



OVERVIEW OF CLEAN ENERGY PACKAGE PROPOSALS

November 2017

ELECPOR Conference



CLEAN ENERGY PACKAGE IS LATEST IN LONG RUNNING SERIES OF ENERGY LEGISLATION BUT WITH DIFFERENT FOCUS

1st Energy Package (1996)

- q Progressive market opening
- q Common rules for organisation of the sector
- q Unbundling 'light'

2nd Energy Package (2003)

- q Further market opening
- q Public service obligations and customer protection
- q Designation of TSOs and DSOs
- q Further unbundling

3rd Energy Package (2009)

- q Stronger unbundling
- q Strengthening independence of regulators
- q Establishment of ACER
- q Cross-border cooperation between transmission system operators and the creation of ENTSO-E
- q Increased transparency in retail markets

New EU Energy Market Design: Clean Energy for all Europeans

q New areas of focus

- q Retail
- q Smaller scale resources
- q 'Smart'

q Some longer standing topics too

- q Wholesale market design
- q Resource adequacy

PROPOSALS SPAN MULTIPLE DOCUMENTS

Directive on
Common Rules for
the Internal Market
in Electricity

Electricity Market
Regulation

Regulation on
ACER

Risk Preparedness
Regulation

Regulation of
Governance of the
Energy Union

Energy Efficiency
Directive

Renewable Energy
Directive

CLEAN ENERGY PACKAGE AIMS TO TACKLE FOUR PROBLEM AREAS

Problem area 1

- Market design not fit for an increasing share of variable decentralised generation and technological developments

Problem area 2

- Uncertainty about future generation investments and uncoordinated capacity markets

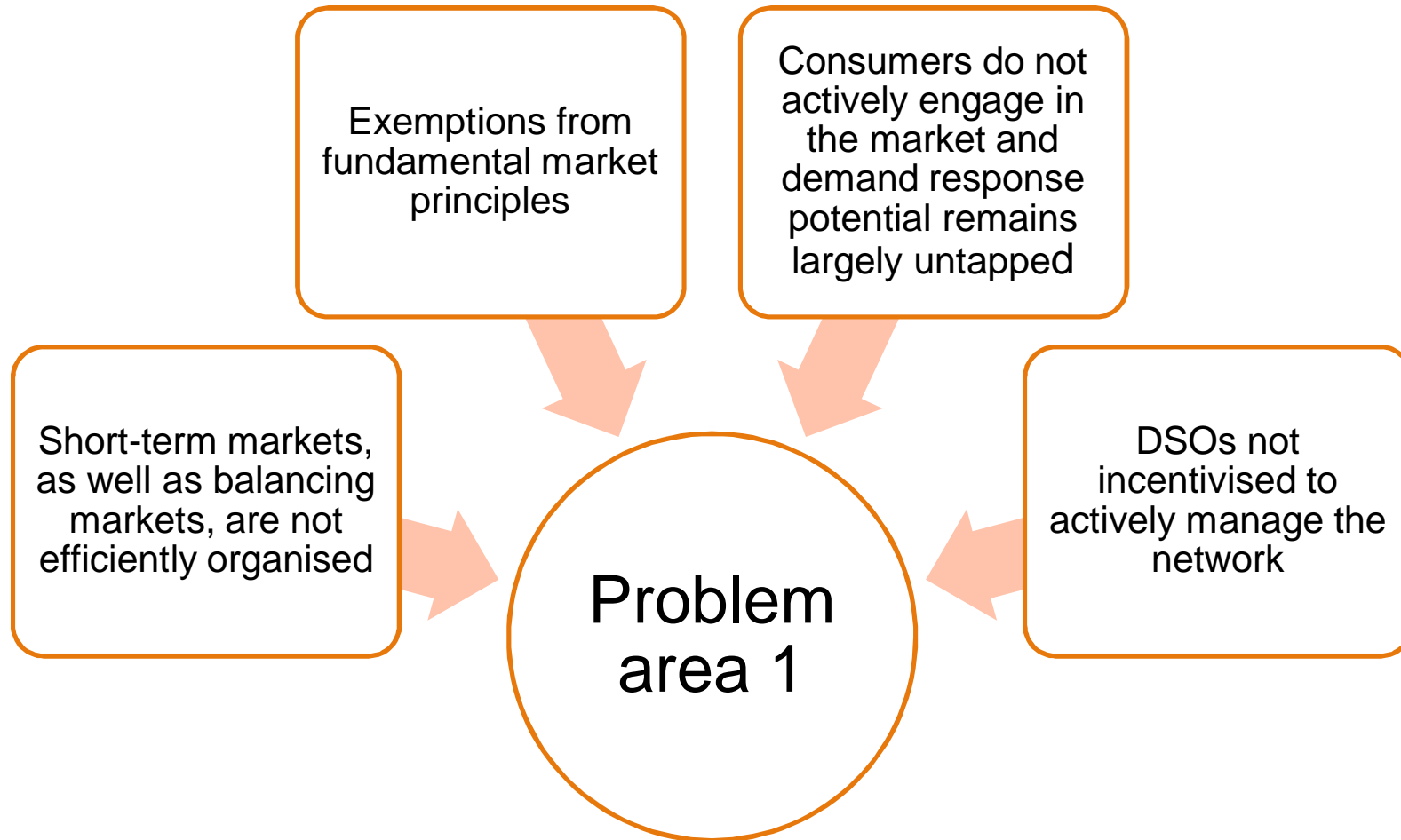
Problem area 3

- Member States do not take sufficient account of what happens across their borders when preparing for and managing electricity crisis situations

