



SPD: New Energy Market Design Response to EC Communication COM(2015), 340

1) Would prices which reflect actual scarcity (in terms of time and location) be an important ingredient to the future market design? Would this also include the need for prices to reflect scarcity of available transmission capacity?

The right price based on supply and demand balance in each and every hour is the key market signal for both the short term dispatch and the long term investments. No price distortion is therefore acceptable, and vice versa, all natural components should be involved like e.g. scarcity pricing, available transmission capacity or responsibility of all market participants for their unbalance. Prices reflecting actual scarcity will also motivate end users for energy savings.

Existing bottlenecks in the transmission system should be addressed with market tools so that investors get proper market signal for localization of investment in new generation capacity. Price zones should be defined based on available transmission capacity. Otherwise wrong incentives can lead to suboptimal investment in generation capacity and new transmission grids.

A high liquidity of the market is an inevitable precondition.

2) Which challenges and opportunities could arise from prices which reflect actual scarcity? How can the challenges be addressed? Could these prices make capacity mechanisms redundant?

Prices reflecting actual scarcity will be more volatile than in the past. Both the super peak and super bottom prices will definitely lead to market based solutions, however the risk of political/regulatory interference may occur in the meantime. To preserve investor confidence such interventions have to be clearly and explicitly forbidden by EU legislation.

The prices reflecting real and undistorted scarcity make capacity mechanisms redundant providing this approach is applied across the EU without exceptions. Particular cases like ancillary services will always need a certain level of capacity based compensation. The key is that the capacity included in ancillary services must not bid on the wholesale energy market and this capacity is activated only by an order from the transmission system operator.

3) Progress in aligning the fragmented balancing markets remains slow; should the EU try to accelerate the process, if need be through legal measures?

The accelerated alignment of spot and intraday markets within the whole EU is highly desirable prior to alignment of the balancing markets. The end users will benefit much more from alignment of the former ones than the latter one as the traded volumes are significantly higher. An emphasis should be on a rigorous application of existing legislation and only if it is not clear enough or loopholes exist it should be strengthened in order to allow for enforcement.

4) What can be done to provide for the smooth implementation of the agreed EU wide intraday platform?

N/A for SPD

5) Are long-term contracts between generators and consumers required to provide investment certainty for new generation capacity? What barriers, if any, prevent such long-term hedging products from emerging? Is there any role for the public sector in enabling markets for long term contracts?

Voluntary long term contracts should be allowed for the life-time of a power plant to provide investment certainty. However, current prices are not high enough to incentivize investment into any unsubsidized capacity, and long term contracts are therefore not attractive for consumers. If market recovers and prices reflect full cost of investment, long-term contracts will be attractive without any particular interventions. However, if the power market is to recover soon, any interventions including subsidy schemes should be terminated as soon as possible, and the CO2 price should become the major driver of the RES growth.

6) To what extent do you think that the divergence of taxes and charges¹⁰ levied on electricity in different Member States creates distortions in terms of directing investments efficiently or hamper the free flow of energy?

There should be no national wholesale taxes or levies on electricity as they directly affect the investment decisions and/or hamper the free flow of energy.

7) What needs to be done to allow investment in renewables to be increasingly driven by market signals?

A successful EU ETS reform combined with a carbon tax for sectors not included in the EU ETS should provide a market signal for an investment in renewable energy. Any other interventions are creating market distortions and should be gradually phased out before 2020.

EU should subsidize research and development of the new, efficient and affordable renewables to reduce the investment costs of RES which would facilitate a market uptake. The subsidies should be strictly limited to R&D to avoid any market distortions.

8) Which obstacles, if any, would you see to fully integrating renewable energy generators into the market, including into the balancing and intraday markets, as well as regarding dispatch based on the merit order?

All renewable energy sources should have the same responsibilities as any other generator. They should nominate their production and they should be responsible for imbalance if it occurs. Significant part of existing RES enjoys preferential deliveries of electricity regardless of the market price, and they get the feed in tariff even when market prices are negative. These schemes should be transformed to different types based on market as much as possible, and this extended support should be forbidden for the future. We appreciate state aid guidelines already partially reflect RES market integration and this consultation indicates further progress. This process should continue in the future.

9) Should there be a more coordinated approach across Member States for renewables support schemes? What are the main barriers to regional support schemes and how could these barriers be removed (e.g. through legislation)?

The support schemes for renewables should be avoided as much as possible as they distort the wholesale market significantly. If inevitable, the support schemes should be harmonized across the Member States in line with state aid guidelines to minimize market distortion. The value of key parameters of the support schemes should remain country specific to reflect local climate conditions, and to keep the right of each state to select its energy mix.

10) Where do you see the main obstacles that should be tackled to kick-start demand- response (e.g. insufficient flexible prices, (regulatory) barriers for aggregators / customers, lack of access to smart home technologies, no obligation to offer the possibility for end customers to participate in the balancing market through a demand response scheme, etc.)?

