

CRMs in Europe - No Way Back?

Stefan Lorenczik | Joint Seminar on CRMs | May 11, 2016

The Agency indeed believes that, in general, an energy(-only) market could deliver resource adequacy and system flexibility [...].

ACER 2013

In the Agency's view, establishing a well-functioning European electricity market [...] should have priority over considerations of additional capacity mechanisms.

ACER 2015

Some analysts indicate that there is practical evidence that an energy only market design can realise sufficient investment without the need for mechanisms [...]. However, other authors stress that such reforms alone may not completely solve the missing-money problem.

EC 2016

Do we need CRMs?

The necessity of capacity mechanisms and actual reliability problems

Country	Do Market Participants believe the mechanism is necessary?	Have reliability problems occurred in the last 5 years?	Are reliability problems expected in the future?
Belgium	Y	N	Y
Denmark	Divided	N	Y
France	Y	N	Y
Germany	Y	N	N
Ireland	Y	N	Y
Italy	Y	Y, in Sardinia and Sicily	Y
Poland	Y, but doubts as to appropriateness of the chosen mechanism	N	N
Portugal	Y	N	N
Spain	Y	N	Y
Sweden	Divided	N	Y

Source: European Commission based on replies to sector inquiry

Source: EC, Interim Report of Sector Inquiry on Capacity Mechanisms

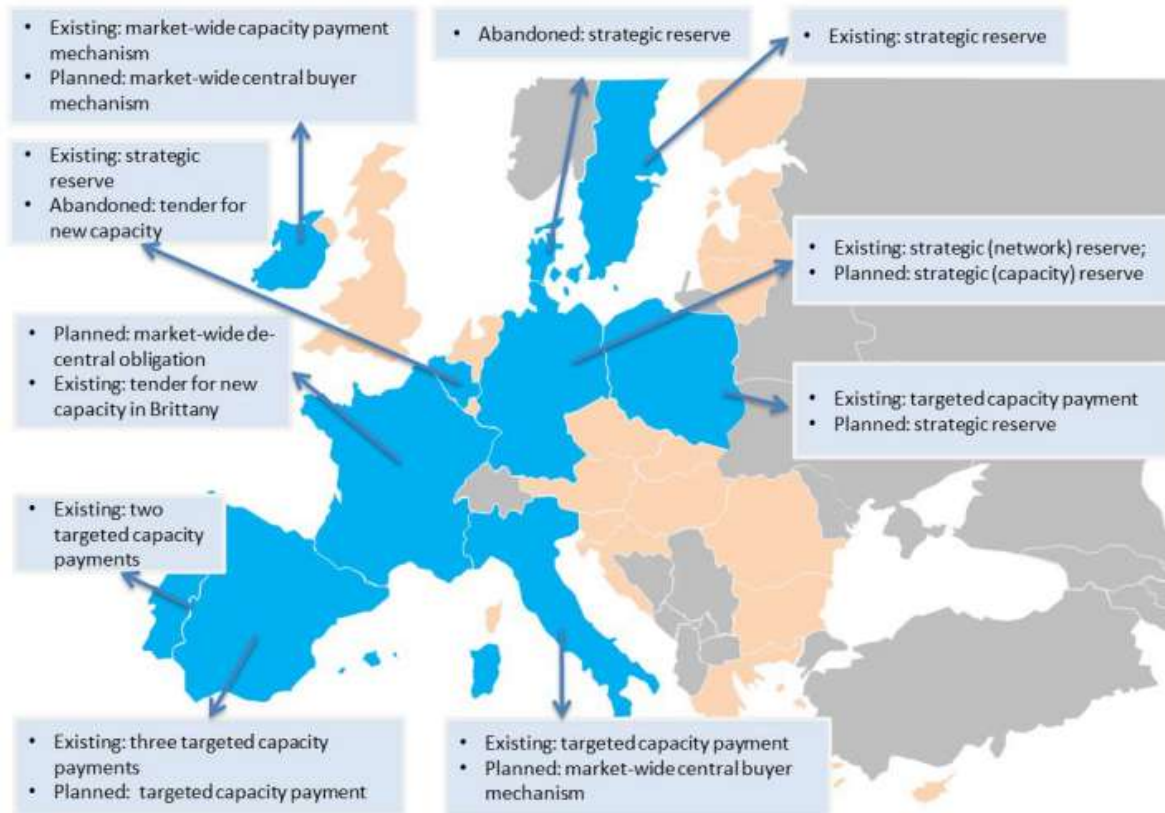
Who was asked?

- Have problem occurred or are expected in the future?

→ Public bodies

- Is a mechanism necessary?

→ Market participants



- “[...] 28 existing or planned capacity mechanisms in the 11 Member States.”

EC 2016

- Additional mechanisms in UK, Greece and Finland

Source: European Commission based on replies to sector inquiry

ewi Capacity adequacy in CRMs?

- Tendency to be on the safe side
 - Uncertainty regarding the contribution of foreign capacity (in some cases not taken into account)
 - Not all capacity eligible, regulatory hurdles to participate in CRMs
- CRMs are likely to result in overcapacities

ewi Spill-over effects of CRMs?

Short-term effects

- Increasing generation capacity supports neighbours' security of supply
- Distortion of price signals

Long-term effects on neighbours

- Decreasing investment incentives
 - Increase of frequency of scarcity of supply
- Need for national mechanism

Strommarkt (Electricity Market) 2.0

- Guaranteed free price formation
- Ease access to balancing markets
- Level playing field for all generators and consumers

■ Capacity Reserve

- No participation on electricity market, only for unforeseeable situations
- Old lignite--fired plants temporarily used and subsequently decommissioned
- 5% annual peak load (~4GW)
- May contribute to Grid Reserve

■ Grid Reserve

- Addresses grid bottlenecks (2016/2017: 5.4 GW)
- Regional, temporary, depends on the progress on expanding the grid

■ Interruptible Demand

- In use 2013-16 - under revision

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- ACER 2013 ACER: Opinion of the Agency for the Cooperation of Energy Regulators on Capacity Markets, No 05/2013.
- ACER 2015 ACER: Market Monitoring Report 2015, 30.11.2015.
- EC 2016 European Commission: Commission Staff Working Document. Interim Report of the Sector Inquiry on Capacity Mechanisms. Brussels, 13.4.2016.