Vision for integrated markets – target model and beyond

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EC stakeholder forum on CRM and generation adequacy

Brussels 08. March 2013

What is needed to get an integrated market?

- **Grid infrastructure that allows European trading**
- **Competitive and efficient markets**
- **Level playing field across member states**
- **Attractive investment climate**

Infrastructure that allows European trading

- **The TYNDP 2012 identifies the need to invest €104 billion in the refurbishment or construction of roughly 52 300 km of extra high voltage power lines clustered into 100 investment projects across Europe.**
- **The International Energy Agency has estimated the investment needs in Europe's distribution grid at €520 billion by 2035, almost three-quarters of the total transmission and distribution grid investments.**
- **Adequate regulatory conditions are key for grid investments**
- **Strong political support and public acceptance**

Competitive and efficient markets (1)

- **Market based prices and political acceptance of volatile prices**
- **Capacity calculation & congestion management**
  - **Capacity calculation**
  - **Forward, day-ahead, intra-day and balancing markets**
- **Efficient carbon trading scheme**
- **Give sufficient room to markets and limit regulatory intervention. Competitive markets cannot be a minor part of the market.**
  - **Removal of regulated end-user prices and price caps**
  - **Removal of restrictions on plant operations and other regulatory or administrative measures**

Competitive and efficient markets (2)

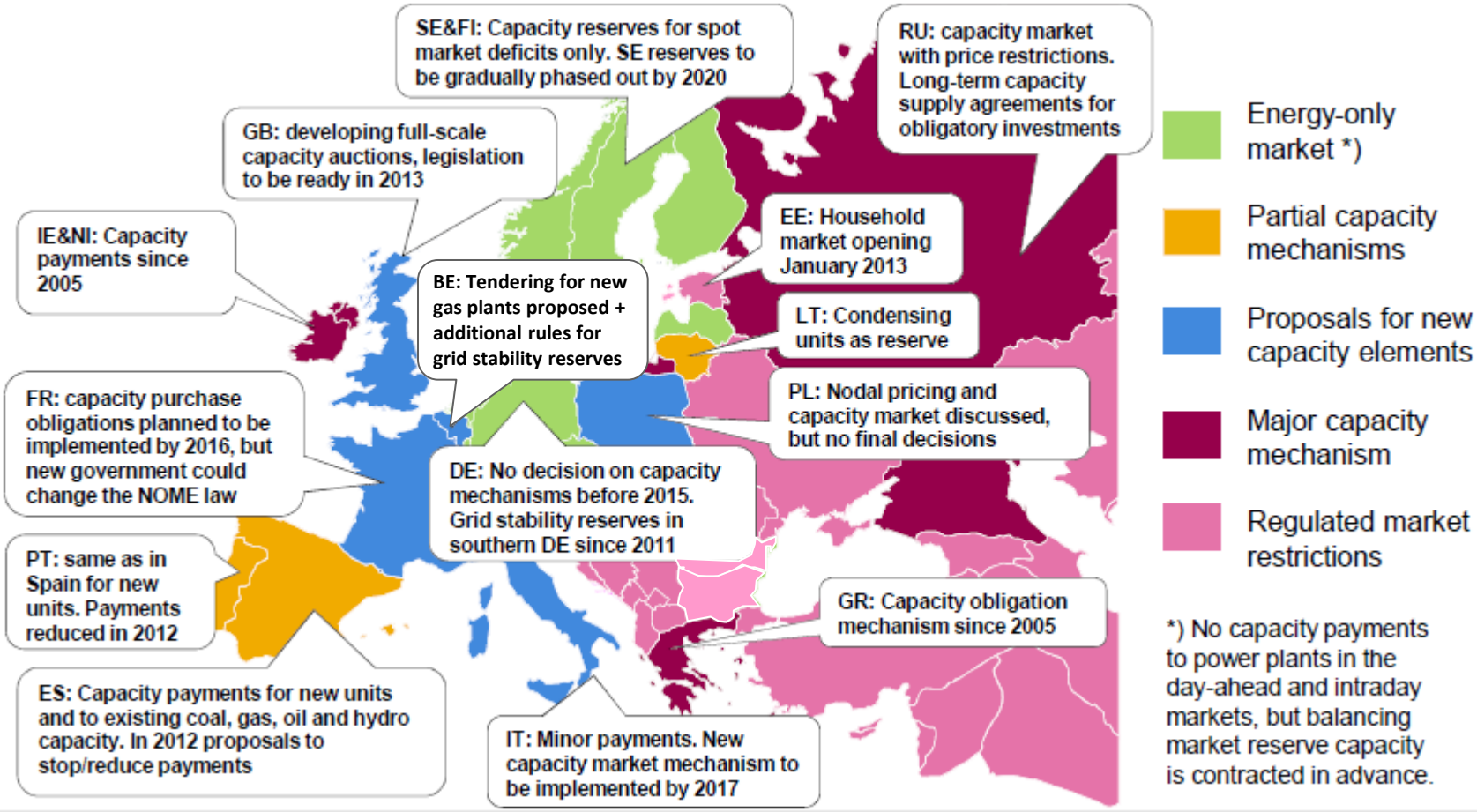
- **Customers should have the freedom to get what they want**
  - **Demand response**
  - **Self generation**
  - **Use electricity when you want**

