

# Security of supply: National challenges requiring regional solutions (RI and capacity market developments)

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# SoS in a single European market

- Will markets provide resource adequacy and system flexibility in the context of low carbon technologies ?
- What is the European strategy to face this issue in the medium/long term ?

- From regional initiatives to a single market by 2014
- Remove barriers distorting proper functioning of the market
- Harmonization of national/regional capacity mechanisms

# Regional Initiatives

- **Electricity Regional Initiative**
  - From regional projects to cross-regional integration

Baltic Region



Central-East Region



Central-South Region



Central-West Region



Northern Region



South-West Region



France, UK and Ireland Region

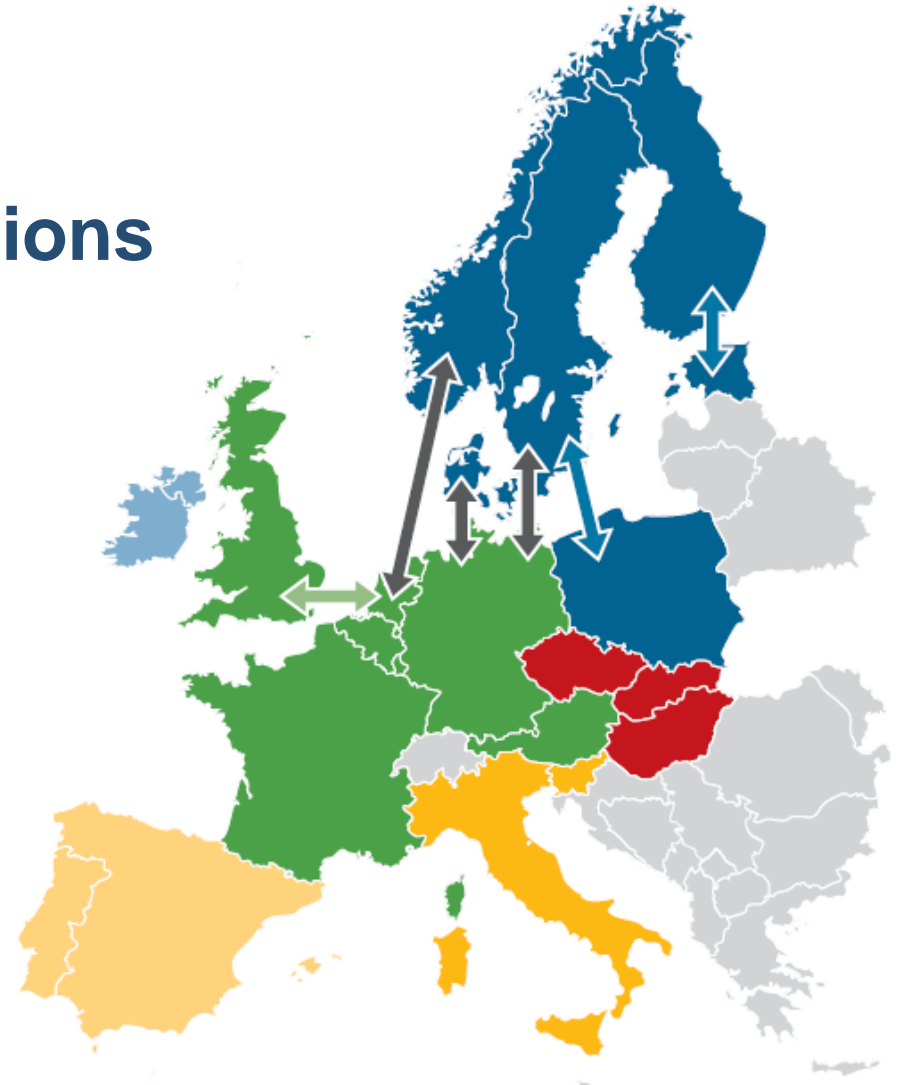


- **Electricity Regional Initiative**
  - Four cross-regional roadmaps for the implementation of the target model in 2014
    1. **Day-ahead market coupling:** Towards European Price Coupling
    2. **Continuous Intraday trading**
    3. **Long term capacity allocation:** Towards a harmonised set of allocation rules and common platform
    4. **Capacity calculation:** Implementation of a flow-based method in Central Europe



