

EPPSA response to

Consultation Paper on generation adequacy, capacity mechanisms and the internal market in electricity

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Transparency Register:

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Questions

(1) Do you consider that the current market prices prevent investments in needed generation capacity?

The oversupply coupled with the effect of the economic result in prices for electricity to go down overall. However, end-consumers and industries do already pay for RES subsidies which leaves no room for additional investments by utilities in needed generation capacity.

(2) Do you consider that support (e.g. direct financial support, priority dispatch or special network fees) for specific energy sources (renewables, coal, nuclear) undermines investments needed to ensure generation adequacy? If yes, how and to what extent?

Yes, they hamper rational economic investment decisions. EPPSA believes that in order to boost competitiveness and to provide adequate security of supply at the same time, the solution is to have well-balanced market conditions for all generation technologies. In other words, when a technology reaches maturity, subsidies should be eliminated. EPPSA acknowledges the justified significance of applying subsidies in generation technologies that need to be protected. The subsidies should be there to move technology forward into commercial demonstration and subsequently to grid parity. They should lead towards competition establishment and therefore to lower the prices of electricity for industrial, household and services consumers. It is obvious that the EU should carefully manage subsidies and feed-in tariffs in order not to impose further burdens that can distract from leading to competition and cost-reduction.

(3) Do you consider that work on the establishment of cross-border day ahead, intraday and balancing markets will contribute to ensuring security of supply? Within what timeframe do you see this happening?

x

(4) What additional steps, if any, should be taken at European level to ensure that internal market rules fully contribute to ensuring generation adequacy and security of supply?

Ensure rapid implementation by national governments is necessary.

(5) What additional steps could Member States take to support the effectiveness of the internal

market in delivering generation adequacy?

X

(6) How should public authorities reflect the preferences of consumers in relation to security of supply? How can they reflect preferences for lower standards on the part of some consumers?

Competition results in several advantages e.g. affordable prices for consumers. Therefore, there is a necessity for a compatible, fair and standardised regulatory framework for the policy on decarbonisation of the energy sector.

(7) Do you consider that there is a need for review of how generation adequacy assessments are carried out in the internal market? In particular, is there a need for more in depth generation adequacy reviews at:

- a. National level*
- b. Regional Level*
- c. European Level*

(8) Looking forward, is the generation adequacy outlook produced by ENTSO-E sufficiently detailed? In particular,

- a. Is there a need for a regional or European assessment of the availability of flexible capacity?*

X

- b. Are there other areas where this generation adequacy assessment should be made more detailed?*

(9) Do you consider the Electricity Security of Supply Directive to be adequate? If it should be revised, on which points?

X

(10) Would you support the introduction of mandatory risk assessments or generation adequacy plans at national and regional level similar to those required under the Gas Security of Supply Regulation?

It should be mandatory

Due to recent event in Europe – France/Germany (Feb 2012) - at regional and national level for the electricity

Although Risk creating mechanisms are different to the electricity of supply, the end effect for the end consumers might be similar.

(11) Should generation adequacy standards be harmonised across the EU? What should be that standard or how could it be developed taking into account potentially diverging preference regarding security of supply?

X

(12) Do you consider that capacity mechanisms should be introduced only if and when steps to improve market functioning are clearly insufficient?

X

(13) Under what circumstances would you consider market functioning to be insufficient:

X

a. to ensure that new flexible resources are delivered?

X

b. to ensure sufficient capacity is available to meet demand on the system at times of highest system stress?

X

(14) In relation to strategic reserves:

a. Do you consider that the introduction of a strategic reserve can support the transition from a fossil fuel based electricity system or during a nuclear phase out?

X

b. What risks, if any, to effective competition and the functioning of the internal market do you consider being associated with the introduction of strategic reserves?

X

(15) In relation to capacity markets and/or payments:

X

a. Which models of capacity market and /or payments do you consider to be most and least distortionary and most compatible with the effective competition and the functioning of the internal market, and why?

X

b. Which models of capacity market and /or payments do you consider to be most compatible with ensuring flexibility in a low carbon electricity system?

X

c. Are there any models of capacity mechanism the introduction of which would be irreversible, or reversible only with great difficulty?

X

(16) Which models of capacity mechanisms do you consider to have the least impact on costs for final consumers?

X

(17) To what extent do you consider capacity mechanisms could build on balancing market regimes to encourage flexibility in all its forms?

X

(18) Should the Commission set out to provide the blueprint for an EU-wide capacity mechanism?

X

(19) Do you consider that the European Commission should develop detailed criteria to assess the compatibility of capacity mechanisms with the internal energy market?

YES because it is not certain that it is in line with internal energy market

*(20) Do you consider the detailed criteria set out above to be appropriate?
a. Should any criteria be added to this list?*

b. Which, if any, criteria should be given most weight?

Main Message from EPPSA:

Flexibility is essential for RES – minimal load.

To meet this, investments are needed – no investment mechanism to invest for this

Additional revenues for operators should be created to justified this investments

Capacity mechanisms as transition framework

The European Power Plant Suppliers Association (EPPSA) is the voice, at European level, of companies supplying power plants, components and services. EPPSA members, located throughout Europe, represent a leading sector of technology with more than 100 000 employees and annual revenue of over €30 billion.

*EPPSA actively promotes technologies for highly efficient and sustainable power generation in a carbon constrained world. EPPSA believes increased investment in Research, Development and Demonstration is a key factor in driving EU competitiveness as well as ensuring affordable near zero emission power supplies. **Virtually all power plants in the EU are built by members of EPPSA, or equipped with their components.***