- **The industry should ensure that reliable information and tools are available to help customer navigate and manage their own usage**

- **Competitive pricing is the only way to ensure that the true value of demand response and energy efficiency can be taken into account by customers in their decision making.**

Level playing field (1)

Member States have taken the lead



Level playing field (2)

- **Any capacity mechanism should consider cross-border issues**
  - **Generation adequacy assessment should take into account contribution of cross border connections**
  - **A firm commitment between involved MS to share interconnection capacities in case of scarcity and respect trade contracts is needed**

- **Any capacity mechanism should be market based**
  - **Shall remunerate capacity only**
  - **Technology neutral**
  - **Open to demand response, storage and generation**
  - **Equal treatment of existing and new units**
  - **Equal treatment of all market participants**

Level playing field (3)

- **A European market needs similar market conditions in all Member States**
- **RES generators should progressively enter into the market on a level playing field with other generators. In particular they should be incentivised to:**
  - **Sell the production into the market**
  - **Meet scheduling, nomination and balancing requirements**
- **Progressive harmonisation towards EU-wide market-based support mechanisms**
- **Progressive phase out of subsidies for mature technologies (when they reach market competitiveness and broad deployment)**

Attractive investment climate

Action is needed now!

1. **Stop discretionary measures**

2. **Do not micro-manage the energy sector with multiple, conflicting policies instruments and targets! The EU needs to integrate its different policies into one coherent structure.**

3. **Be serious about the completion of a well-functioning and integrated energy market.**

4. **Develop a European energy policy which reconciles national policies and cares about consistency: improve the Lisbon Treaty's Article 194.**

5. **Use innovation as a catalyst.**

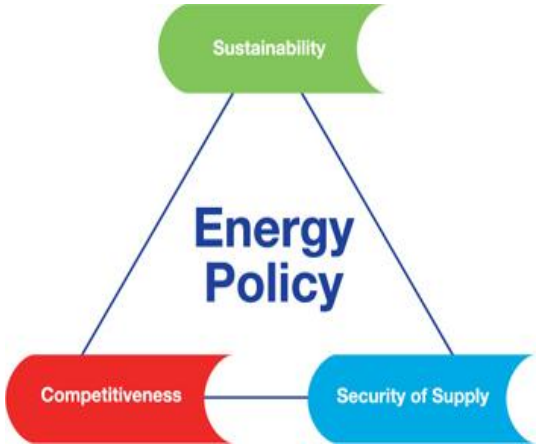
6. **Timing matters! Choose the right speed.**

Will we get an integrated market?

- **Infrastructure that allows European trading** ×?
- **Competitive and efficient markets** ×?
- **Level playing field** ×?
- **Attractive investment climate** ×?

Conclusions

- **It is crucial to avoid the risk that the common market will be limited to optimizing flows between national politically steered "markets"**

- **The Commission should be determined to revert the current trend of creating national markets and propose a coherent European approach to handle current challenges around investment climate, generation adequacy and transition to low carbon**

- **Regulatory stability and consistency of energy policies at EU and national levels are of paramount importance to achieve the EU goals**