RISPOSTE ALLA CONSULTAZIONE PUBBLICA

Consultation Paper, on generation adequacy, capacity mechanisms and the internal market in electricity

11/15/2012

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Massimo Merighi, 5 Febbraio 2013 **massimo.merighi@tiscali.it**

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QUESTIONS

(1) Do you consider that the current market prices prevent investments in needed generation capacity?

Yes, it is quite curious signalling price market as element to prevent investment in the generation capacity and do not act when due to other market condition the circumstances are favourable, it is an unbalanced approach.

(2) Do you consider that support (e.g. direct financial support, priority dispatch or special network fees) for specific energy sources (renewables, coal, nuclear) undermines investments needed to ensure generation adequacy? If yes,how and to what extent?

The measures mentioned above relevant to RES were introduced to increase the penetration of the same, allowing the achievement of the Euro 2020 policy and towards 2050 low carbon economy. As far as I am not aware that any support is provided to Nuclear Energy or Coal, if this is the reality the Commission should investigate if such aid is compatible with State Aid procedures and act accordingly.

(3) Do you consider that work on the establishment of cross-border day ahead, intraday and balancing markets will contribute to ensuring security of supply? Within what timeframe do you see this happening?

We should be clearer on the differentiation between material passage of electricity and financial products. The presence of such kind of financial instruments can improve liquidity in favour of broker, trader, wholesale and producers but do not resolve the lack of cross border capacity. The Commission should encourage the true passage of electricity not the excessive development of financial products that will not solve the situation in case of emergency where only real and material power connection is useful to prevent shortage.

(4) What additional steps, if any, should be taken at European level to ensure that internal market rules fully contribute to ensuring generation adequacy and security of supply?

REVERT the concept, due to loss in production, transmission and distribution for each 3 kWh produced only 1 kWh is really consumed. So improving saving at final consumer will have huge benefit on the available generation capacity, so 100 MWh saved at final utilisation result equal than a 300 MWh power plant to be used. We should encourage consumers to be available to have power cut, and have them pay for such availability. In other words, we can pay a consumer the availability to be cut from the network during certain moment. We will have huge saving and we can contribute to reduce energy poverty of consumers, so they may have a bit more of revenues.

(5) What additional steps could Member States take to support the effectiveness of the internal market in delivering generation adequacy?

Same as above improve the decision for the consumers to be disconnected during peak time, and pay them a reserve capacity, that will result lower than the one paid to the producer. With smart metering such approach is possible.

(6) How should public authorities reflect the preferences of consumers in relation to security of supply? How can they reflect preferences for lower standards on the part of some consumers?

Such preference is not reflected at all, there is only a push driven approach to security of supply that

is extremely overstated for the reasons above (3 kWh produced = 1kWh finally used). With smart metering such approach is possible.

(7) Do you consider that there is a need for review of how generation adequacy assessments are carried out in the internal market? In particular, is there a need for more in depth generation adequacy reviews at:

a. National level

b. Regional Level

c. European Level YES but again at consumer level.

(8) Looking forward, is the generation adequacy outlook produced by ENTSO-E sufficiently detailed? In particular,

a. Is there a need for a regional or European assessment of the availability of flexible capacity?

No, but we should improve the mapping of disconnection capabilities; this will drive to energy efficiency and proper use of electricity (3 kWh produced – 2 kWh wasted to final user = 1kWh finally available).

b. Are there other areas where this generation adequacy assessment should be made more detailed?

No, but we should improve the mapping of disconnection adeguacy; this will drive to energy efficiency and proper use of electricity (3 kWh produced – 2 kWh wasted to final user = 1kWh finally available).

(9) Do you consider the Electricity Security of Supply Directive to be adequate? If it should be revised, on which points?

The security of supply is a trade-off between what is cost to ensure 100% availability and what it cost of the loss of power, we may have less cost accepting power outage, the loss of such outage can be even covered by proper insurance policy, on top considering that: 3 kWh produced – 2 kWh wasted to final user = 1kWh finally available the major focus should be do not on generation but on consumption that provide more cost effective benefit.

It is not resource efficient push toward an huge generation availability. That will be paid by consumers.

(10) Would you support the introduction of mandatory risk assessments or generation adequacy plans at national and regional level similar to those required under the Gas Security of Supply Regulation?

The risk assessment should be matched with the relevant benefit, again is a trade-off otherwise consumers will pay more than what they would loss. Again final consumer paid disconnection capability is the key.

(11) Should generation adequacy standards be harmonised across the EU? What should be that standard or how could it be developed taking into account potentially diverging preference regarding security of supply?

The generation adequacy should be considered at EU level, but material interconnectors are needed, otherwise the system is not working and is creating space for price speculation.

(12) Do you consider that capacity mechanisms should be introduced only if and when steps to improve market functioning are clearly insufficient?

It is an useless question, if the market is not functioning properly, why we should distort more with the introduction of such capacity charge that will be a premium for less efficient power generation

equipment that will be out of the merit order scale. On the contrary capacity mechanisms have to be avoided remember: 3 kWh produced – 2 kWh wasted to final user = 1kWh finally available. Again 100 MWh saved at final utilisation result equal than a 300 MWh power plant not to be used.