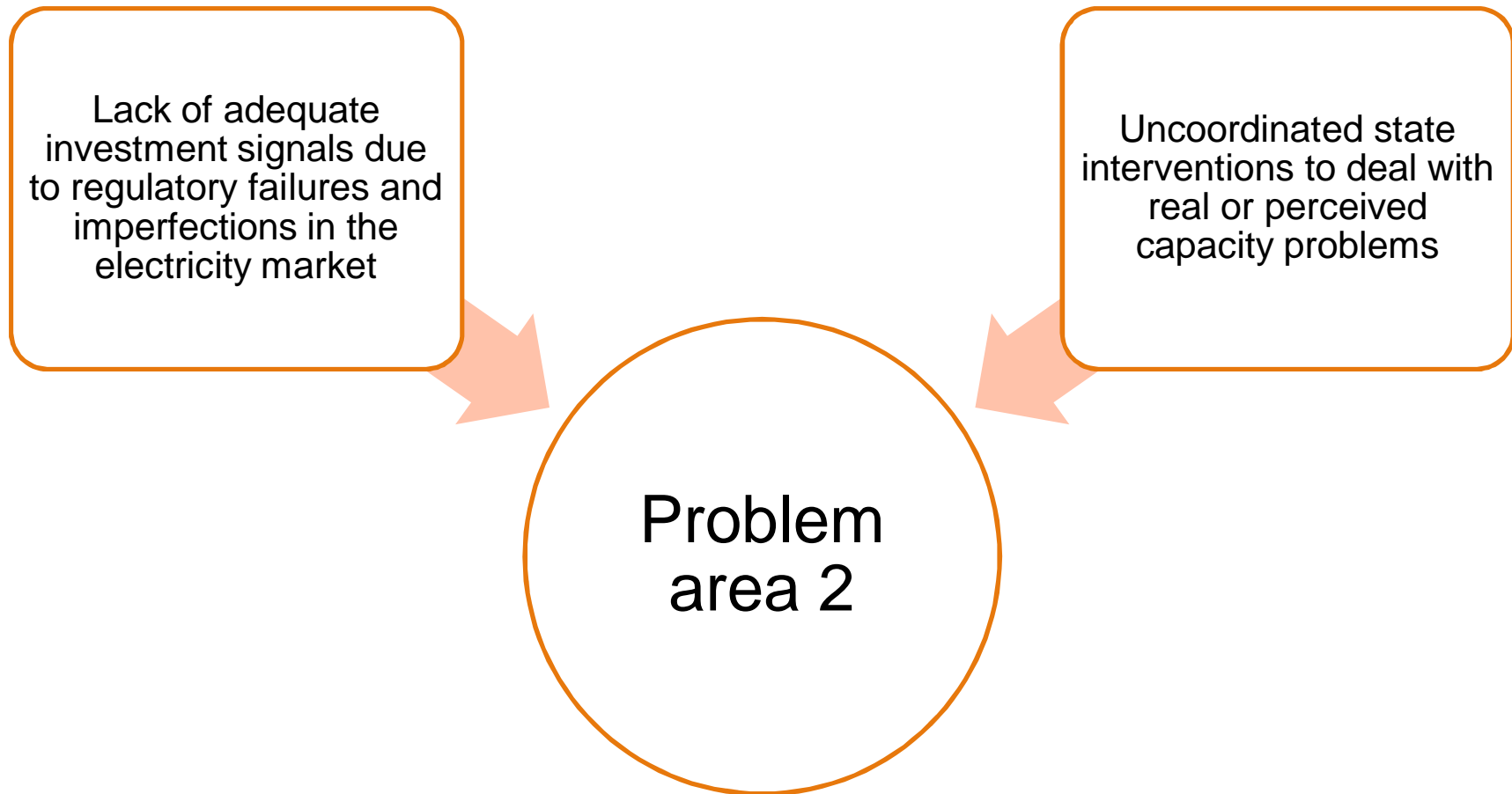
Problem area 4

- Slow deployment of new services, low levels of service and questionable market performance on retail markets

