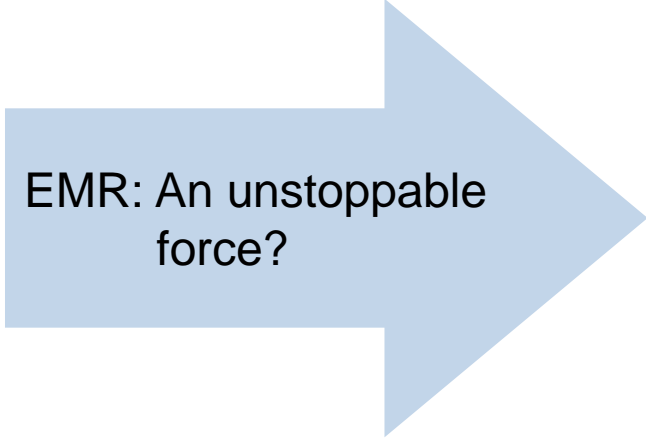


Capacity Markets and Balancing in the EU context


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EPRG Spring Seminar
17 May 2013

What happens when...?



EMR: An unstoppable force?


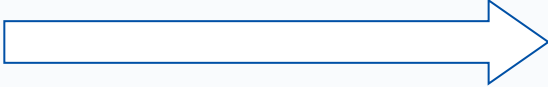


- > High degree of planned investment
- > National focus on security of supply
- > Ambivalence about role of traded (MWh) market (e.g. regulated PPAs)



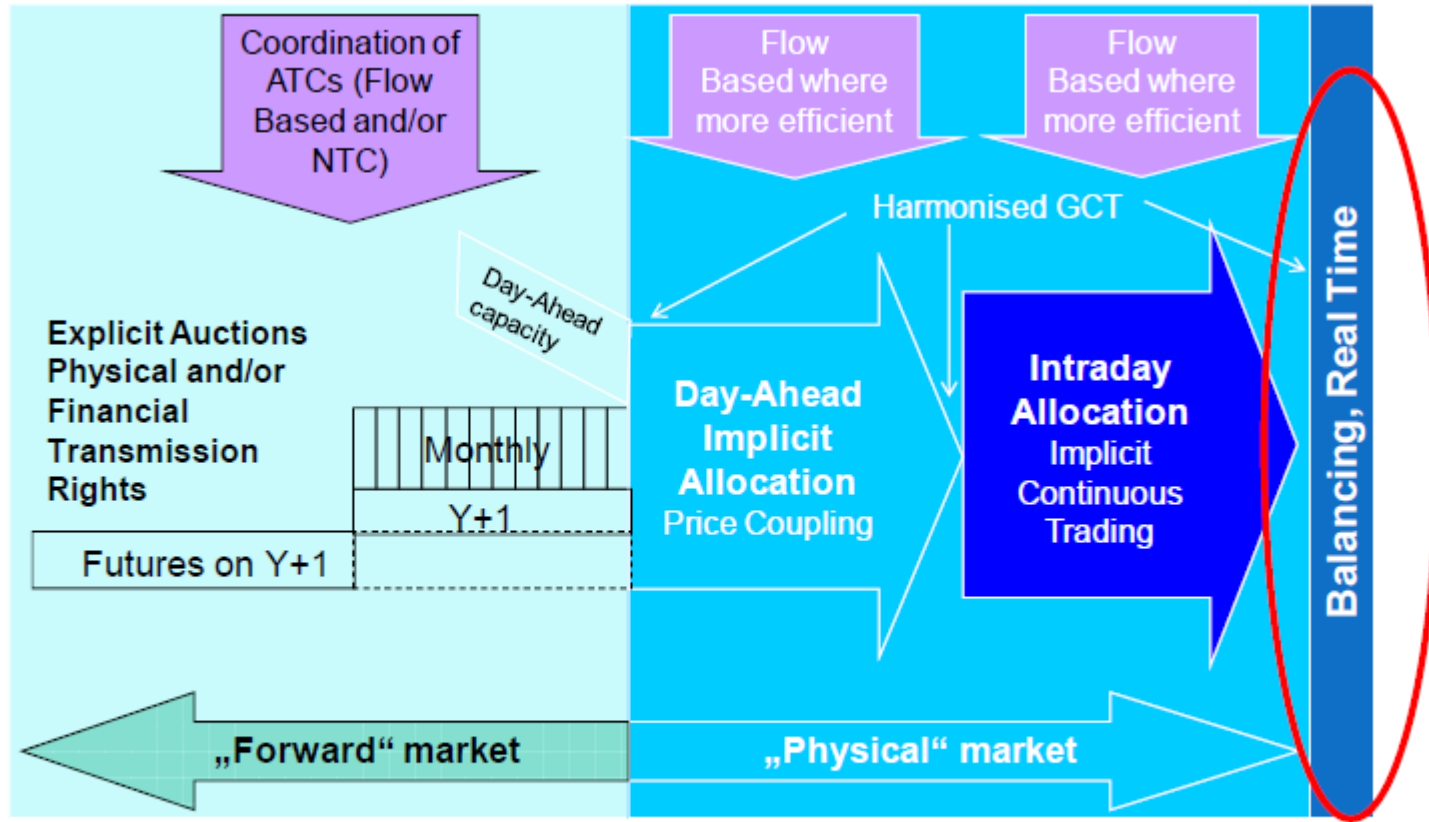
European internal electricity market:
An immovable object?

