **Example: French model**

Capacity auctions

- Demand set by a centralised body
- Remunerates availability during scarcity time
- Penalty for non-availability during scarcity (e.g. triggered by price)
- **Example: UK model**

Subclass*: reliability options

- Penalty for non-availability based on market price
- Financial call option plus physical delivery commitment
- Non-delivery results into financial penalty
- **Example: Italian model**

* Classification of Eurelectric

Pöyry study

Recommends decentralised reliability options instead of “capacity tickets”

Decentr. reliability options

- Obligation on suppliers to procure reliability options
- Terms: subject to negotiation between buyer/seller of RO
- Administered penalties for under-procurement at critical periods

“Capacity tickets”

- Centralised auctions
- Decentralised capacity obligations
 - ⇔ Pöyry: higher risk of interfering with energy price signals

Cross-border cooperation & participation

- XB Cooperation
 - Pentalateral Generation Adequacy Assessment (5 March 2015)
 - Joint analysis of TSOs in AT, BE, FR, DE, LU, NL, CH
 - Important 1st step to overcome national solutions
- XB Participation
 - Implicit vs. explicit (interconnector or capacity provider?)
 - Delivery vs. availability (ex-ante xb transmission capacity reservation or not?)
 - Eurelectric:
 - Explicit + availability
 - Maximum xb contribution set by TSO
 - Batlle (2014)*:
 - Conditional nominations (to avoid ex-ante reservation)

* “National capacity mechanisms in the European Internal Energy Market : Opening the doors to neighbours”

Timeline of the European Commission



- Q4/2015
 - Communication on market design
- 2016
 - Legislative proposal on market design
- 2016/2017
 - Renewable Energy legislative package
- Updated state aid guidelines (post-2020)