

## ACER's answers to the questions posed by the audience during ACER's webinar on security of electricity supply in Europe

Following ACER's webinar on security of electricity supply in Europe, which took place on 11 October 2023, this document seeks to provide the answers to the questions posed by the audience and not addressed during the event.

The replies to the questions, including any views and opinions expressed, are those of the webinar organisers, and do not necessarily reflect the official position of ACER.

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Index	Question text	Answer
1	What is your view on the interaction between peak shaving products, flexibility support schemes and CEMs?	<p>The initial position of ACER in the matter was included in its reaction to the market design proposal, see <a href="https://www.acer.europa.eu/Media/News/Documents/ACER-CEER_Response_EC_PC_EMD.pdf">https://www.acer.europa.eu/Media/News/Documents/ACER-CEER_Response_EC_PC_EMD.pdf</a></p> <p>Going forward, there is a need to ensure that the multitude of mechanisms does not lead to over-procurement, e.g., by incorporating the contribution of the different mechanisms to security of supply in the corresponding adequacy assessments.</p>
2	How do cross-border participation [in capacity mechanisms] contracts work in periods when the neighbouring country is facing a possible security event at the same time?	<p>The methodology to calculate the Maximum Entry Capacity (Title 2 of the <a href="#">Technical specifications for cross-border participation in capacity mechanisms</a>) takes into account the probability of simultaneous scarcity.</p> <p>A capacity resource can participate in multiple capacity mechanisms. Title 5 of the Technical specifications sets out how availability of the capacity resource is determined in such cases.</p>
3	The Reliability Standard methodology is a simplistic model where VOLL is based on consumer surveys. Are consumers really able to assess all the externalities?	<p>Indeed, it can be difficult for consumers to determine their Value of Lost Load. However, the <a href="#">methodology</a> allows for the use of other methods together with the survey results.</p> <p>ACER is looking into the implementation of this methodology through a dedicated study to, among others, identify implementation challenges and good practices for a solid implementation.</p>
4	When looking at the variety of instruments: Isn't it necessary to acknowledge different targets the instruments aim at? Esp	<p>The report acknowledges that the different measures are put in place for different purposes and on different legal bases.</p> <p>While the report did not undergo a detailed analysis of individual measures, the report points to a general trend</p>

	resource vs transmission adequacy?	whereby an increasing number of measures that relate directly or indirectly to SoS are put in place outside the adequacy framework. This carries risks, e.g., of an uneven playing field among Member States and market participants, and of market fragmentation.
5	Can cross-border integration of capacity mechanisms happen without coordination of non-performance penalties?	<p>The current framework requires that non-performance penalties ensure non-discriminatory treatment of foreign and domestic capacity, within a given CM. However, the current framework does not foresee the harmonisation of non-performance penalties across CMs in different MSs. A potential problem might, indeed, occur when capacities participate in more than one CM. Title 5 of the <a href="#">Technical specifications for cross border participation in capacity mechanisms</a> provide further guidance on how to determine non-availability payments in this type of conditions so as to mitigate risks.</p> <p>Further harmonisation of penalties across MSs might have a number of benefits, but also challenges; in particular, it would require the further harmonisation of CMs beyond the current legal framework.</p>
6	How do you think the transmission grid will cope the whole amount of renewables facilities coming into the grid? new formulas or technical measures?	The integration of renewables is one of the EU priorities that requires a wide range of solutions. Among others, they include well-designed grid connection rules, ensuring operational security and ability of the system to respond to variability of weather-dependent resources.
7	Do you think we can move from mostly fossil-based capacity mechanism to 100% non-fossil capacity mechanism?	<p>With the Clean Energy Package, we observe a slow but gradual alignment of capacity mechanisms with the EU emission reduction goals.</p> <p>The extent to which CMs will increasingly rely on clean technologies depends among others on the capabilities offered by existing and emerging new technologies and on whether barriers to the participation of DSR and storage, where they exist, are removed.</p>
8	Are you at ACER and ENER still confident that without baseload generation like nuclear a secure and competitive supply of energy will be possible in the future?	<p>A secure and competitive supply of energy requires a variety of technologies. Increasingly, clean technologies can deliver services that were previously only delivered by conventional technologies.</p> <p>A future with a decreasing reliance on fuel-based technologies is a goal shared across Europe.</p>