- > 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

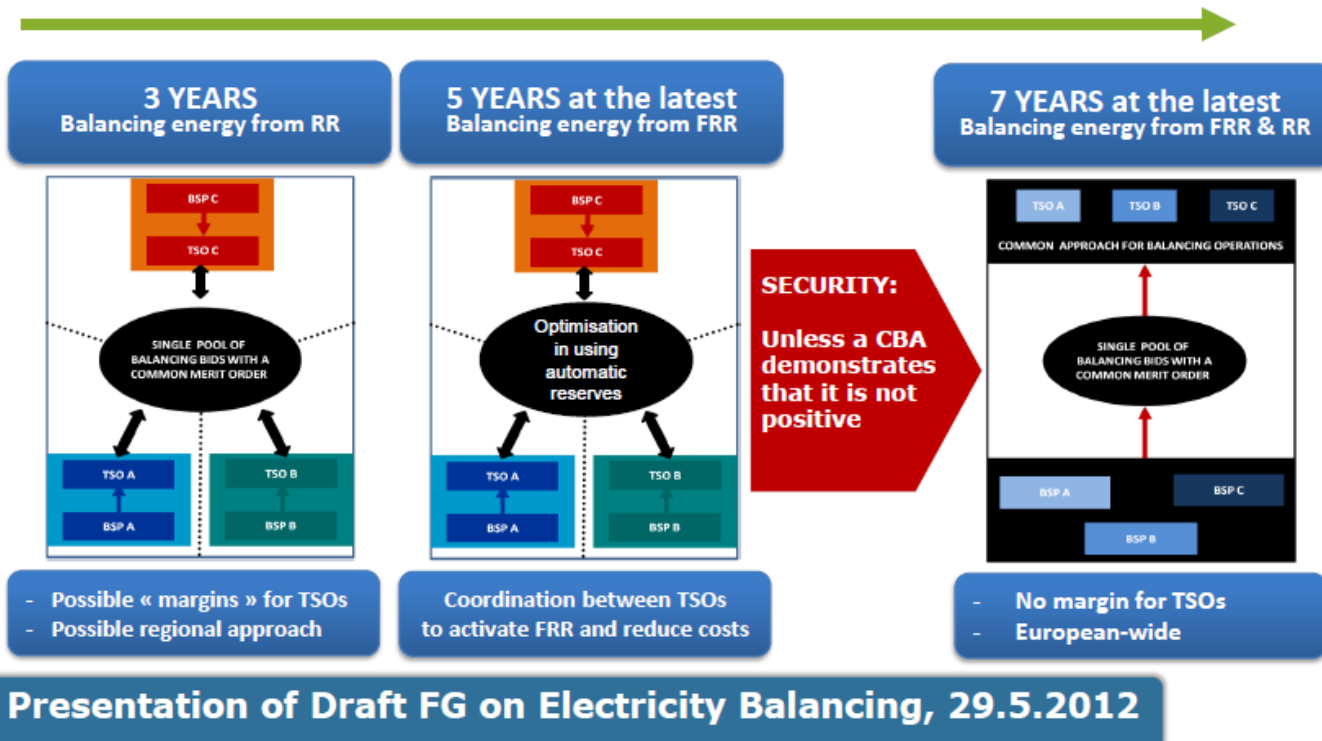
	2013	2014
CACM		Day ahead market coupling and single EU intraday platform
Forward capacity allocation		Amount of capacity, single allocation platform, firmness regime
Load frequency control		Definition of forward products. Sharing and exchange of reserve across border.
Electricity Balancing		Single EU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

