



Capacity mechanisms: State aid case practice since the sector inquiry

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DG Competition

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Role of DG Competition

- Member States increasingly rely on measures to ensure security of supply that pay capacity (mostly generators) for remaining available to the system: known as 'capacity mechanisms'
- DG COMP takes an interest in these measures, because they can constitute State aid and can have a distortive effect on the Internal Energy Market, particularly when badly designed and uncoordinated

Since July 2014

Energy and Environmental
Aid Guidelines ('EEAG')

Specific rules for
capacity mechanisms

April 2015 – Nov 2016

Sector Inquiry to identify
the situation regarding
State aid through
capacity mechanisms

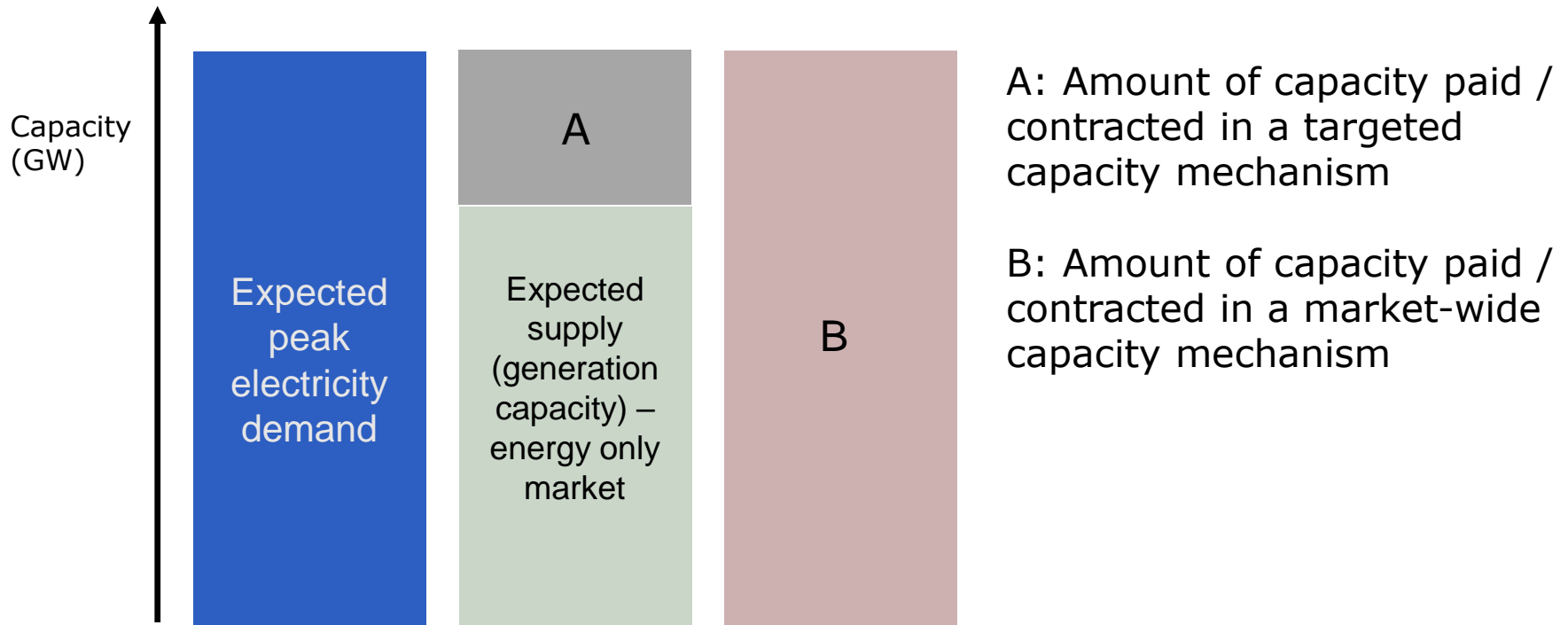
Contents

- 1. Sector inquiry and case practice**
2. Focus: signals for flexibility and imports
3. New Electricity Regulation

What did we find?

