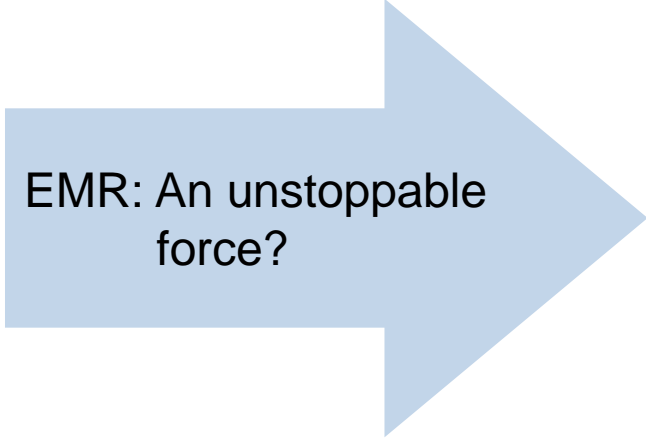


# Capacity Markets and Balancing in the EU context


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EPRG Spring Seminar  
17 May 2013

# What happens when...?



EMR: An unstoppable force?





- > High degree of planned investment
- > National focus on security of supply
- > Ambivalence about role of traded (MWh) market (e.g. regulated PPAs)



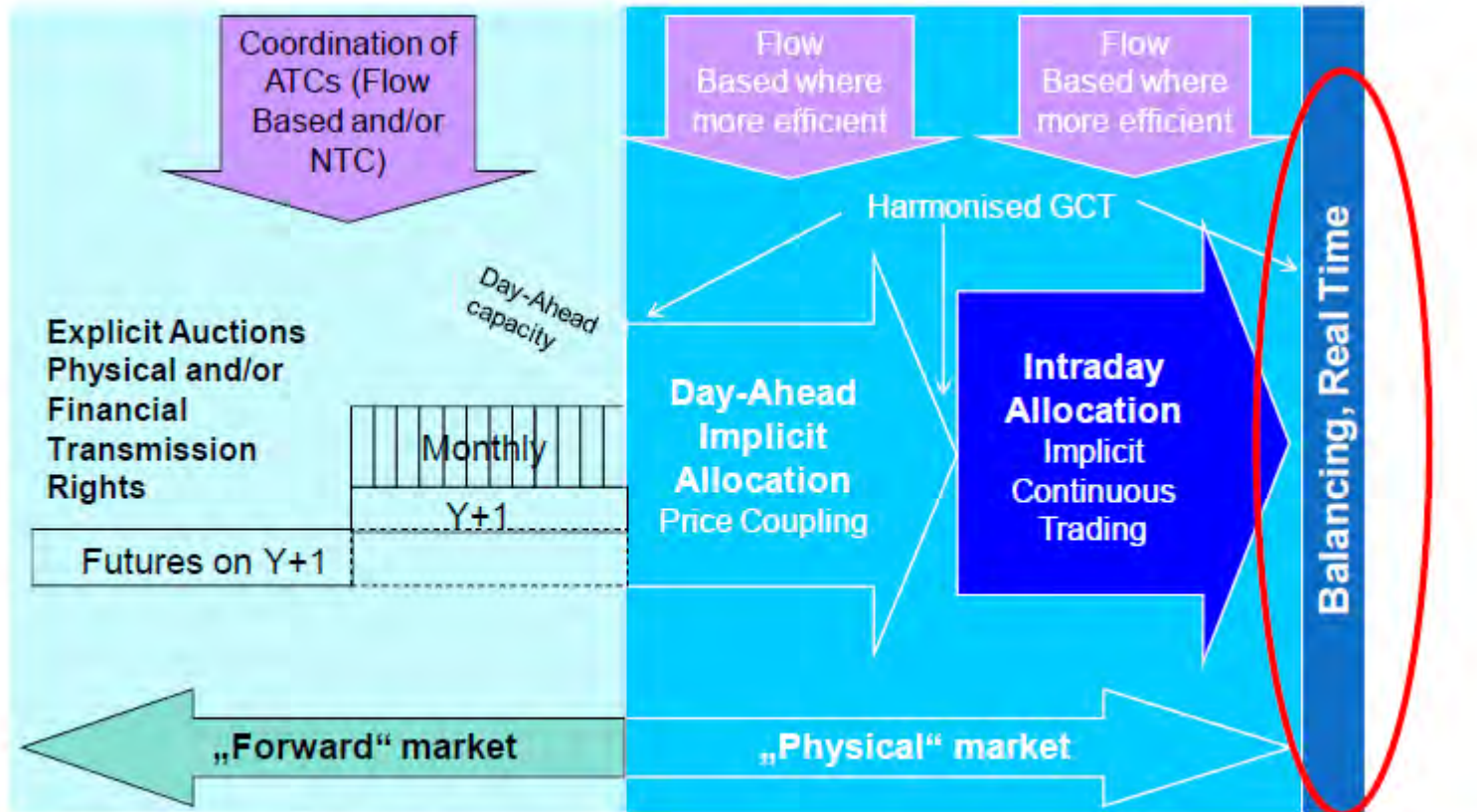
European internal electricity market:  
An immovable object?

