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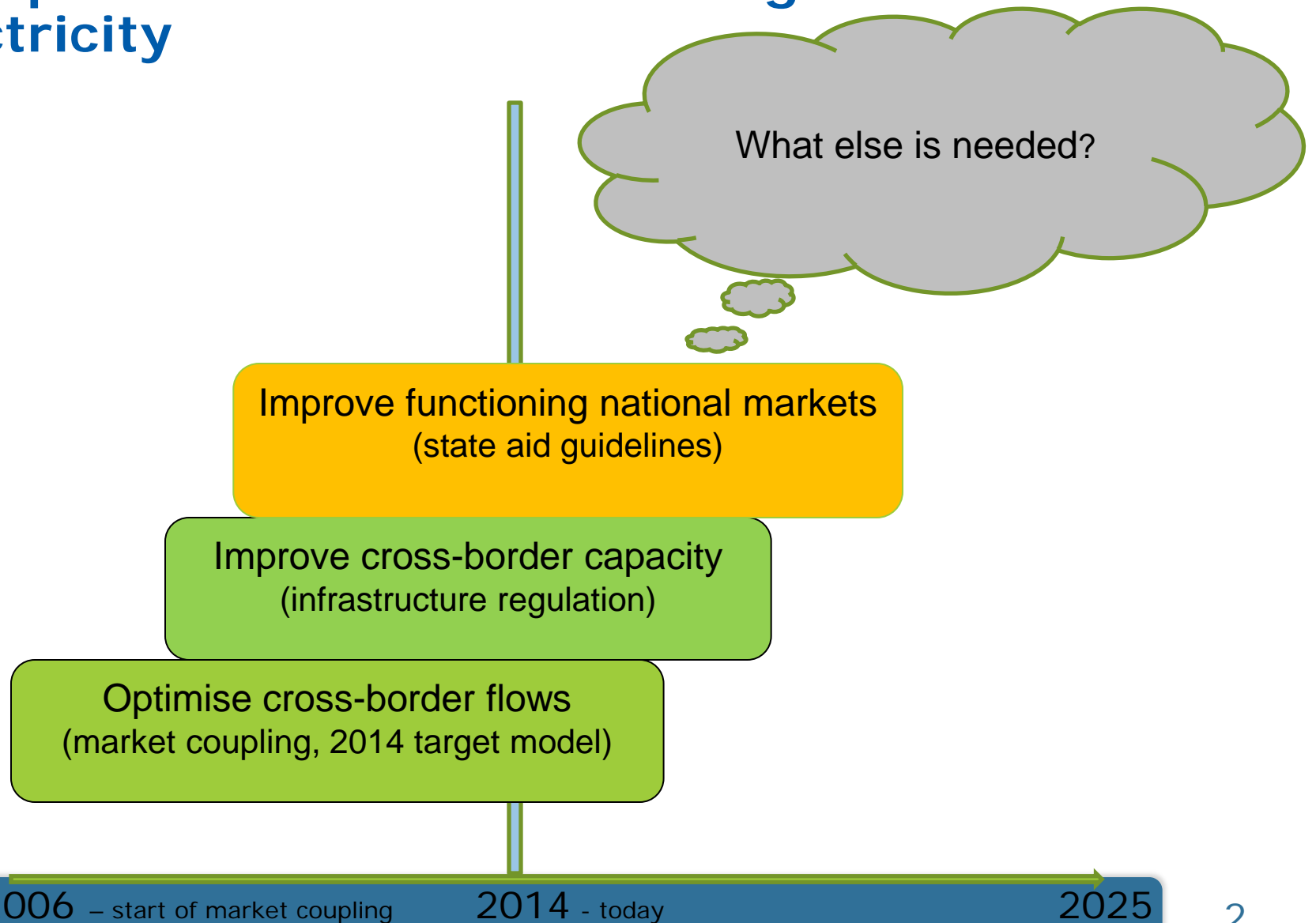
Agency for the Cooperation
of Energy Regulators

Key elements and interactions - electricity

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Recap: Foundations of the bridge for electricity



Outline of the bridge for electricity

What's happening?

- Market integration
- RES (not ETS)
- Policy interventions (eg CRMs)
- Infrastructure delays

What's needed?

- Implement Target model (esp intraday, balancing); Improve TSO coordination
- Further development (eg balancing, DSR, capacity calc, market-based prices)
- Implement state aid principles (RES support, CRM)
- Permitting improvements; Smart regulation

What should we do?

- Support EC on NCs; Press early implementation; Support coordination centres; Regulate EU entities
- Enhance balancing target model; Framework for DSR
- Proactive advice on policy interventions
- Assess investment incentives and output-based regulation

1. Electricity Wholesale Market trends

A. Integration of wholesale markets

Effective network code implementation:

Driving coordinated cross-zonal capacity calculation, forward-capacity allocation, day-ahead and intra-day market coupling etc.

Benefits of cross-border trade and more interconnection:

- Enhanced competition
- Shared reserve capacity and balancing services maximising efficient use of resources

1. Electricity Wholesale Market trends

B. Renewables growth

Maintaining frequency and voltage levels will become a bigger challenge due to volatility of renewables generation:

- More flexible tools will be required, such as fast-reaction balancing services or congestion management services
- Greater coordination between TSOs and between TSOs and DSOs will be needed
- Gas-fired electricity generation plants may play a greater role

1. Electricity Wholesale Market trends

C. Policy interventions to ensure adequacy

Policy will need to support the adequacy of generation-demand balance and allow

- For capacity remuneration mechanisms (CRMs) that don't distort the European wholesale market
- Pricing of flexibility, which supports price discovery for products that can be rapidly activated and provides efficient price signals for investments in new flexible capacity
- Balancing arrangements to sufficiently incentivise flexibility

2. Regulatory Impacts

A. An integrated electricity market across the continent

Immediate focus is the rapid implementation of the Electricity Target Model (ETM).

Regulators will continue to assess where improvements can be made.

2. Regulatory Impacts

B. Continued development of electricity wholesale markets

Going forward key priorities for Regulators in shaping market arrangements are:

- Promoting a system where all parties are balance responsible
- Ensuring that generation and demand compete in a non-discriminatory manner
- Further work towards a European balancing market
- Optimisation of capacity calculation methodologies to establish link between commercial and physical congestions
- Promote the visibility of the true value of electricity delivery

2. Regulatory Impacts

C. Intervention in electricity markets

NRAs are happy to support Member States and the European Commission in the preparation and assessment phase of non-market based solutions to help ensure distortions are avoided.

D. Improved coordination

NRAs are committed to cooperate with each other TSOs and other relevant players to facilitate the further integration of the internal energy market.

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Thank you for your attention!

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