Aiming to achieve the target model

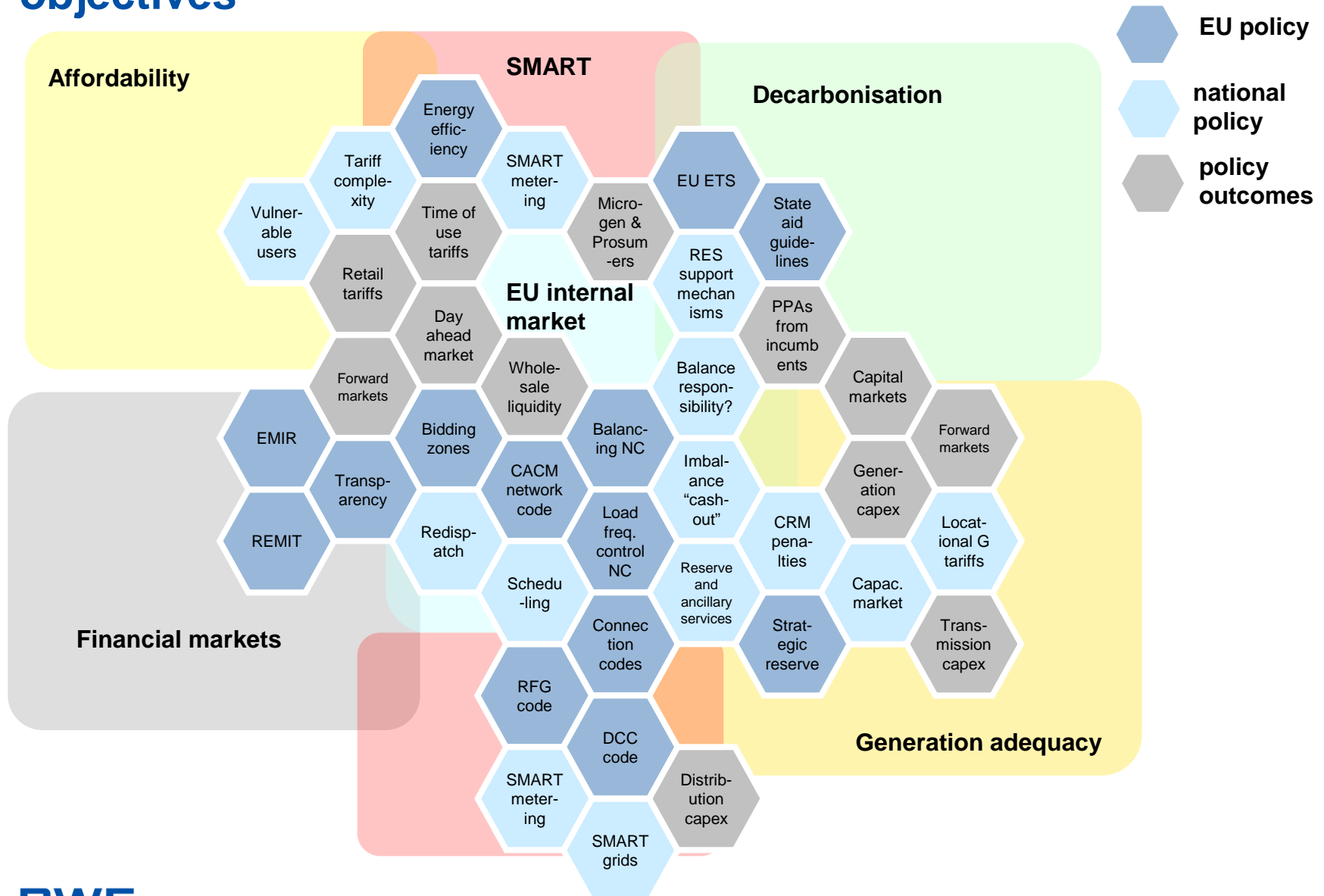


Objectives for the Balancing Code

Framework Guidelines THE PROPOSED ROADMAP



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