- > Efficient cross border traded market
- > Cost savings through sharing of generation resources
- > Market coupling based on the energy (MWh) market a central feature

# The key market network codes and their objectives

	2013	2014
<b>CACM</b>		Day ahead market coupling and single EU intraday platform
<b>Forward capacity allocation</b>		Amount of capacity, single allocation platform, firmness regime
<b>Load frequency control</b>		Definition of forward products. Sharing and exchange of reserve across border.
<b>Electricity Balancing</b>		Single EU Pool of balancing energy. Common imbalance settlement rules.

# Aiming to achieve the target model

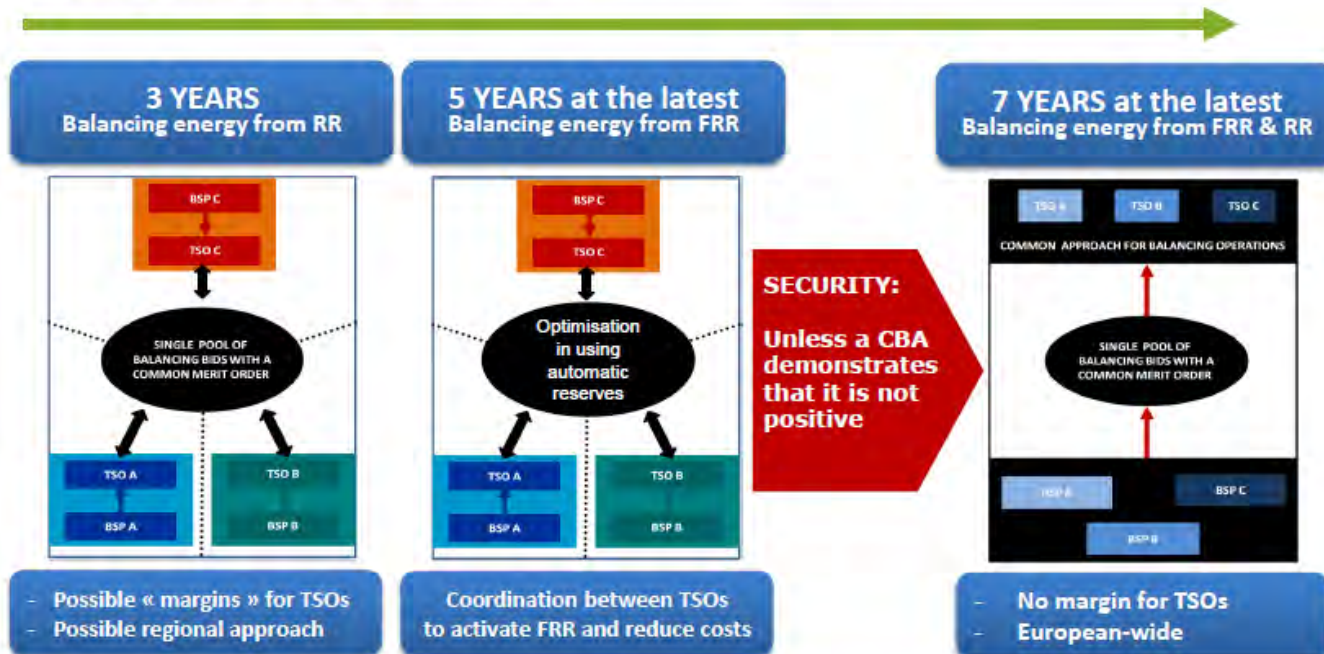


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# Objectives for the Balancing Code