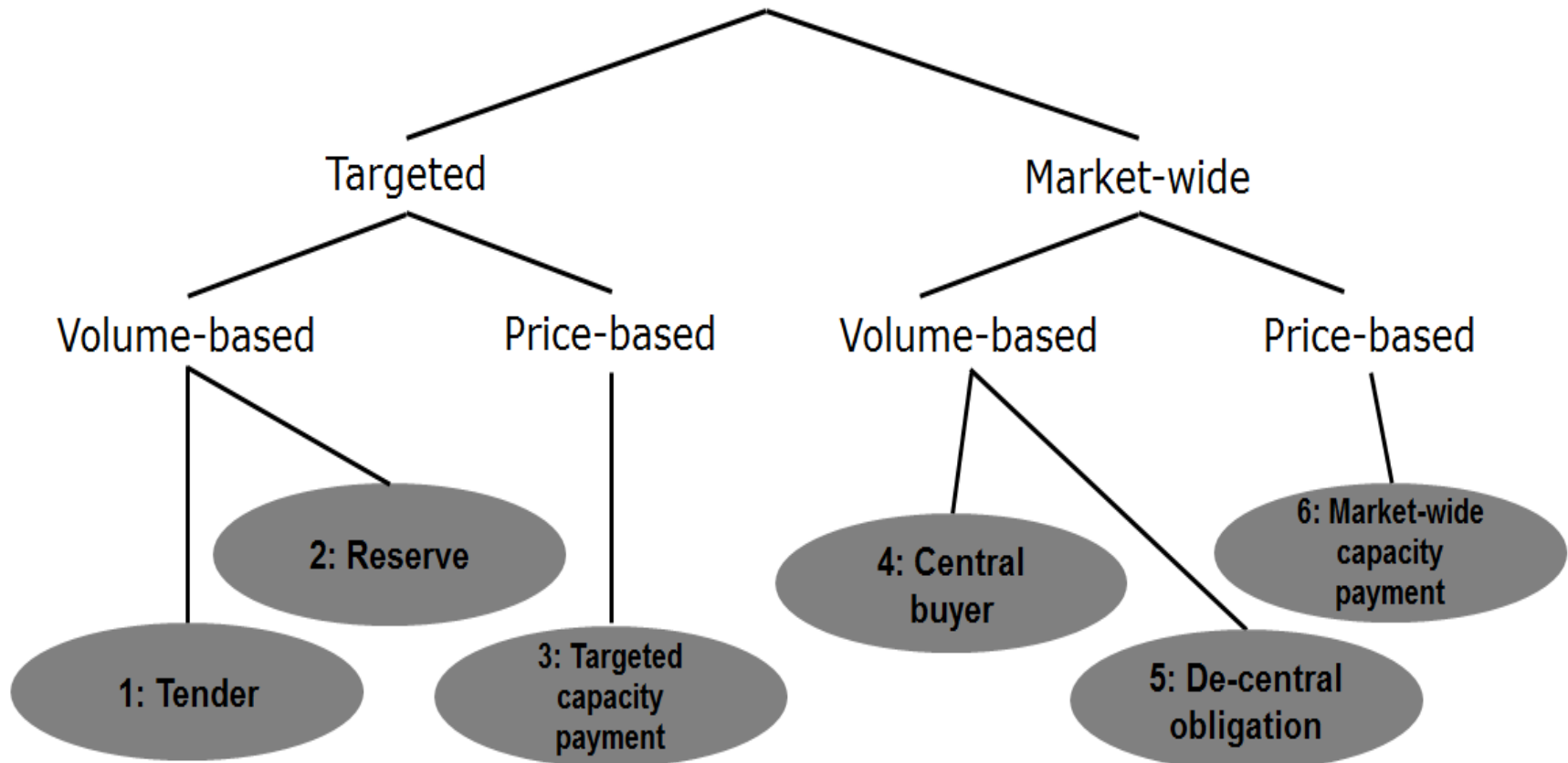
Inquiry concluded Nov 2016: 35 mechanisms identified in 11 Member States

Targeted / market wide mechanisms:



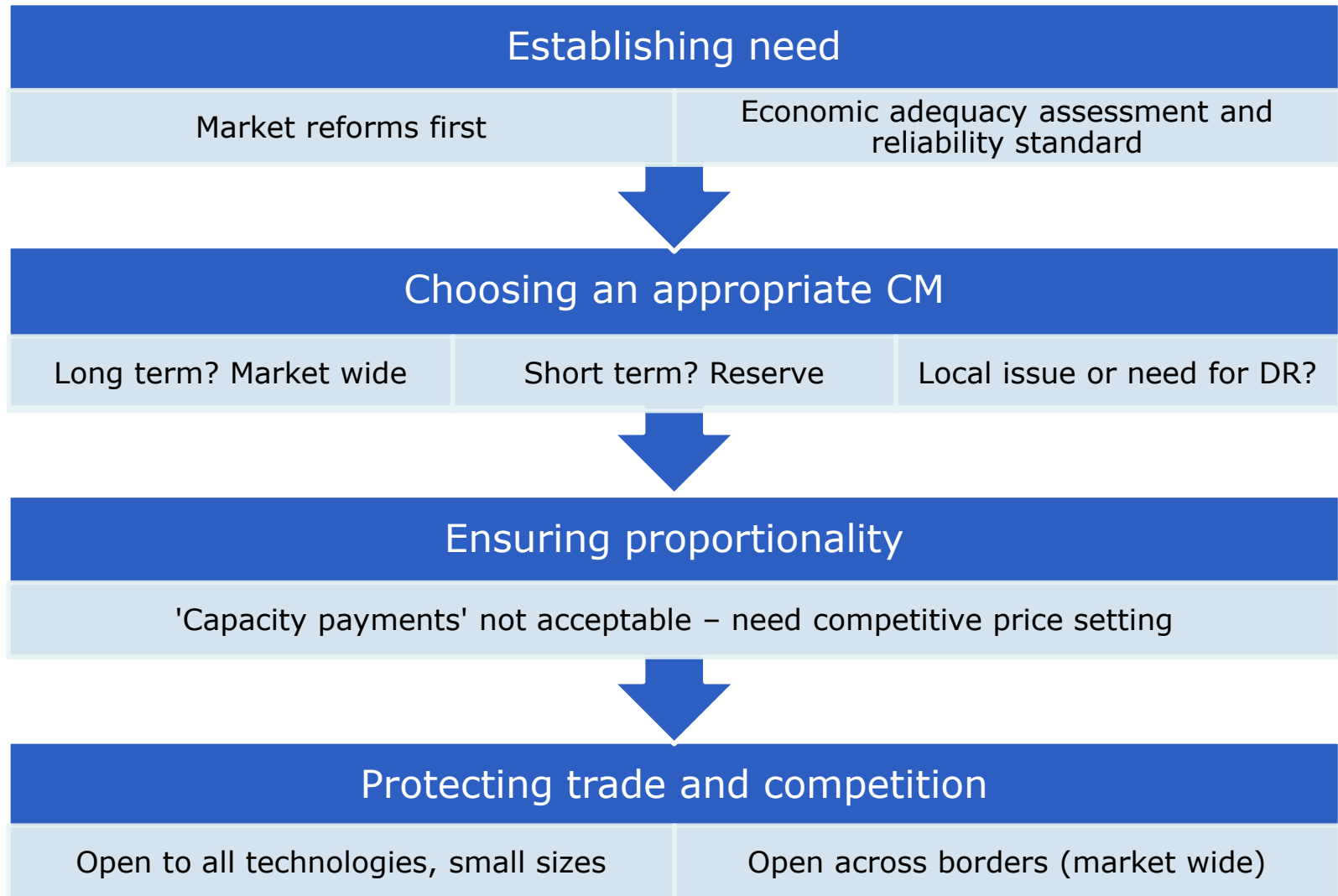
What did we find?

Types of capacity mechanism





What did we conclude?



Approved capacity mechanisms



GB – Scheme approved 2014:

- Central buyer
- Decision annulled Nov 2018



IE / Northern Ireland – Scheme approved 2017:

- Central buyer



DE – Schemes approved 2016 and 2018:

- Interruptibility scheme (reserve)
- Network reserve
- Capacity reserve



FR – Schemes approved 2016 and 2018:

- De-central obligations
- Demand response tender



EL – Scheme approved 2015 and 2018

- Flexibility remuneration mechanism (targeted)
- Interruptibility scheme



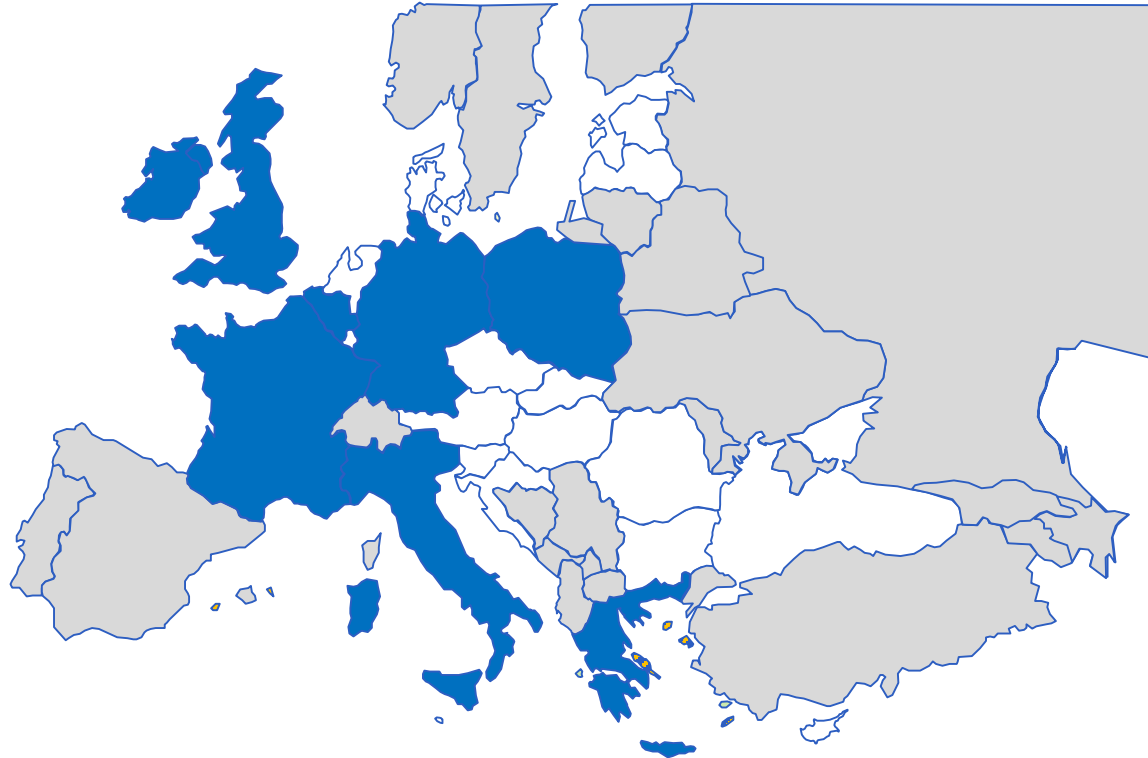
PL – Scheme approved 2018:

- Central buyer



BE – Scheme approved 2018:

- Strategic reserve



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Imbalance prices vs CM penalties

Use resources efficiently (short term)

Build right mix of resources (long term)

No better short term signal than electricity prices where:

Imbalance prices reflect the full value of electricity

Market participants have full balancing responsibility

Locational prices reflect transmission constraints

	Attract imports?	Support demand response?
Electricity prices	Y	Y
Capacity mechanism penalties	N	N

A capacity mechanism can appropriately play a supporting role to make sure the right overall quantity of capacity is available in the long term.
But it will fail to efficiently deliver security of supply without electricity prices that send the right signals.

In a model based on reliability options the reference price is key. Belgium may be the first country implementing reliability options in a market with portfolio bidding.

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- 3. New Electricity Regulation**

Electricity Regulation: new rules for capacity mechanisms

MSs must set reliability standard based on VOLL, eventually based on ENTSO-E methodology. Formal role for NRAs

ACER opinion where national adequacy assessments deviate from EU assessment

Commission opinion on market reform plans

Design rules for capacity mechanisms, including restriction on most-polluting capacity

Rules for cross border participation and harmonised operational rules to be developed by ENTSO-E



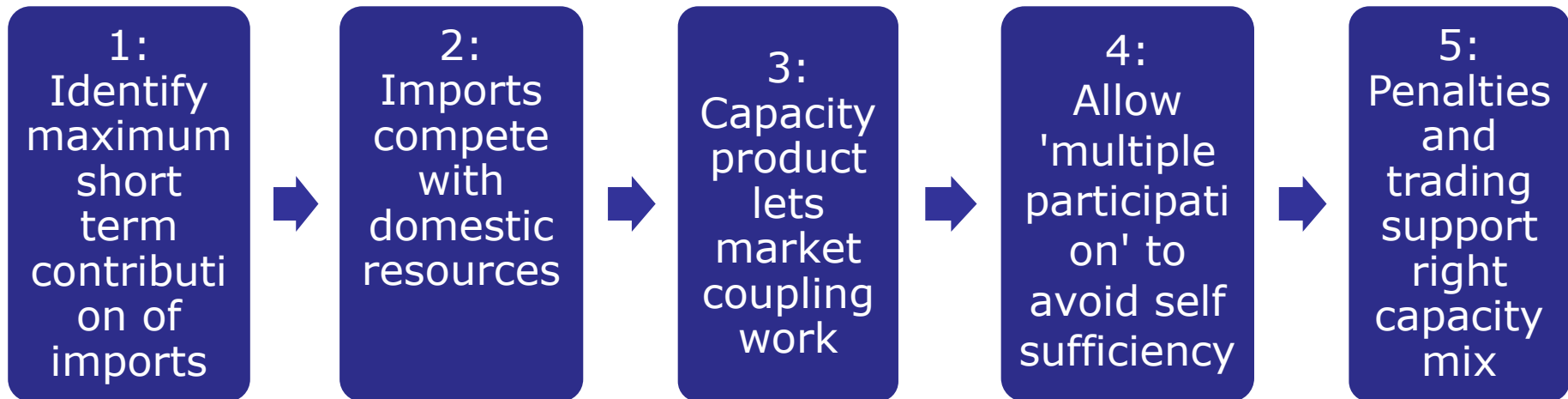
More information

http://ec.europa.eu/competition/sectors/energy/state_aid_to_secure_electricity_supply_en.html

<https://ec.europa.eu/energy/en/topics/energy-strategy-and-energy-union/clean-energy-all-europeans>

Backup

Electricity regulation (Art 21): new rules mean CMs must be open across borders



ENTSO-e / ACER to develop various operational rules to enable harmonisation.