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**

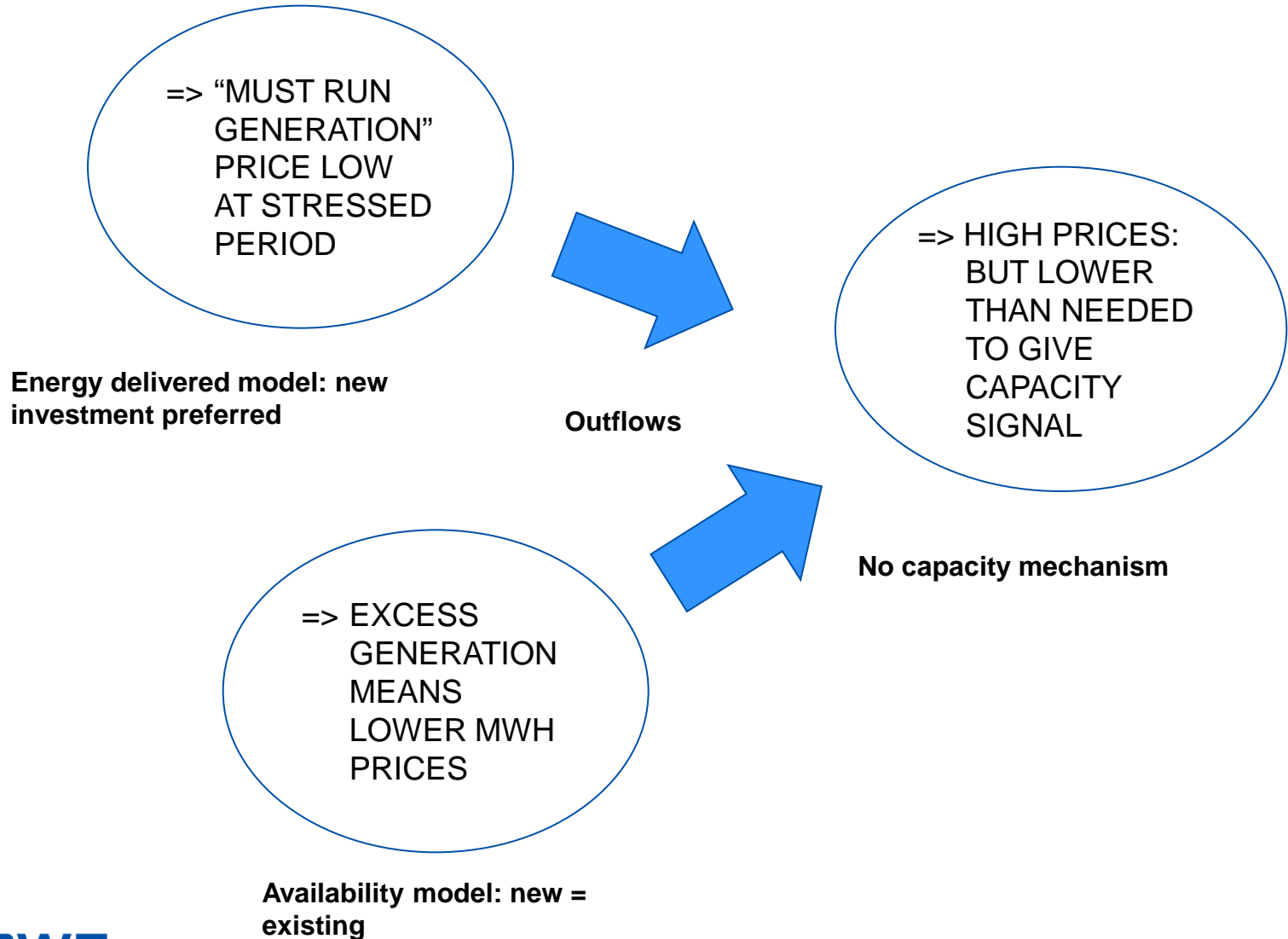
=> CLOSURE

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