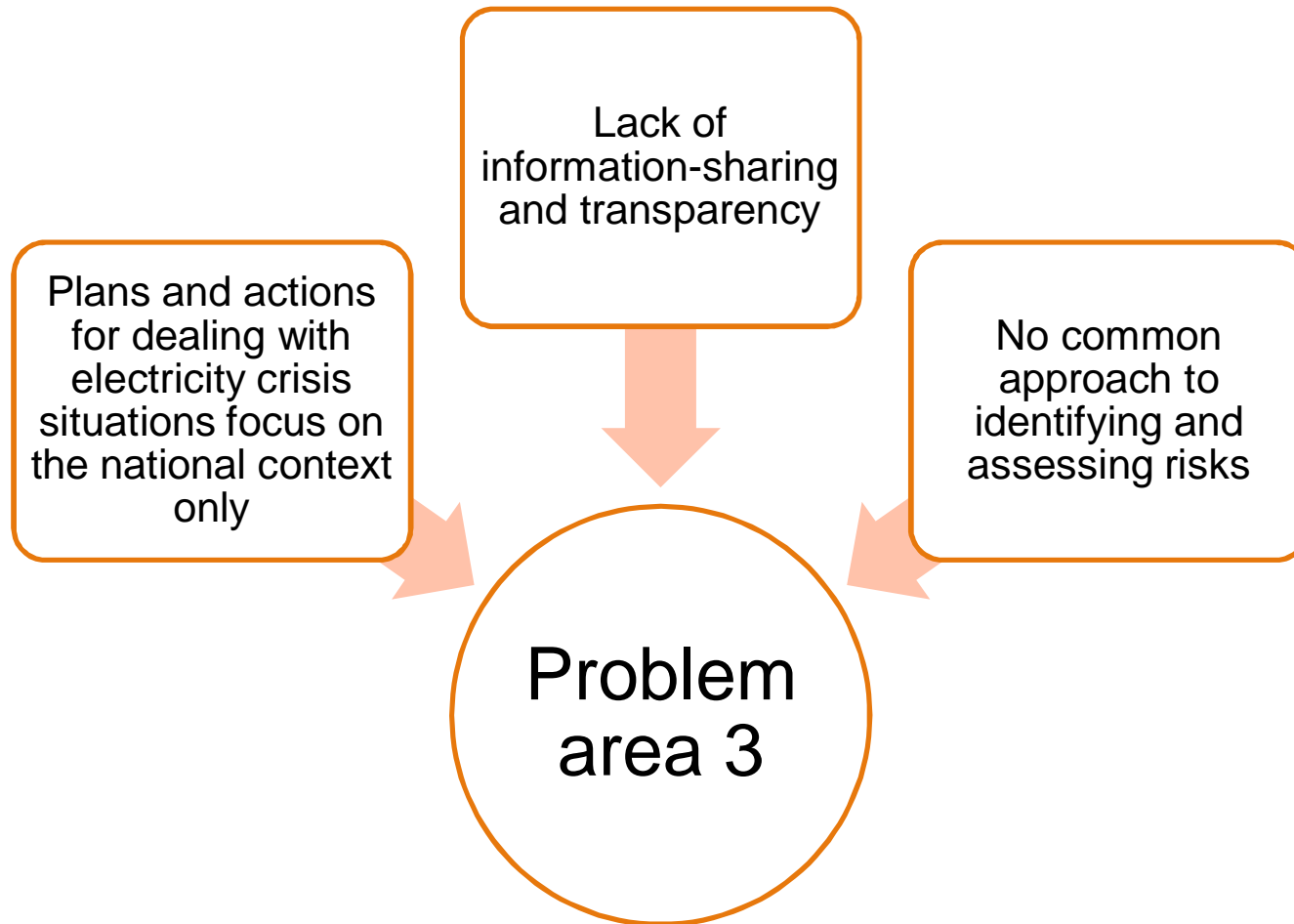
MARKET DESIGN NOT FIT FOR AN INCREASING SHARE OF VARIABLE DECENTRALISED GENERATION AND TECHNOLOGICAL DEVELOPMENTS



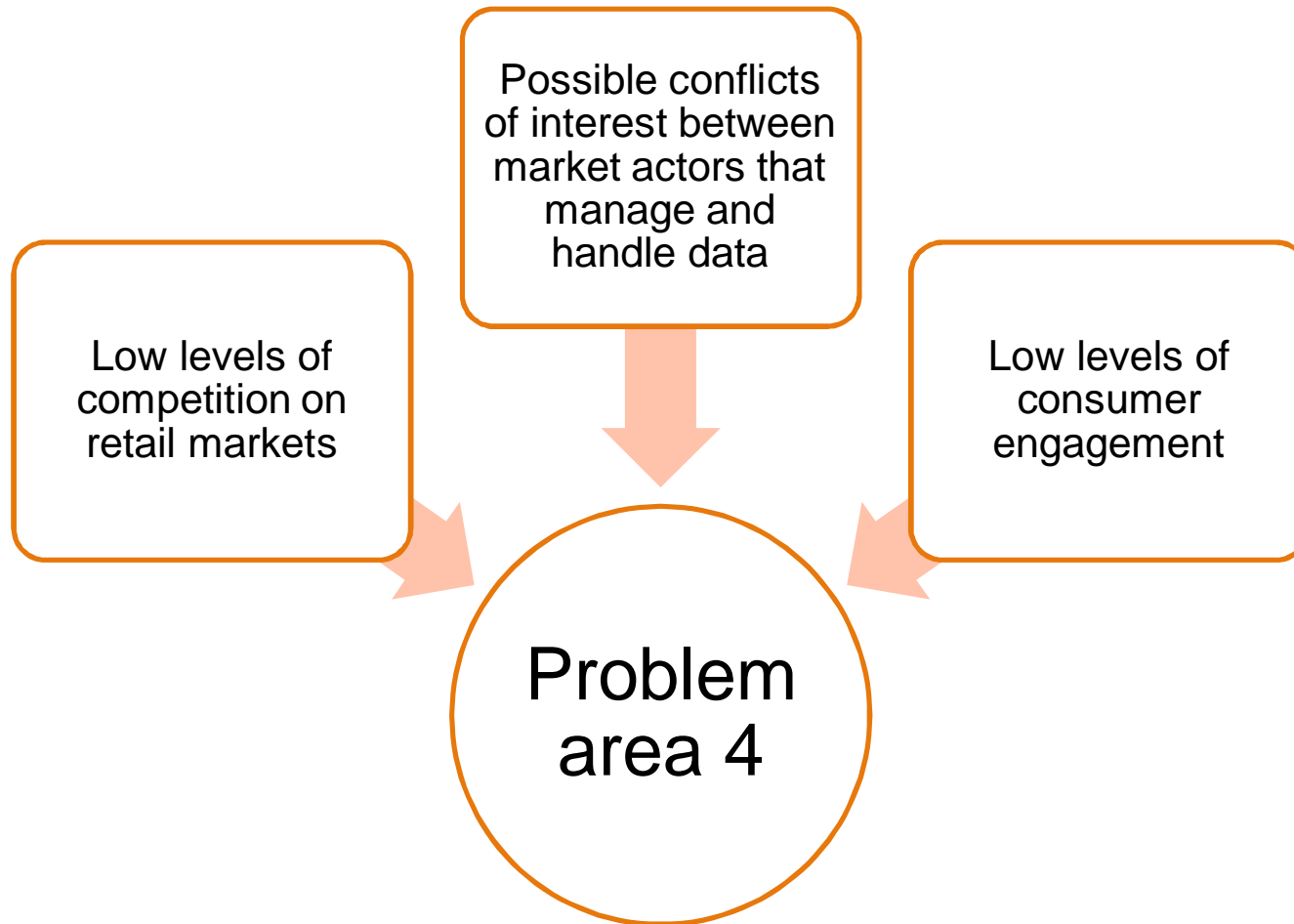
UNCERTAINTY ABOUT FUTURE GENERATION INVESTMENTS AND UNCOORDINATED CAPACITY MARKETS



