Market integration of renewable energy and best practice support schemes

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Energy

What's happening?

- **20% renewables in 2020**
  - 14% - 20% - 34%: electricity from renewables rising
  - 2% - 7% - 17%: electricity from wind and solar rising
- **Market liberalisation**
- **Transformation to low/zero carbon electricity sector**

GOVERNMENT INTERVENTIONS

- Long history of government intervention/provision
- Environmental, climate, social, security of supply **market failures**
  - **Market corrected** through wide range of regulatory, administrative and financial measures
  - Measures can be temporary and removed when the market failure is removed.
- Sub optimal supply of renewable energy
    - Priority access, subsidies, etc. ***until*** competing subsidies removed, grid developed, system operations adapted (e.g. network codes) and other market failures corrected

Market creation and integration

- Growing scale of electricity from renewables focuses attention on costs and market impact.
- Commission has been critical of costs, of reform processes (retroactivity), slow removal of barriers and national (non-European) approaches
- After numerous recommendations, proposed guidance in 2011…
  1. Reform process
  2. "Integration" - minimise impact on market functioning
  3. Common, European approach

Guidance:

- **Reform**
  - planning, reviews, flexibility, credibility
- **Market integration**
  - balancing responsibilities (with balancing markets)
  - Non-discriminatory network tariffs, connection charges
  - Exposure to market prices (premiums, quotas rather than tariffs)
- **"Europeanisation"**
  - Common approaches (balancing markets, network tariffs, connection charges, support schemes)
  - Common methods/support levels
  - Cooperation mechanisms (joint projects, schemes)

Conclusion

- **The goal is a single market which drives efficient production and investment decisions**

- **Modern, smart systems and infrastructure are needed to make a flexible low carbon electricity market work**

- **With such a system, renewables can be integrated into the market, driven by the market.**