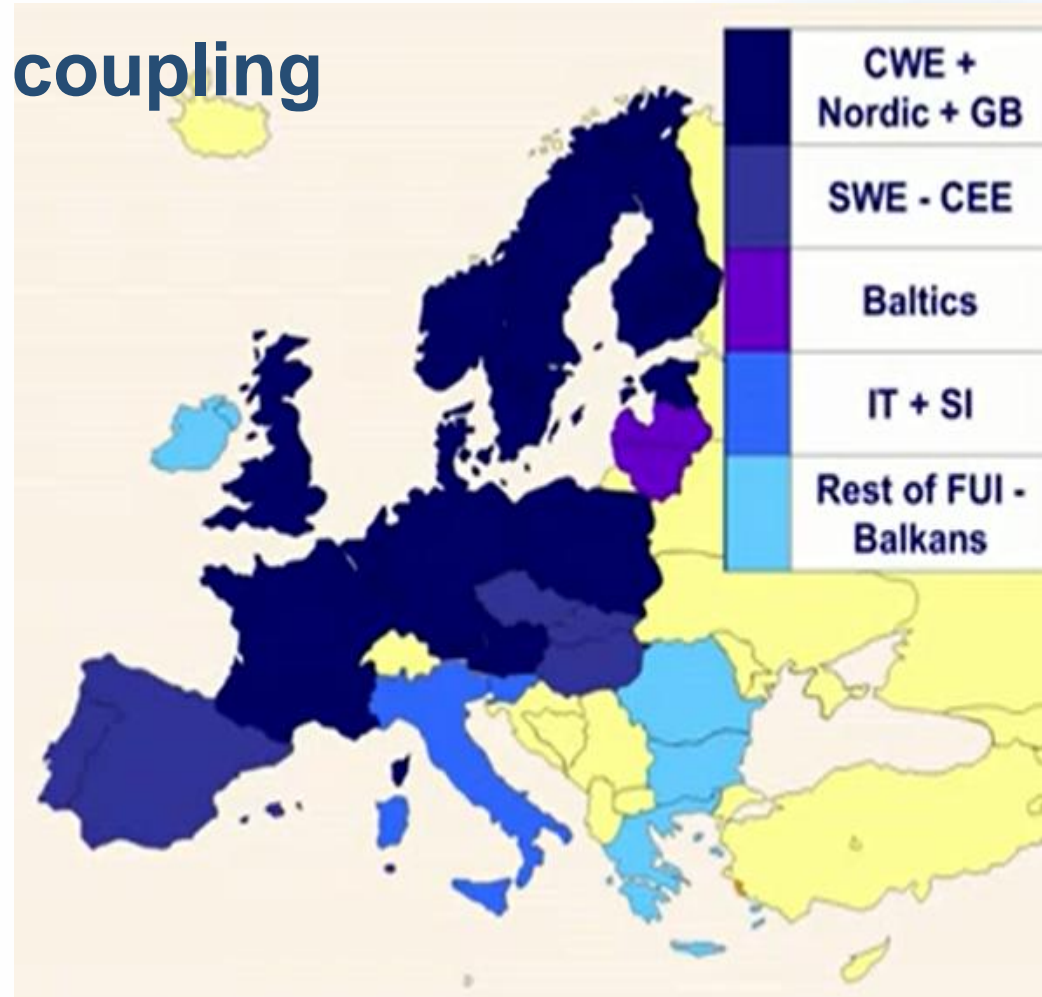
# Regional Initiatives

- **Status of day-ahead market coupling solutions in Europe as of 2012**



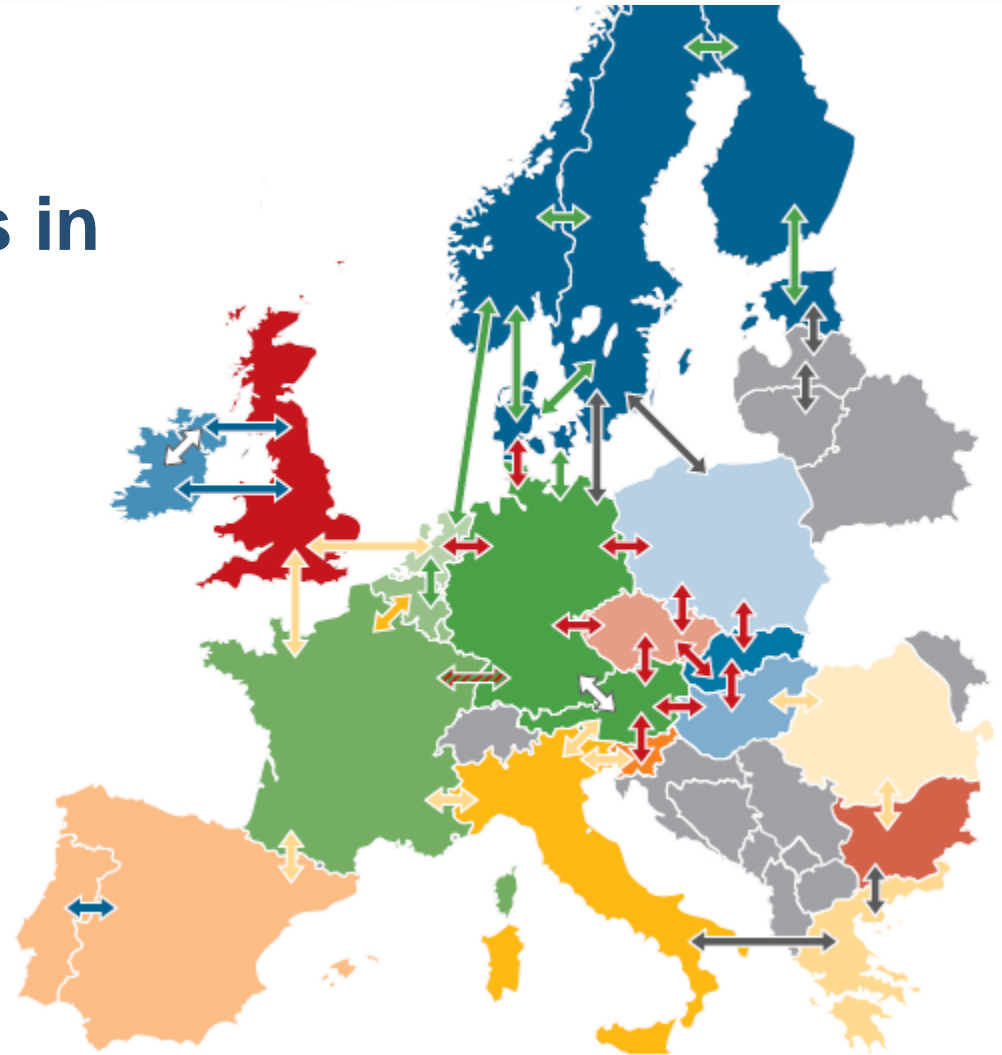
# Regional Initiatives

- **Day-ahead market coupling**  
**Next steps**



- Status of intraday allocation methods in Europe as of 2012

- ↔ implicit continuous
- ↔ implicit auction
- ↔ explicit auction
- ↔ explicit continuous
- ↔ explicit pro-data
- ↔ no allocation
- ↔ no congestion





# Regional Initiatives

- **Intraday allocation. Next steps:**
  - Towards an implicit continuous trade platform starting in North-West Europe
  - PXs working in the development of a continuous trading platform

- **Benefits to SoS**

- The implementation of the electricity target model contributes to:
  - A well functioning European energy market unhindered by national borders
  - More robust price signals resulting in efficient energy cross-border flows in Europe
  - Provided that enough interconnection capacity is available, lower needs of reserves

- From regional initiatives to a single market by 2014
- **Remove barriers distorting proper functioning of the market**
- Harmonization of national/regional capacity mechanisms

# Removing barriers

- Existing barriers to proper functioning of the markets:
  - Distortion of the outcome (price caps, regulated end-user prices)
  - Absence of a level playing field for all generation technologies
  - Limited participation of market-based demand response
  - Lack of investment in interconnection capacity