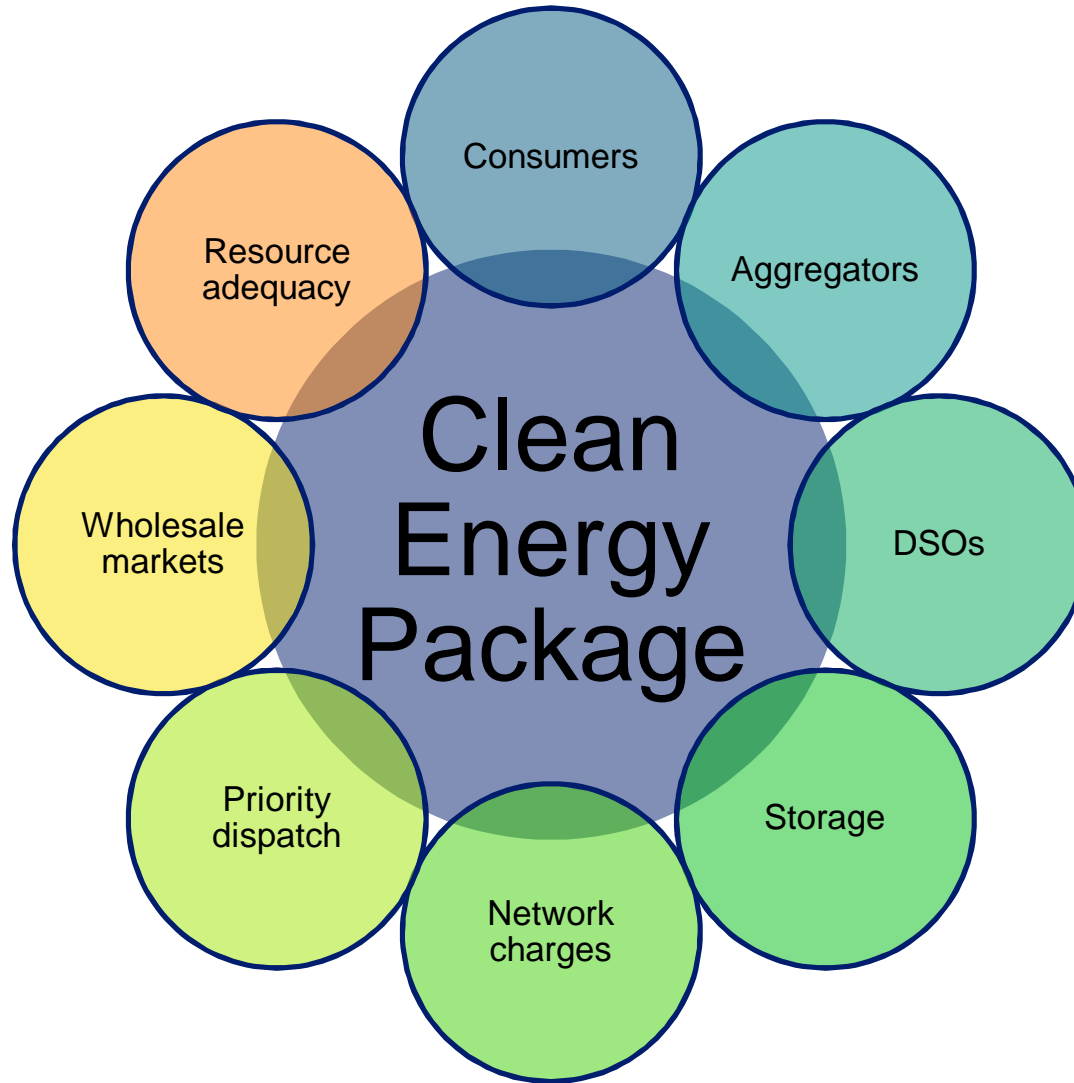
MEMBER STATES DO NOT TAKE SUFFICIENT ACCOUNT OF WHAT HAPPENS ACROSS THEIR BORDERS WHEN PREPARING FOR AND MANAGING ELECTRICITY CRISIS SITUATIONS