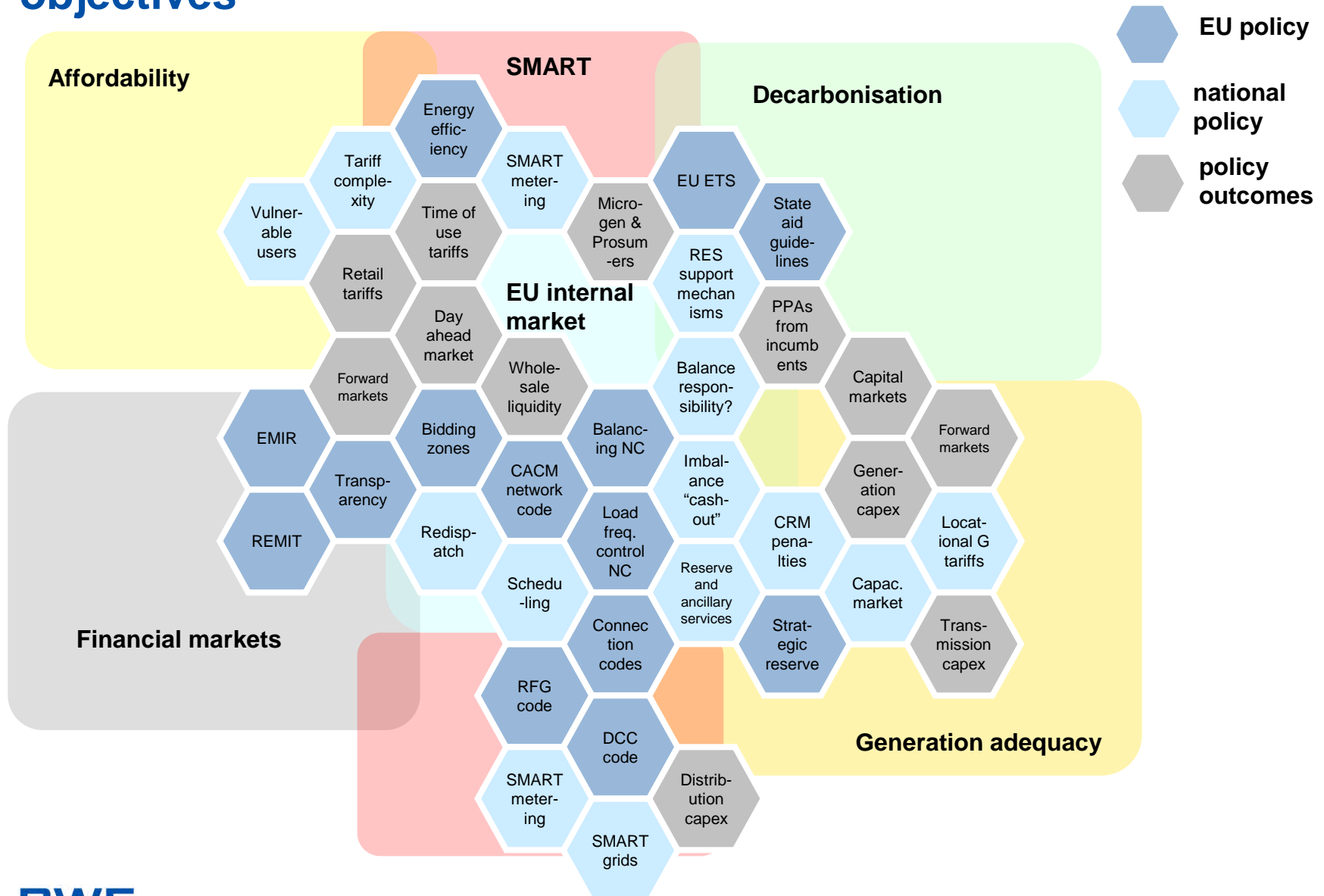
## Framework Guidelines

### THE PROPOSED ROADMAP

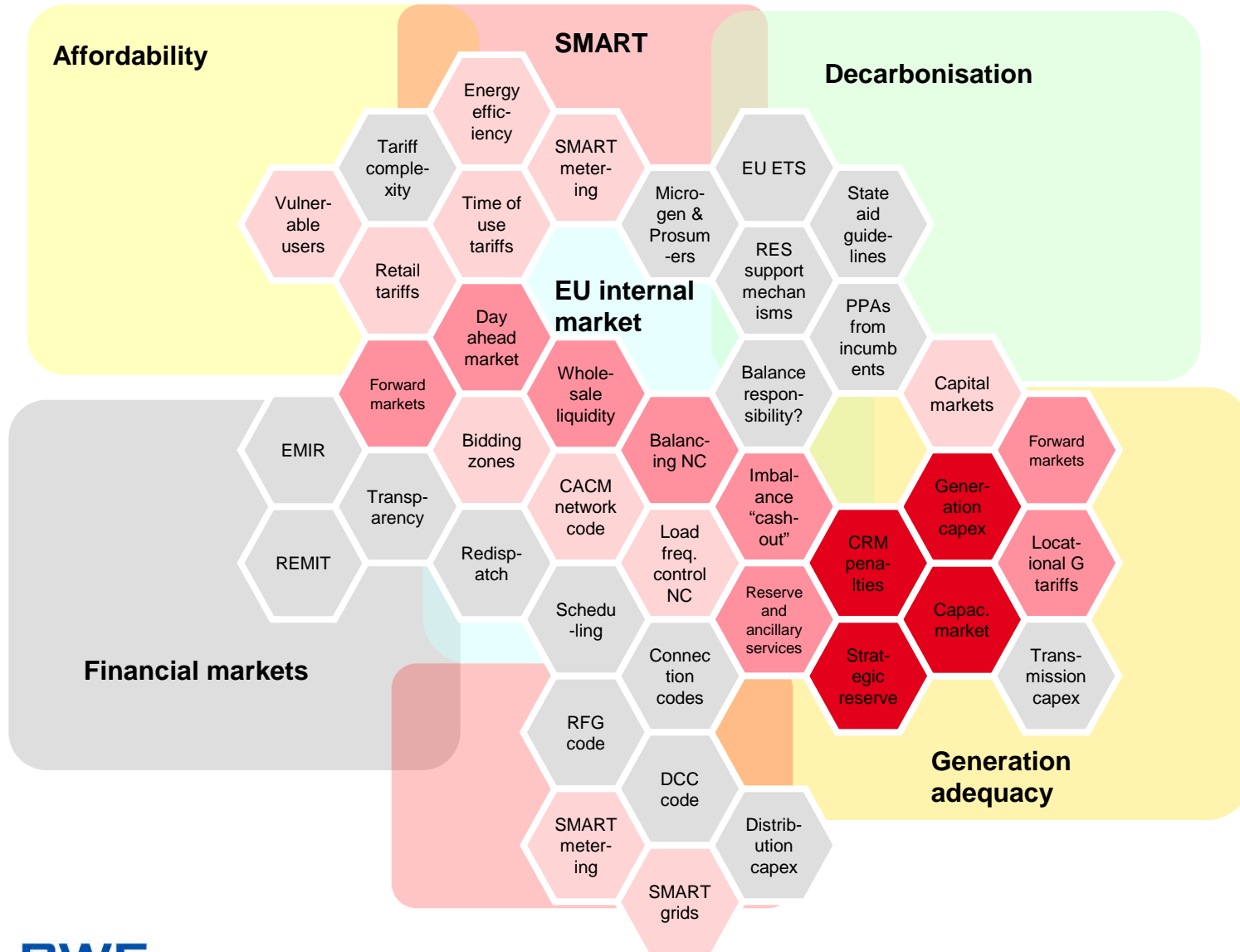


**Presentation of Draft FG on Electricity Balancing, 29.5.2012**

# What we are up against: the complicated map of policy objectives



# Interventions have significant knock on effects on the rest of the matrix



## Central tasks of market mechanisms

- > Formation of prices so that supply and demand balance
- > Allocation of fixed and variable costs
- > Organisation of risk management activity, forward trading and the maintenance of spare capacity and storage possibilities
- > Provision of incentives for efficient investment decisions