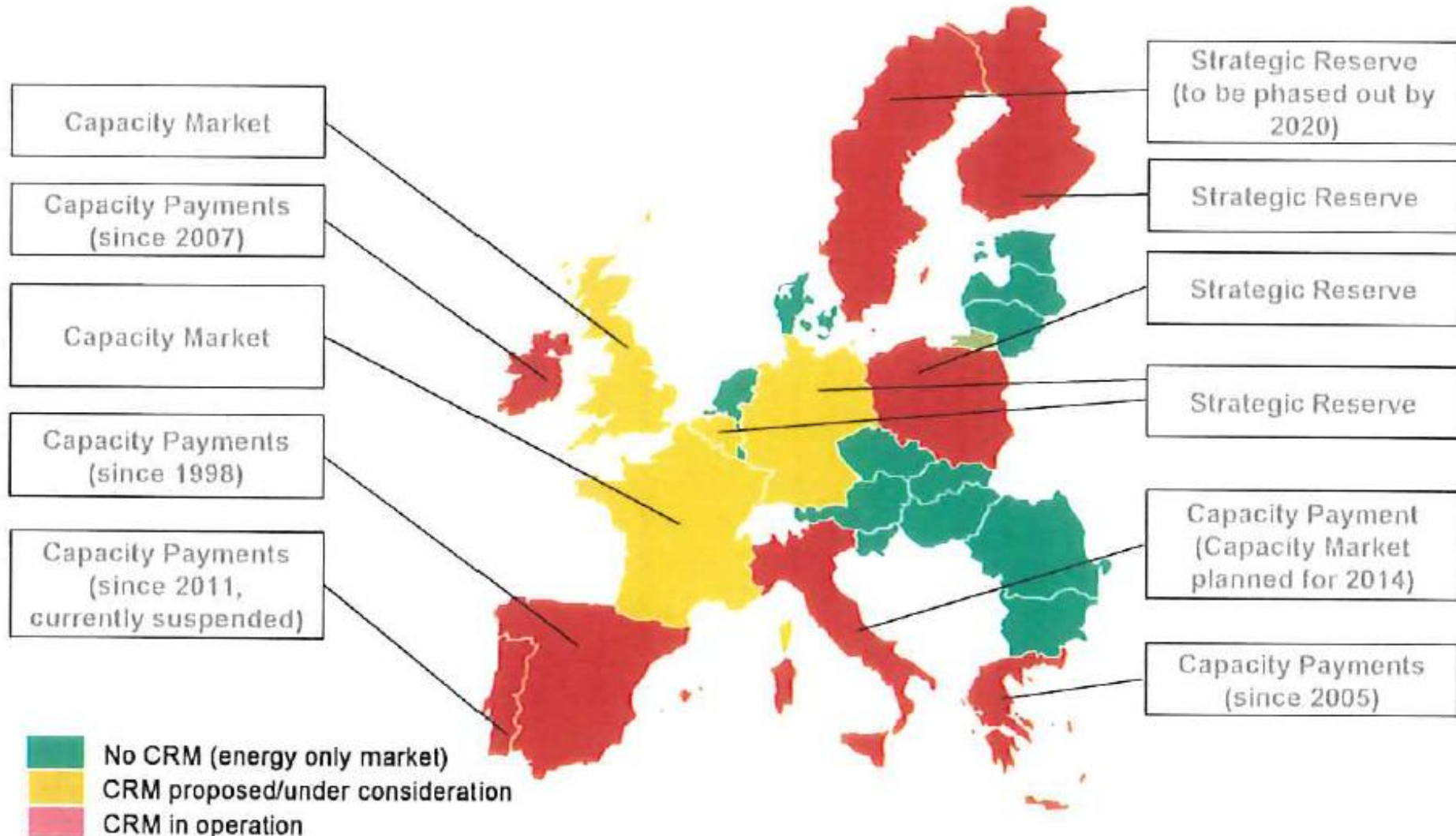


- From regional initiatives to a single market by 2014
- Remove barriers distorting proper functioning of the market
- **Harmonization of national/regional capacity mechanisms**

# Capacity mechanisms

- National capacity mechanisms have been implemented or proposed under different approaches
  - Capacity payments (a fixed price for capacity)
  - Capacity market (suppliers buy the required capacity in the market)
  - Strategic reserve (units managed by the SO in periods of scarcity)

# Capacity mechanisms



# Harmonization requirements

- Lack of coordination between current designs to ensure full compatibility with the achievement of a single European market
- Need of:
  - Assessment of the impact on cross-border effects (cross-border flows, competition, prices, investments...)
  - Allowing participation of providers located in other Member States subject to available cross-border capacity
  - Improving generation adequacy and risk assessment at the EU-level



Thank you for your attention!

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More details in: “CEER Response to the European Commission Consultation Paper on generation adequacy, capacity mechanisms and the internal market in electricity” 7 February 2013, and “Opinion of the Agency for The Cooperation of Energy Regulators No 05/2013 of 15 February 2013 on Capacity Markets”