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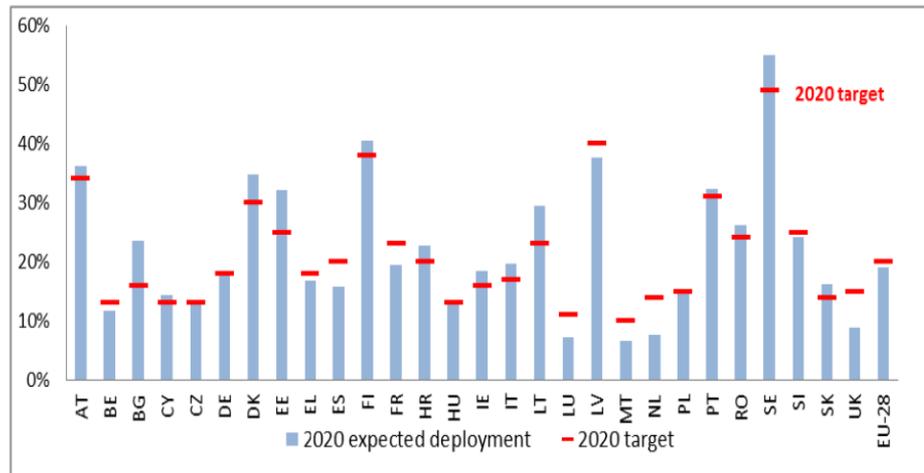
**Key support elements of RES in Europe:
moving towards market integration**

Fostering energy markets,
empowering **consumers**.

Yvonne Finger
Brussels, 26 January 2016

RES: A key part of the present energy market...

- National RES support schemes have been successful in driving RES deployment; **20% objective for 2020 is likely to be reached**



- **Main support schemes' features to date:**
 - ▶ National in scope;
 - ▶ Support levels mainly determined administratively;
 - ▶ Mainly based on Feed-in Tariffs; and with
 - ▶ RES producers shielded from market price signals (produce & forget)



... and a major part of the future energy market

EEAG 2014-2020

- **National support schemes have to adapt to new EEAG**
- **Two major changes advocated:**
 - ▶ **Market integration of RES:** Introducing balancing responsibilities for RES producers
 - ▶ **Cost efficiency:** Support levels to be determined through competitive bidding procedures

EU Framework 2030

- **EU level objective:** At least 27% RES share in final energy consumption (>50% RES based electricity produced)
- **New market design package incl. revision of the RED**
- **Revision of the EEAG**



CEER Report on key support elements of RES: moving towards market integration

Purpose

- Provide NRAs insight to policy makers/ other NRAs involved in the design/ implementation of RES support schemes about diversity and complexity of RES support schemes.
- Contribute to the ongoing discussion around a new energy market design and the need for integrating RES into the market.

Content

- Detailed analysis of the key aspects of operational support schemes for RES across the EU:
 - ▶ Administrative & competitive procedures for determining levels of RES support
 - ▶ Support mechanisms to enhance the market integration of RES
 - ▶ Case studies from MS having already adapted support schemes elements in line with EEAG





1. Competitive procedures are to be preferred in principle

Administrative procedures

- Done in majority of MS
- Increasingly perceived as inefficient
- Main challenges:
 - ▶ Asymmetry of information
 - ▶ Setting support levels for different RES technologies
 - ▶ Reaction time for adjusting support level
- Future developments:
 - ▶ Trend toward competitive procedures
 - ▶ Role to play where competitive procedures are not suited

Competitive procedures

- Done in a few MS (e.g. FR, UK, DE, NL)
- Objective: Cost efficient support levels (for FIT and FIP)
- Main challenges
 - ▶ Competitive setting
 - ▶ Investor confidence
 - ▶ Design choice to avoid strategic bidding/ ensure diversity of bidders/ realisation rates
- Future developments:
 - ▶ To be introduced in all MS (EEAG: 2017)
 - ▶ Empirical assessment of realisation rates still pending





2. Market integration is to be achieved by FIP and certificate schemes

Market integration of RES

Feed-in Tariff

- No integration of RES producers into the market. No reaction to price signals, they “produce and forget”
- Design choice can ensure that RES electricity is integrated in the market, i.e. is collected by one entity and placed on the market. Entity in charge is made balance responsible

Feed-in Premium

- RES production is placed on the market by RES producers
- RES producers are financially responsible for possible imbalances
- RES are exposed to short term price signals, depending on the design of the premium (fix, floating, with or without cap & floors) paid on top of the market price

Certificate schemes

- Certificate market settles level of market premium
- RES producers are exposed to market risks incl. balancing responsibilities and market price



3. Importance of FIT is fading in favour of market oriented FIP schemes

- **FIT** schemes should be considered for **small-scale RES producers only**
- **FIT** design should ensure that **RES electricity** is as transparently **integrated into the market** as that of conventional producers,
- The **balancing responsibility** of RES producers falling under FIT scheme should be **delegated to a third party**.



4. Making RES fit for the market is at least a mid-term endeavour, for which NRAs can actively contribute

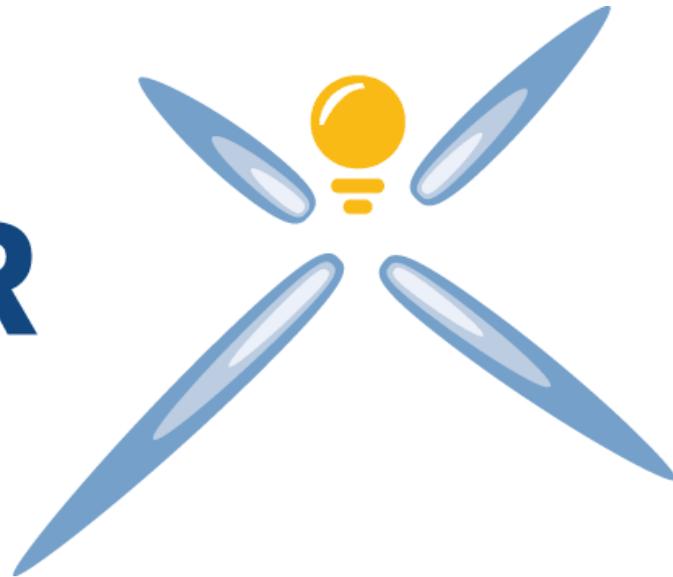
- In the long run, market integration of RES means that investment in RES production should be driven by market prices.
- As for now and in the near future, RES production is in most cases not competitive, RES investments remain mainly be driven by support.
- NRAs have a great deal of competencies in the field of RES support schemes. They can contribute to lay the ground for a deeper market integration of RES by defining adequate rules to enhance non-discriminatory market access (e.g. to short term and balancing markets).



Thank you for your attention!

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