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Capacity mechanisms, State aid rules and the internal market

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Competition

Role of State aid control

General objectives

- Avoid distortions of competition and trade in EU
- Ensure level playing field across EU – internal market

Specific to the energy area

- Avoid distortions of competition in liberalised generation and retail market
- Support integration of internal energy market

Environmental Aid Guidelines

- State aid assessment in energy & environmental area on the basis of Environmental Aid Guidelines (EAG)
  - give predictability to Member States
  - bind Commission in its assessment
- Current EAG date from 2008
- Currently revision of EAG for adoption in early 2014
- One aim is to extend EAG with respect to energy issues

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Issue of capacity mechanisms

- A number of Member States perceive lack of generation capacity
- Plans to introduce capacity mechanisms
- Risk of distortions of competition in the generation market and potentially undermining the internal market
  - Design of capacity market is key
- No case practice yet
- Close co-operation with DG ENER
- Aim to arrive at coherent approach

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Framework of assessment

Main criteria

1. Necessity?
2. Appropriate instrument?
3. Proportionality?
4. Distortion of competition?

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Summary

- Capacity mechanisms pose potential risk to market integration and to competition in generation market
- Assessment as any other State aid measures
- Cumulative assessment with main steps
  - Necessity
  - Appropriate instrument
  - Proportionality
  - Distortions of competition