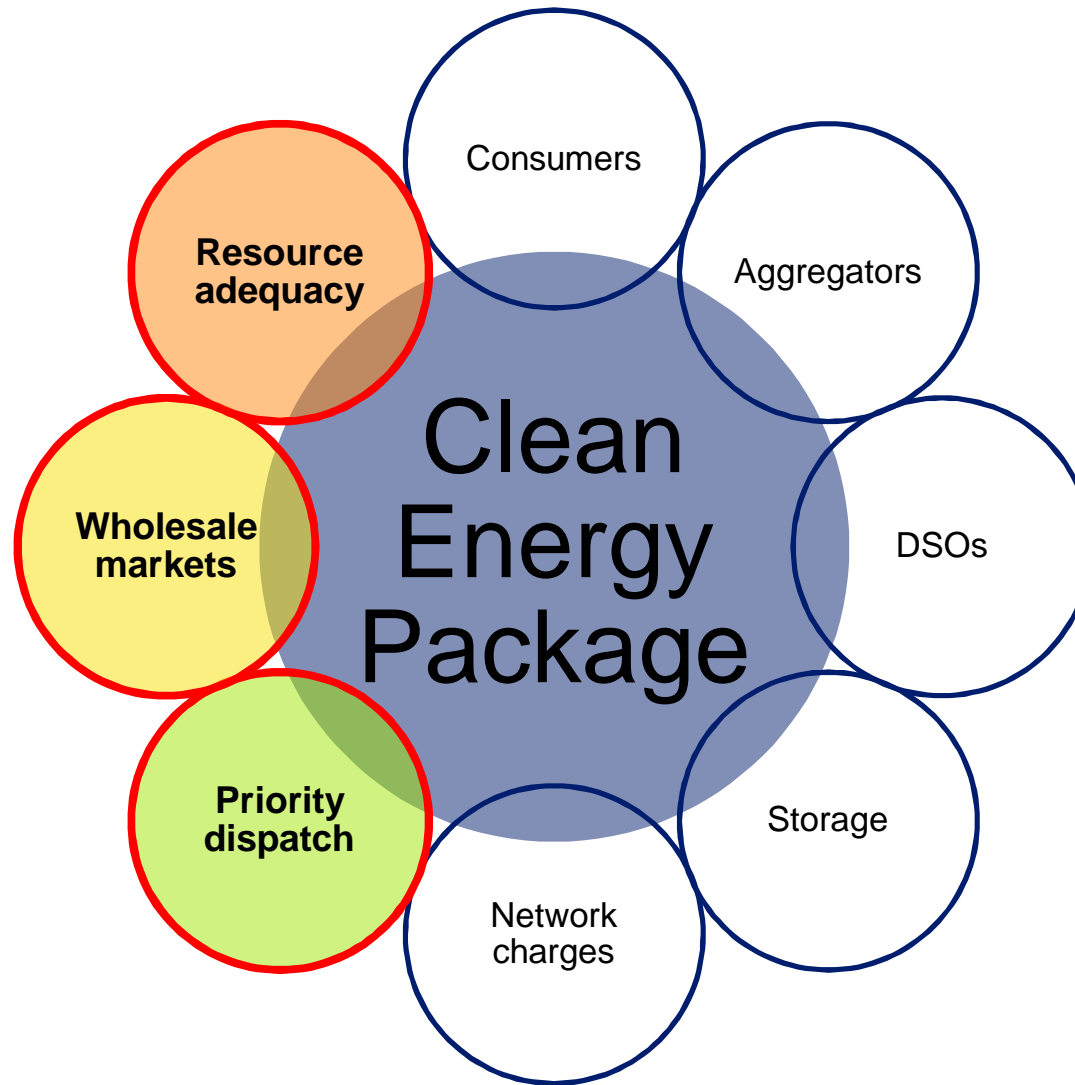
SLOW DEPLOYMENT OF NEW SERVICES, LOW LEVELS OF SERVICE AND QUESTIONABLE MARKET PERFORMANCE ON RETAIL MARKETS



