

European Power Plant Suppliers recommendations on the European Commission interim report of the Sector Inquiry on Capacity Mechanisms

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EPPSA welcomes the opportunity to submit the European Power Plant Suppliers' views on the European Commission interim report of the Sector Inquiry on Capacity Mechanisms.

In order to ensure the stability of the system and the security of electricity supply, a balanced energy mix is needed to balance the increasing share of intermittent solar and wind power in the system. In this context, the operational flexibility offered by thermal power generation¹ will play a crucial contribution as a reliable, dispatchable and affordable energy source to guarantee a continuous energy supply in the future and contribute to the stability of the grid.

Since capacity mechanisms can affect the generation mix and the functioning of the EU internal energy market, EPPSA agrees with the European Commission that capacity mechanisms must be carefully designed to ensure that they contribute to the overall coherence of EU climate and energy policies as well as improve the security of electricity supply.

Main EPPSA recommendations:

- **As a general principle, EPPSA welcomes capacity mechanisms if they promote technologies that can support an ever more flexible grid. In this connection, power plants to be added to capacity remuneration mechanisms should only be new, flexible state-of-the-art thermal power plants, with the best efficiency and environmental performance according to Best Available Technologies (BAT).** Less flexible and efficient, ageing and more polluting power plants should not be considered by these schemes since they would not be able to meet grid and ramping requirements.
- **The introduction of capacity mechanisms should be based on a transparent EU harmonised methodology** to not undermine the functioning of the electricity market, taking into account national specificities. This is also true for the different system adequacy standards, for which an alignment is needed across the EU. A common European framework for cross-border participation in capacity mechanisms would also be an added value to allow a more efficient use of generator's capacity, while lowering the cost for such a service. Risk assessments and generation adequacy plans at regional and national levels should be mandatory.

¹ E.g. whether based on e.g. gas, coal or biomass

EPPSA believes that well designed capacity mechanisms go hand in hand with a well-functioning electricity market design, for which EPPSA also supports:

- **Balancing responsibilities for all energy generators in the system, including for renewable energy suppliers.** No exceptions should be given in order to make sure the grid can operate in a way that is as stable and fair as possible, without mutualising costs that intermittency brings.
- **Right signals for investments in adequate flexible electricity generation capacity to balance the intermittency of renewables as well as to guarantee a reliable and secure electricity system.** Once a technology has matured, support schemes should be gradually phased out, unless the technology supports the overall system stability (e.g. dispatchable energy production from bio-energy like biomass). The current situation in the EU with many fragmented and short-term support schemes is not an incentive for investments (often medium to long-term based). Support schemes should also gradually be set in a coordinated way at EU level to not distort the single electricity market and not favour one technology over another. A market-driven approach complemented with a well-functioning EU Emissions Trading Scheme should be fostered.
- **A stable legislative framework to ensure the security of investments in new generation capacity.** Long-term contracts between generators and consumers or for system services would also be required.
- The EU should also **carefully oversee the allocation of subsidies and feed-in tariffs in order to not distort the electricity market and ensure a fair competition between technologies.**

EPPSA's additional positions on capacity mechanisms and energy market design are available on our website:

- [EPPSA Response to EC Public Consultation – Energy Market Design \(September 2015\)](#)
- [EPPSA Response to EC Public Consultation – Risk Preparedness in the area of Security of Electricity Supply \(September 2015\)](#)

Disclaimer:

This position paper was elaborated by EPPSA and reflects the consolidated views and expertise of its members. It does not necessarily represent the exact views of any specific member company.

The European Power Plant Suppliers Association (EPPSA) is the voice, at European level, of companies supplying power plants, their components and related services. EPPSA members, located throughout Europe, represent a leading sector of technology with more than 100 000 highly-skilled employees.

EPPSA actively promotes awareness of the importance of flexible and efficient, state-of-the-art thermal power generation and its crucial contribution to ensuring a clean, secure, and affordable energy supply.

EPPSA believes increased investment in Research, Development and Demonstration is a key factor in driving EU competitiveness as well as ensuring an affordable low emission power supply.

Virtually all thermal power plants in the EU are built by members of EPPSA or equipped with their components, and provide around 50% of Europe's electricity. EPPSA members provide the most advanced thermal power technologies in the world.