(13) Under what circumstances would you consider market functioning to be insufficient:

a. to ensure that new flexible resources are delivered?

We should work more on the really demand side efficient market, 3 kWh produced – 2 kWh wasted to final user = 1kWh finally available. A 100 MWh saved at final utilisation level result equal than a 300 MWh power plant not to be used.

b. to ensure sufficient capacity is available to meet demand on the system at times of highest system stress?

Again pay consumer to be available to be disconnected is the solution remember 3 kWh produced – 2 kWh wasted to final user = 1kWh finally available.

(14) In relation to strategic reserves:

a. Do you consider that the introduction of a strategic reserve can support the transition from a fossil fuel based electricity system or during a nuclear phase out?

No is exactly the opposite will keep working useless power plant that otherwise for economic and financial reasons will be closed. Such proposal is not an efficient way to allocate financial resource wisely/

b. What risks, if any, to effective competition and the functioning of the internal market do you consider being associated with the introduction of strategic reserves?

The risk is that larger power producer may simply gain money from reintier position, and gain money for useless power plant that otherwise for economic and financial reasons will be closed, and once the necessity of more power capacity is required with a larger generation portfolio they will adjust without using such obsolete plants. Capacity fees need to be avoided absolutely.

(15) In relation to capacity markets and/or payments:

a. Which models of capacity market and /or payments do you consider to be most and least distortionary and most compatible with the effective competition and the functioning of the internal market, and why?

We should work more on the really demand side efficient market, 3 kWh produced – 2 kWh wasted to final user = 1kWh finally available. A 100 MWh saved at final utilisation level result equal than a 300 MWh power plant not to be used.

b. Which models of capacity market and /or payments do you consider to be most compatible with ensuring flexibility in a low carbon electricity system?

We should work more on the really demand side efficient market, 3 kWh produced – 2 kWh wasted to final user = 1kWh finally available. A 100 MWh saved at final utilisation level result equal than a 300 MWh power plant not to be used.

c. Are there any models of capacity mechanism the introduction of which would be irreversible, or reversible only with great difficulty?

We should work more on the really demand side efficient market, 3 kWh produced – 2 kWh wasted to final user = 1kWh finally available. A 100 MWh saved at final utilisation level result equal than a 300 MWh power plant not to be used.

(16) Which models of capacity mechanisms do you consider to have the have the least impact on costs for final consumers?

We should work more on the really demand side efficient market, 3 kWh produced – 2 kWh wasted to final user = 1kWh finally available. Therefore if we pay 2 Euro/cent for contracted capacity at user side available to be disconnected is equal to pay 6 Euro/cent for power producer. In such way the consumer may be wiliness to have such cuts that will result even in a source of income for the, Remember that energy or fuel poverty is still a huge problem for EU citizens.

A 100 MWh saved at final utilisation level result equal than a 300 MWh power plant not to be used. We can pay 3 times consumers than producers obtaining the same result !

(17) To what extent do you consider capacity mechanisms could build on balancing market regimes to encourage flexibility in all its forms?

Again, We should work more on the really demand side efficient market, 3 kWh produced – 2 kWh wasted to final user = 1kWh finally available with smart metering the consumers can do that, be one active part of the market. A 100 MWh saved at final utilisation level result equal than a 300 MWh power plant not to be used.

(18) Should the Commission set out to provide the blueprint for an EU-wide capacity mechanism?

Yes but if only we work on the demand side efficient consumer market, (remember 3 kWh produced – 2 kWh wasted to final user = 1kWh finally available for consumers). A 100 MWh saved at final utilisation level result equal than a 300 MWh power plant not to be used.

(19) Do you consider that the European Commission should develop detailed criteria to assess the compatibility of capacity mechanisms with the internal energy market?

If the Commission will work on a Directive ensuring a proper working demand side efficient consumer market properly compensated and remunerated there is no need of State Aid analysis, the benefit will be higher for all market players and consumers (remember 3 kWh produced – 2 kWh wasted to final user = 1kWh finally available for consumers). We do not liberalise market in order to have them liberalised but we do to reduce the price of power and utilities, liberalisation is not the end is the aim to achieve lower prices. We can pay 3 times consumers to ensure security of supply than producers obtaining the same result !

(20) Do you consider the detailed criteria set out above to be appropriate?

a. Should any criteria be added to this list?

Yes the demand side efficient consumer market, (remember 3 kWh produced – 2 kWh wasted to final user = 1kWh finally available for consumers).

b. Which, if any, criteria should be given most weight?

The most economical way is to act on the demand side efficient consumer market, (remember 3 kWh produced – 2 kWh wasted to final user = 1kWh finally available for consumers). This will underpin the Euro 2020 policy and the Towards 2050 Low Carbon scenario.

I am fully available for further clarification or details, simply get in contact with me at my email address: massimo.merighi@tiscali.it

Kindly regards

Massimo Merighi