MAIN AREAS OF DEVELOPMENT

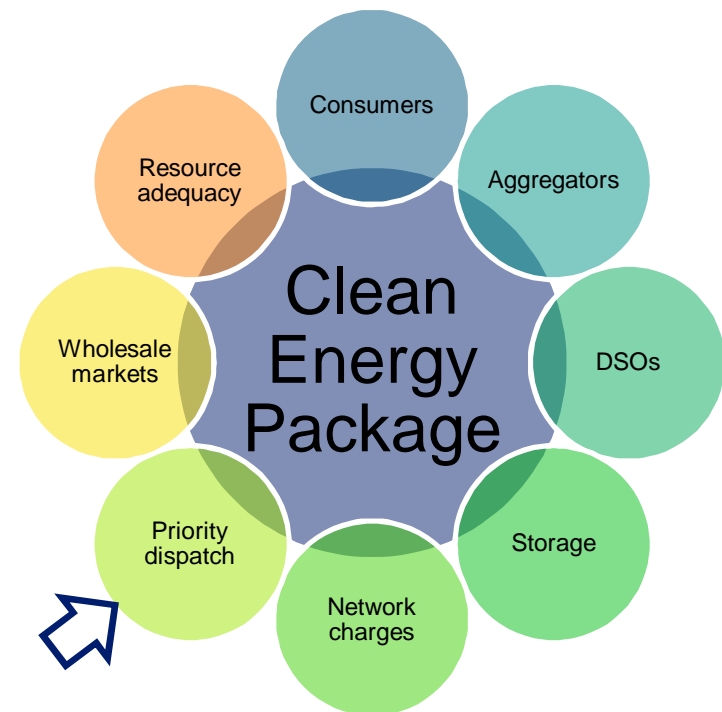


FOCUS ON A SUBSET...DETAILS ARE STILL EVOLVING



PRIORITY DISPATCH NO LONGER A PRIORITY

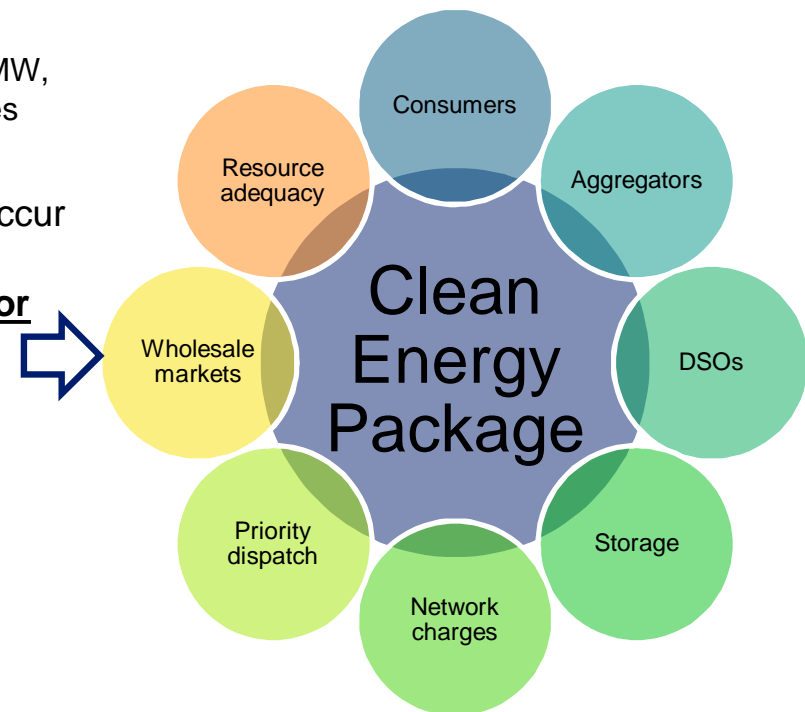
- Existing priority dispatch arrangements can remain
- But prospective grant of priority status limited to:
 - <250kW RES or high efficiency cogeneration (<50kW from 2026)
 - demonstration projects for emerging technologies
- If annual energy production subject to priority dispatch is >15%, **then MS may choose not to grant priority dispatch**
- Redispatch to be via market-based mechanism wherever possible, compensated at offer price
- If redispatch not market-based, compensated at higher of costs incurred and **100%** of net revenue, including support payments, assuming day-ahead sale that would otherwise have been earned
- Strong obligations on network businesses to minimise potential for redispatch



Underlined and bold text denotes suggested revisions to original drafting based on ongoing review/discussions

BETTER FUNCTIONING MARKETS

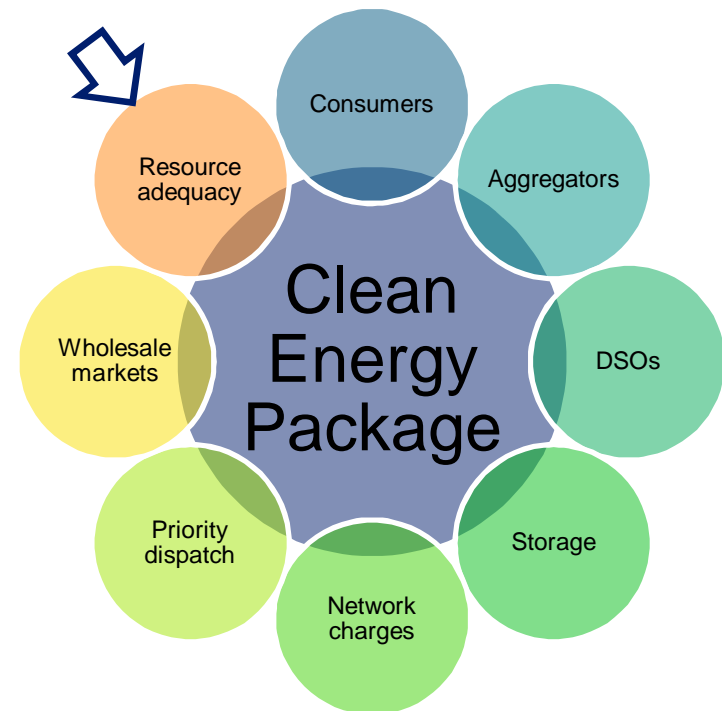
- Balance responsibility for all:
 - exemptions for existing SAG compliant FiTs, **demonstration projects for emerging technologies** and **<250kW RES/high efficiency cogeneration (<50kW from 2026)**
- Emphasis on maximising market's opportunities to balance day-ahead and intraday:
 - gate closure as late as possible, minimum bid sizes of 1MW, product granularity to at least match imbalance timescales
- Contracting for **at least 75%** balancing capacity to occur 1 day ahead, for maximum duration of 1 day.
Remainder procured maximum 1 month ahead, for maximum duration of 1 month.
- Regional coordination for identification of need for and procurement of balancing capacity
 - **limit of 5% available capacity for balancing capacity**
- 15 min settlement from **2021 unless derogated**
 - **no derogation after 1-Jan-25**
- No price cap (other than **bidding zone VoLL**) **and no price floor for balancing energy prices**