# National CRMs will affect investment decisions

=> NEW  
INVESTMENT

**Energy delivered model: new  
investment preferred**

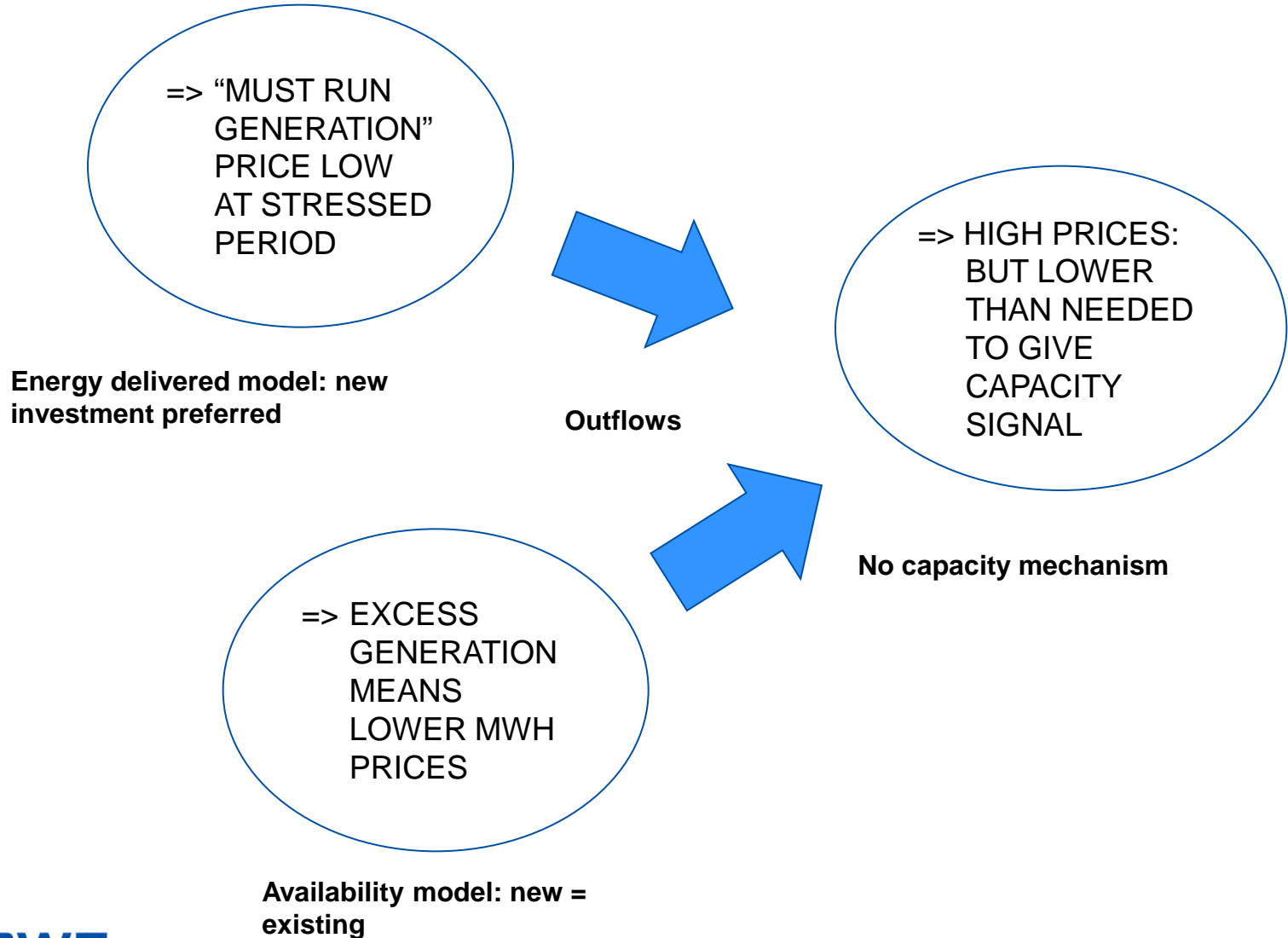
=> CLOSURE

**No capacity mechanism**

=> MAINTAIN  
EXISTING

**Availability model: new =  
existing**

# National CRMs will affect dispatch decisions, especially at times of high demand / system stress



## GB proposed mechanism could have up to four “price” signals (£/MWh) at peak\stressed periods

- > The actual energy price
- > Implied benefit from triad reduction
- > Avoided energy delivered penalties if not generating at the “stressed periods”
- > Recovery of capacity payments on the basis of peak demand of retail portfolio

## Conclusions

- > The EU is already starting to look closely at national CRM proposals
  - internal market reasons
  - from the state aid perspective
  - non-tariff barriers?
  - to ensure consumers are not overcharged
  
- > This does not mean that they will be blocked, but some changes or conditions are probable
  
- > There may be guidelines\guidance to encourage more harmonisation