9	Not sure I saw it in the paper, how does the report consider the repowering of thermal towards decarbonisation--the market signals and market design?	The report collects information on capacity mechanism participation and remuneration for different technologies, such as biogas and biomass and any other type such as CHP. Detailed information on the technology breakdown can be found in Figure 16 of the report and in the underlying data uploaded to ACER's <a href="#">CHEST</a> portal. So far, the report has not investigated the repowering of traditional thermal generation to become carbon neutral.
10	In relation to these new flexibility instruments, what should be the parameter to justify them? Security of supply? Renewable generation target?	The exact design of these instruments is still being considered. Broadly speaking, the instruments should address, in a cost-efficient way, the gaps that need to be overcome to reach policy goals.
11	On the accreditation methodology for capacity, which is a major point of contention in US markets - how can this be assessed fairly in capacity markets?	<p>This report did not analyse the eligibility and pre-qualification process for CMs.</p> <p>The Electricity Regulation sets some relevant CM design principles. Based on Article 22 of the Regulation, the selection of the providers shall be transparent, non-discriminatory and competitive. CMs should also be open to all resources able to provide the required technical performance, and the technical conditions shall be set out in advance of the selection process.</p> <p>In its periodic report on barriers to new entrants and smaller actors, ACER assesses the extent to which certain requirements, including on eligibility and pre-qualification, could restrict the participation of e.g. demand response. ACER's 2023 report on the matter will be published this year at <a href="https://www.acer.europa.eu/gas/market-monitoring/market%20monitoring%20report%20-%20early%20publications">https://www.acer.europa.eu/gas/market-monitoring/market%20monitoring%20report%20-%20early%20publications</a></p>
12	For Member States implementing emergency measures, why are they not forced to implement the existing provisions under the Regulation and Directive?	<p>Emergency measures adopted by Member States on the basis of Regulation (EU) 2022/1854 should comply with the provisions therein.</p> <p>As regards the Electricity Regulation (EU) 2019/943 and Electricity Directive (EU) 2019/944, ACER monitors the relevant provisions, considering the corresponding implementation periods. This includes monitoring the security of supply measures, showcased by the report presented at the webinar. See also the reply to question 11 regarding ACER's study on barriers for new entrants and smaller actors to participate in CMs.</p>

13	Is a technology neutral CRM not more a paper reality than a practical reality? aka isn't a CRM technology biased by design?	<p>We understand that technological neutrality is achievable, although in our view it is first important to understand the notion of technological neutrality in the context of the legal framework. According to the CM design principles listed in the Electricity Regulation (Article 22), CMs should be open to participation of all resources that are capable of providing the required technical performance. The selection of the capacity shall be performed in a competitive manner. Hence, the selection of providers of the service under a CM is the result of a combination of elements, including the technical requirements (defined on the basis of a need), emission limits and the economics of the technologies.</p> <p>ACER monitors, in particular, the participation of demand response and storage in capacity mechanisms.</p>
14	In PL when test dispatch <100% for DSR - 100% remuneration for quarter is lost and TSO only might dispatch again. Is it fine level which is expected from ACER?	<p>The report did not analyse the qualification and remuneration process in capacity mechanisms. In order to fully understand this question, more information would be necessary.</p>
15	CRMs have negative externalities on neighbouring zones. Do you think that explicit cross-border participation does really address this, given that most revenues are captured by interconnectors?	<p>If “explicit” refers to “direct cross-border participation of foreign resources”, it should be noted that interconnectors only capture revenues in some CMs. The Electricity Regulations envisages that interconnectors could only capture revenues as capacity providers until the end of 2022.</p> <p>The report did not analyse the negative externalities potentially caused by CMs vis-à-vis cross-border participation.</p>
16	it is expected that Best New Entrant methodology needs to change to facilitate the changes to capacity markets as expected, to signal entry for low carbon tech?	<p>The methodology explicitly requires that low carbon technologies like renewables, demand response and storage are taken into consideration in the calculations of the cost of new entry (or best entry capacity). The same techno-economic parameters of all technologies should be considered, so that the actual costs for the service required (availability of capacity) are properly reflected. Hence, the methodology can also account for the entry of low carbon technologies.</p>
17	Flexibility important. But 3 weeks of cold spell covering Half of EU. It needs firm generation. Where should it come from? Can hydrogen do it?	<p>A priori, adequacy studies consider a variety of climate situations including the probability and challenges of cold spells. Extreme situations and related measures are dealt with in the risk-preparedness framework.</p> <p>Currently, it is not ACER's role to foresee the specific technologies that will back-up intermittent generation. A variety of solutions will be needed, with hydrogen-based</p>

		solutions being one option among several.
<b>18</b>	What about strategical role of the electricity supply? Should it be totally market based? Would Ukraine survive military attack if supplied 100% from RES?	<p>Even where markets and systems function well and are well interconnected, the risk of an electricity crisis can never be excluded. And in a context of interlinked electricity markets and systems, risk management cannot be a purely national task. The risk-preparedness regulation provides the framework to prevent and mitigate those risks.</p> <p>An adequate share of dispatchable technology, of different kinds, will always be needed to ensure security of supply.</p>