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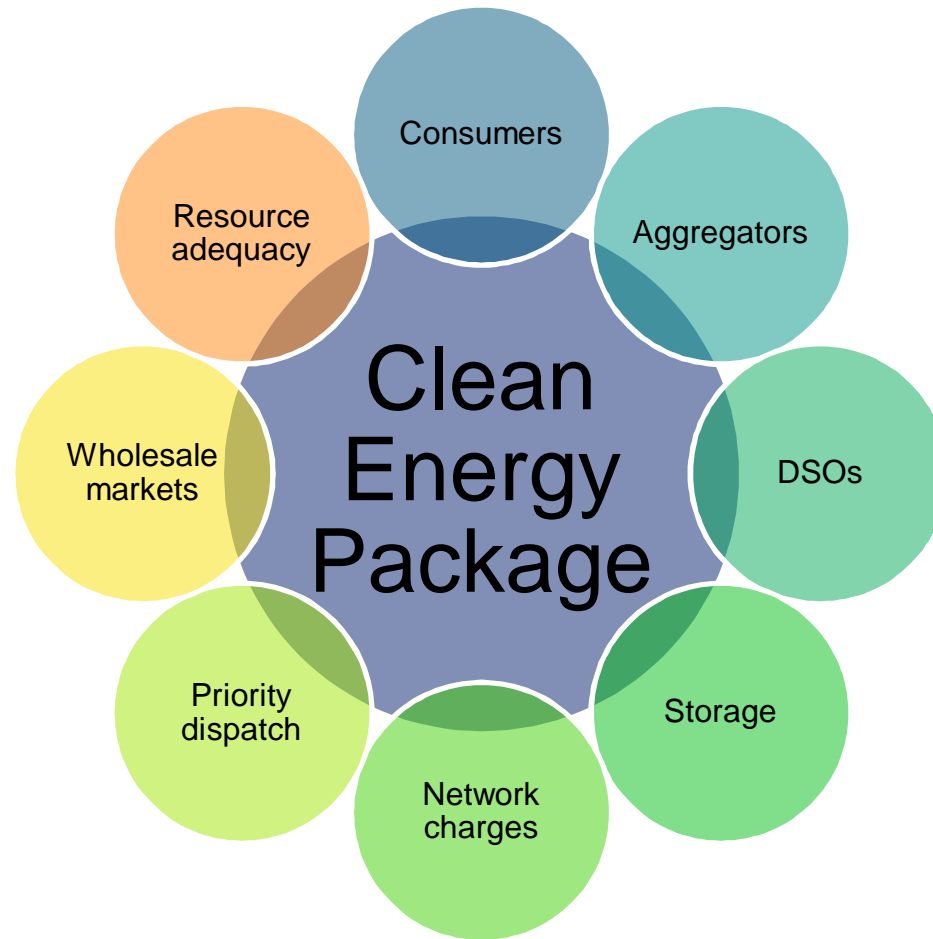
RESOURCE ADEQUACY ACROSS BORDERS

- Stronger emphasis on need for CRMs to work cross border, **with following potential requirements:**
 - direct connection between bidding zones of foreign capacity and CRM
 - capacity not participating in another CRM
- Strategic reserve can only be dispatched when all other resources have been exhausted and priced at VoLL for purpose of imbalance pricing
- Requirements for CRMs include that they are temporary and include provisions for phase out
- Emissions limit applies:
 - new capacity **operating more than [X] hours per year** can only participate if emissions below 550g CO₂/kWh
 - **7** years after Regulation enters force, capacity **operating more than [X] hours per year** with emissions at or above 550g CO₂/kWh cannot participate
- Existing schemes may need to be revised to comply with design requirements and/or may be unwound if European assessment does not identify issues