Wholesale price spikes are a natural and non-distortive way of promoting demand response; this is why price spikes must not be regulated or artificially shaved.

All customers should have possibility to participate in the balancing market through demand response if they wish so it based on economic motivation and bear the incurred costs of implementation.

However, the main obstacle for demand response today is a small difference between peak and offpeak prices. Most consumers do not see a payoff of the demand response. If the result of demand response participation is reasonable in monetary benefit then customers will be interested.

11) While electricity markets are coupled within the EU and linked to its neighbours, system operation is still carried out by national Transmission System Operators (TSOs). Regional Security Coordination Initiatives ("RSCIs") such as CORESO or TSC have a purely advisory role today. Should the RSCIs be gradually strengthened also including decision making responsibilities when necessary? Is the current national responsibility for system security an obstacle to cross-border cooperation? Would a regional responsibility for system security be better suited to the realities of the integrated market?

The electricity markets are not coupled within EU yet, and the coupling of all power markets within EU should be considered number one priority.

Though stronger RSCI may bring certain benefits like lower overall costs for the security of supply, the decision making responsibility has to stay coupled with responsibility for the safe operation of the power system and for the security of supply. Any transfer of decision making rights should be accompanied by transfer of responsibility.

12) Fragmented national regulatory oversight seems to be inefficient for harmonised parts of the electricity system (e.g. market coupling). Would you see benefits in strengthening ACER's role?

For the properly working EU energy market, it is necessary to reduce regulatory intervention to the market functionality and on other side it would be useful to have an independent and unbiased arbitrator. ACER should be more involved in specific areas of cross-border cooperation and market integration. Decision making capacity has to be balanced with responsibility. Subsidiarity principle should be respected also in electricity system oversight.

13) Would you see benefits in strengthening the role of the ENTSOs? How could this best be achieved? What regulatory oversight is needed?

In parallel to “No taxation without representation”: No strengthening without responsibilities.

14) What should be the future role and governance rules for distribution system operators? How should access to metering data be adapted (data handling and ensuring data privacy etc.) in light of market and technological developments? Are additional provisions on management of and access by the relevant parties (end-customers, distribution system operators, transmission system operators, suppliers, third party service providers and regulators) to the metering data required?

DSOs must play more active role in case of closer relation to final customers (facilitator of new technologies implementation and usage, data provider, demand response,...) and DSO must be prepared for development of decentralized generation. These questions are both important and highly specific. ENDSO-E, an institution similar to the current ENTSO-E should be established. It would provide consultancy to the EC.

No additional provisions on management and access are needed.

15) Shall there be a European approach to distribution tariffs? If yes, what aspects should be covered; for example tariff structure and/or, tariff components (fixed, capacity vs. energy, timely or locational differentiation) and treatment of self-generation?

There is no need for a unified European distribution tariff system. The content of tariffs and criteria for their creation might be harmonized, whereas the specific values need to reflect geographic, natural and climatic differences of each distribution area and state and also differences in energy infrastructure requiring national approach and should be set by independent national regulators.

16) As power exchanges are an integral part of market coupling – should governance rules for power exchanges be considered?

No. Power exchanges have diverse governance rules but that has no real impact on their operation or market coupling.

17) Is there a need for a harmonised methodology to assess power system adequacy?

We support a harmonized methodology to assess power system adequacy to ensure that the achieved level of the security of supply can be transparently compared across the member states. The harmonized methodology should be transparent and easy to understand.

18) What would be the appropriate geographic scope of a harmonised adequacy methodology and assessment (e.g. EU-wide, regional or national as well as neighbouring countries)?

The harmonized adequacy methodology should be the same in the whole EU. The Member States are responsible for their security of supply. The appropriate geographic scope of a harmonized adequacy methodology and assessment is therefore national.

19) Would an alignment of the currently different system adequacy standards across the EU be useful to build an efficient single market?

Adequacy standards deal with security of supply, i.e. emergency situations. Efficient single market solves normal situations. If adequacy standards are harmonised, undue intervention can be prevented and proper market functioning preserved.

20) Would there be a benefit in a common European framework for cross-border participation in capacity mechanisms? If yes, what should be the elements of such a framework? Would there be benefit in providing reference models for capacity mechanisms? If so, what should they look like?

The preferred model is energy only market with scarcity pricing.

Should capacity market be introduced, a common European framework is a must to keep integrated EU power markets. This framework should include:

- Regional, not national solutions: Allowing non-discriminatory participation of foreign capacity should be obligatory
- No impact on wholesale markets: A framework should ensure a capacity mechanism has no impact on wholesale markets; specifically a trigger price should be high enough not to cause interferences and allow for demand response development and storage development.

21) Should the decision to introduce capacity mechanisms be based on a harmonised methodology to assess power system adequacy?

The preferred model is energy only market with scarcity pricing.

Should capacity market be introduced, a harmonised methodology to assess power system adequacy is highly desirable and EU bodies should be obliged to use it when assessing compliance of capacity mechanisms with the EU rules.