

Elia 'ad hoc' WG 'RES'

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PREREQUISITES FOR A WELL FUNCTIONING CRM



PRELIMINARY REQUIREMENTS CRM

- **CRM's must not be used as a remedy for inadequate power market design/implementation**, but should be considered as complementary to energy only markets



Improvement of existing power markets design/implementation must be considered as a preliminary requirement, e.g.:

- Removing regulated electricity prices in supply markets (except social tariffs)
 - Strengthening transmission capacity
 - Favour price responsiveness of demand
 - Establishing and integrating intra-day markets
 - Integration of regional balancing systems
 - Avoiding regulatory or administrative measures which unduly distort wholesale market outcomes , e.g.
 - abolish price caps (or setting them high enough) in order to allow the creation of sufficiently “scarcity rent”
 - free exit out of the power system for unprofitable units
- **RES & CO2 objectives should not be addressed by a CRM, but by other dedicated mechanisms**



KEY FUNDAMENTAL REQUIREMENTS CRM (I)

- Ensure **long term revenue stability** for generators (stable source of revenues during sufficiently long contract period) to recover investment costs, while:
 - the industry is characterized by boom and bust cycles
 - the share of intermittent RES generation (need for standby capacity) is increasing
 - (residual) electricity demand is decreasing
- **Coordinate/harmonize between interconnected regions**
 - Ultimately a single system
 - Most sustainable solution avoiding market distortions that ultimately lead to security of supply issues



KEY FUNDAMENTAL REQUIREMENTS CRM (II)

- Install a **market wide system** (including existing and new units)
 - Stimulating lifetime extension of existing units can be more cost effective than stimulating new capacity
 - Including existing units avoids remuneration of new units for their full lifetime (after a certain period a new unit becomes an existing unit)
 - Avoid a CRM exclusively for new capacity : this type of “out-of-market” capacity participating in the energy-only market, will lead to market destruction (“slippery slope”)
 - No discrimination between capacity able to meet the same system requirements
 - No discrimination between operators (local incumbents/new entrants)
- Offer an **attractive, stable and predictable political/regulatory framework** fostering investment confidence
- **Avoid competition distortions on supply markets** in the pass through of the CRM cost to the final customers



OFF SHORE SUPPORT MECHANISM FEEDBACK ON ELIA PROPOSAL



LONG TERM (POST 2020)

- **ETS should become main driver** for RES investments
- Most RES technologies should be competitive by 2020
- If needed:
 - Non binding indicative targets for RES
 - Investment related support (MWe, and not MWh) for non mature technologies via market based mechanisms, e.g. tenders (less overhead and less market distortion)

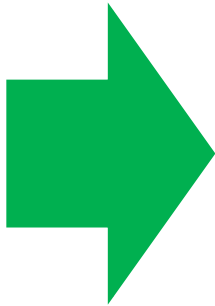


No longer output related green certificates



SHORT TERM

- Green certificates for a **predetermined output** (and not during a fixed period of time)



Advantages

- No need for an upscale like in Elia proposal; as a consequence an appropriate support for generators (possible negative impact on cash flow)
- No volume risk for generators
- More flexible dispatch of RES (ancillary services, price signals, ...)
- Compensation for RES curtailment does not longer need to include value of missed certificates



MEMBERS