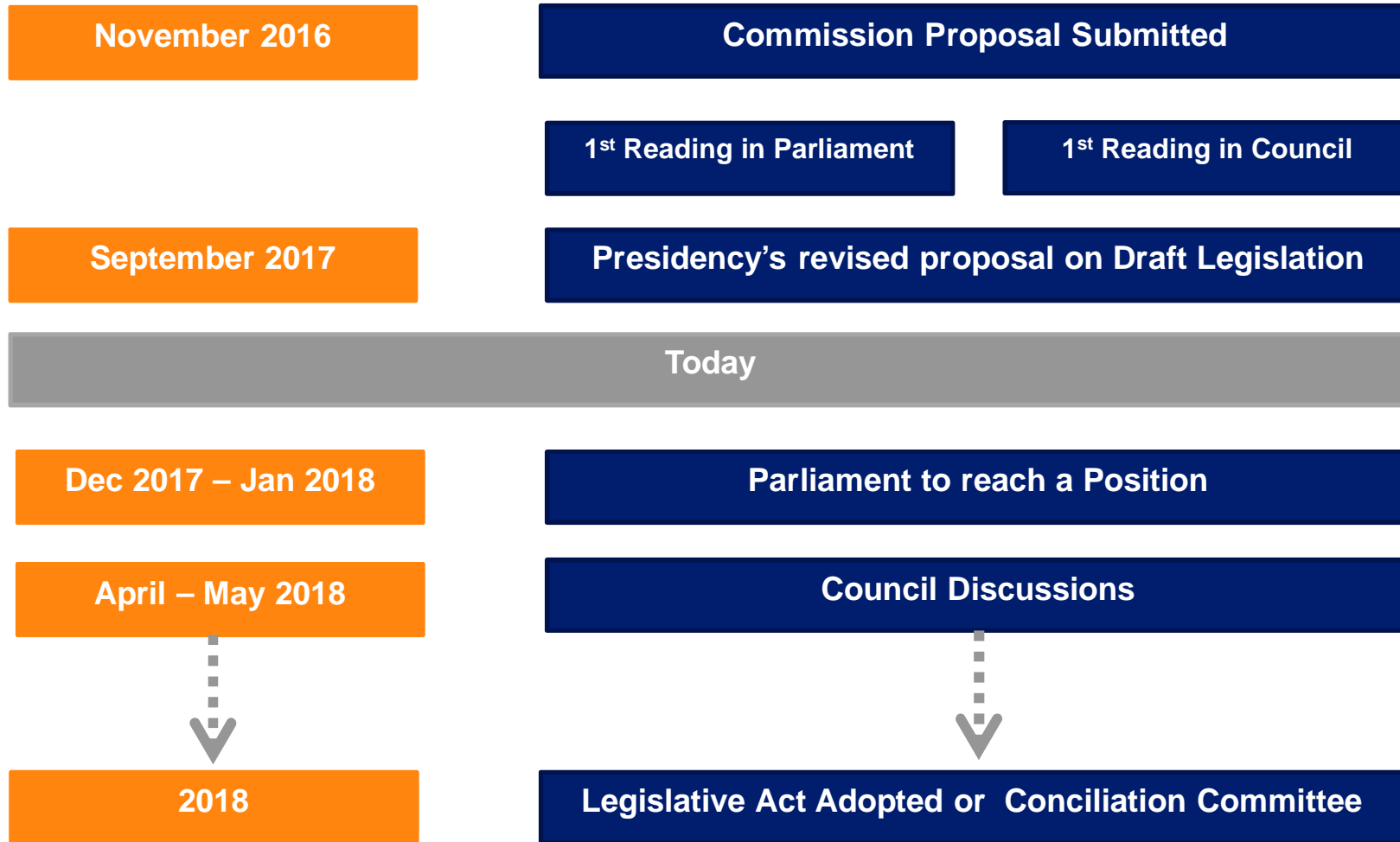
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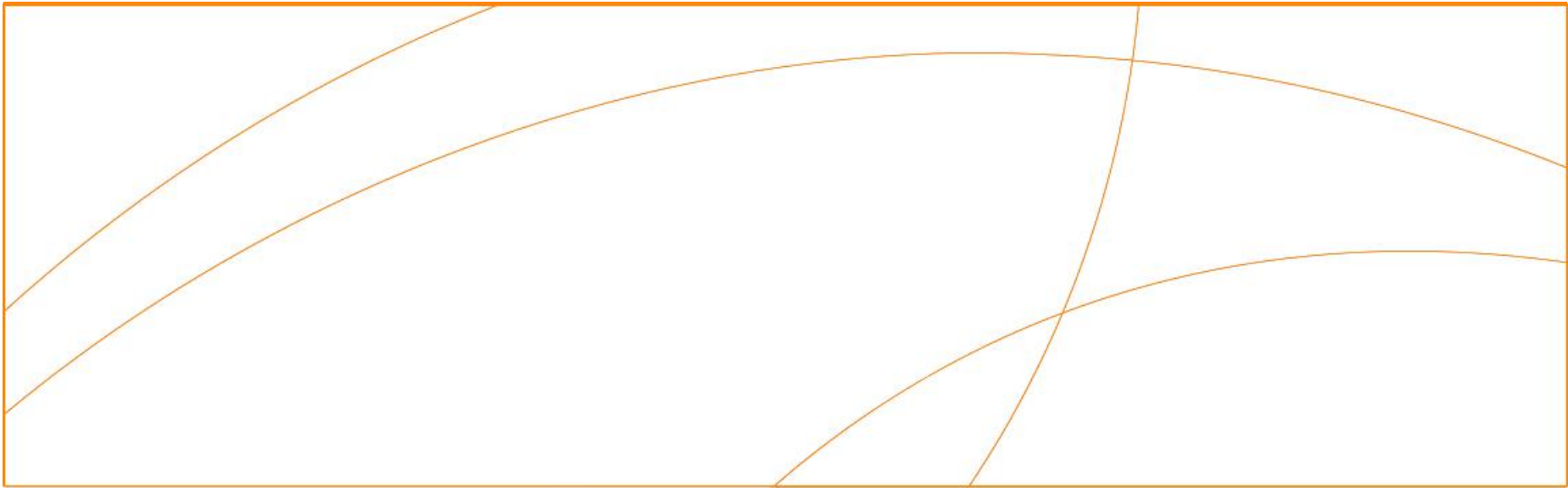
CLEAN ENERGY PACKAGE IS FAR REACHING IN MANY WAYS – BUT DOES IT TACKLE THE PROBLEMS IDENTIFIED AND CREATE A FRAMEWORK THAT CAN SUPPORT ENERGY TRANSITION?



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