

Florence Forum: Capacity Mechanisms in the New market Design
2015/10/09

UFE-BDEW study: towards a joint approach of security of electricity supply



ENTERING A NEW WORLD, FACING A NEW CHALLENGE



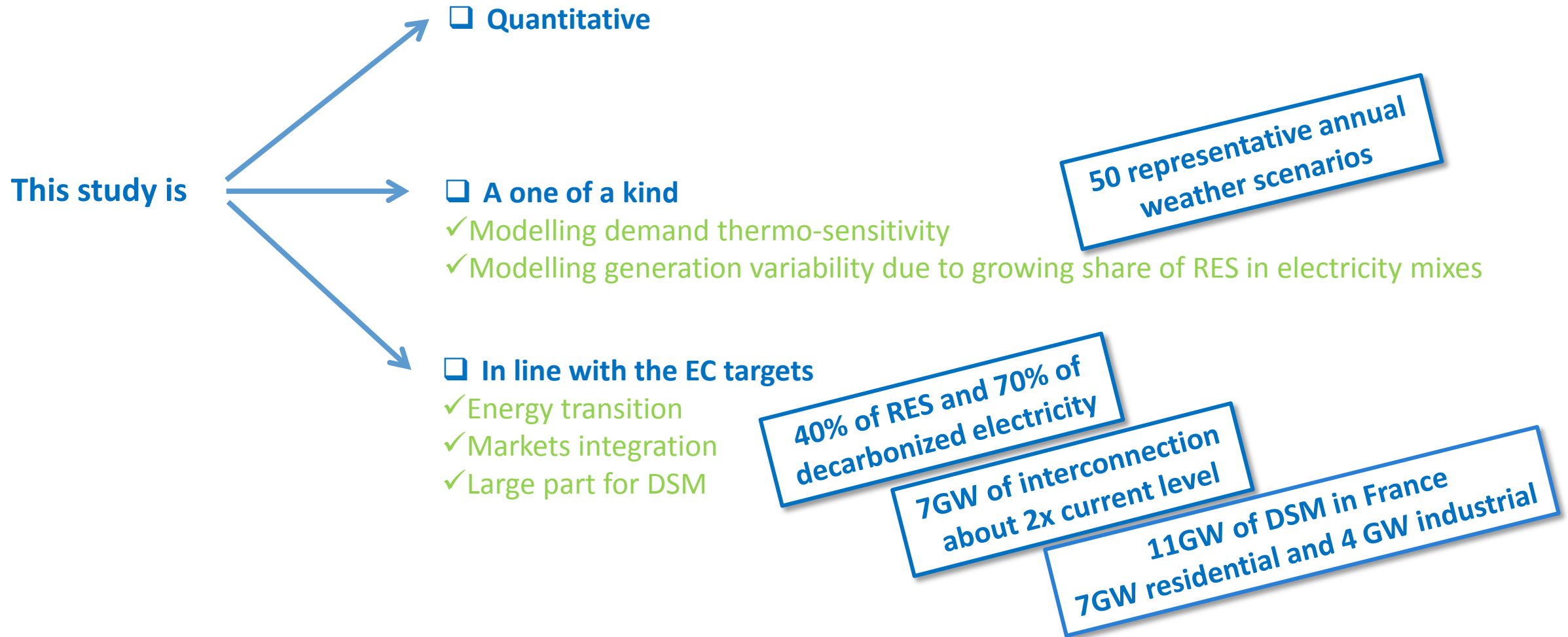
Free pricing?

Costs and benefits of introducing capacity wide mechanisms?

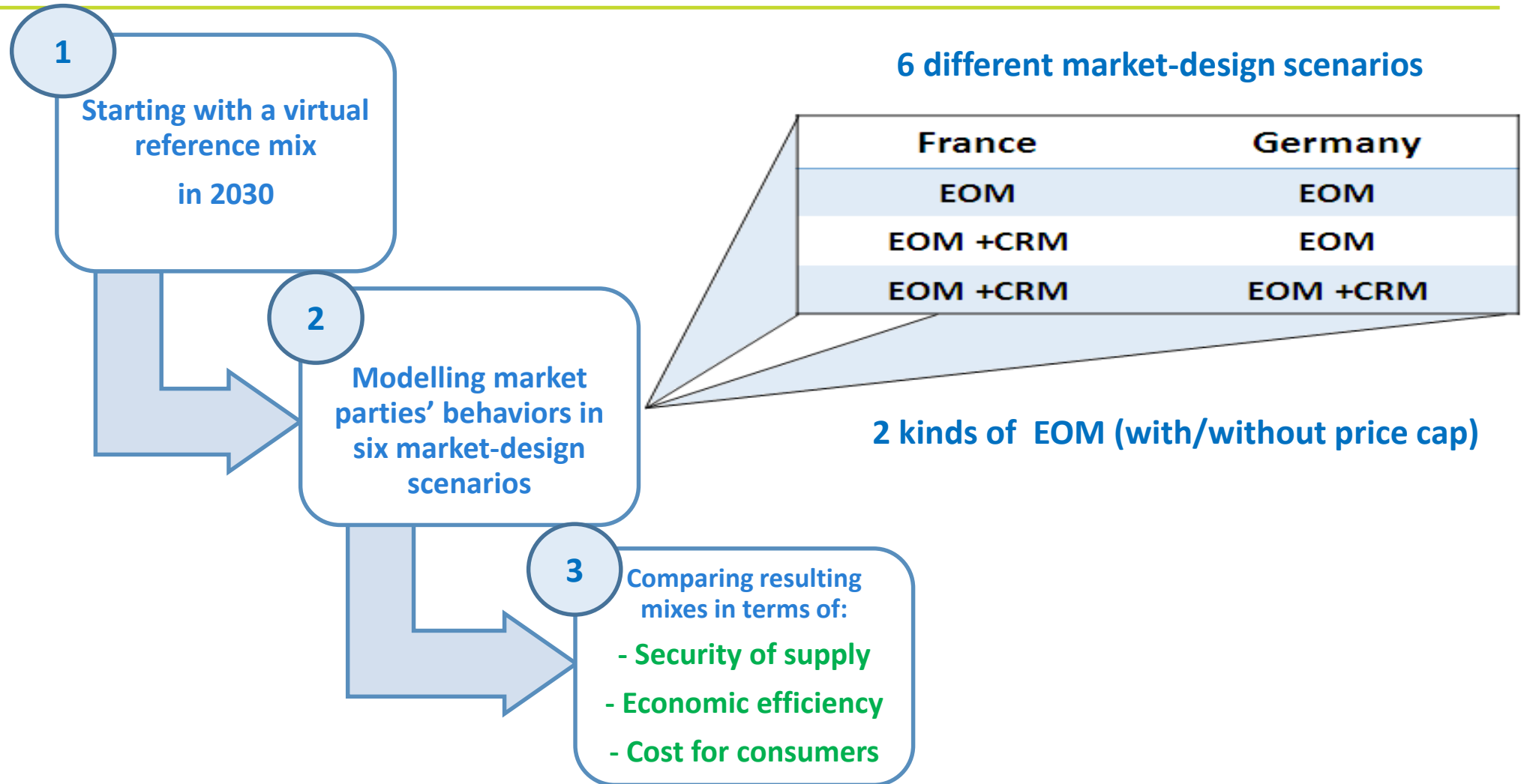
Impacts on the internal energy market?

Benefits of coordinated introduction of capacity mechanisms?

A UNIQUE JOINT QUANTITATIVE STUDY AT FRENCH-GERMAN LEVEL

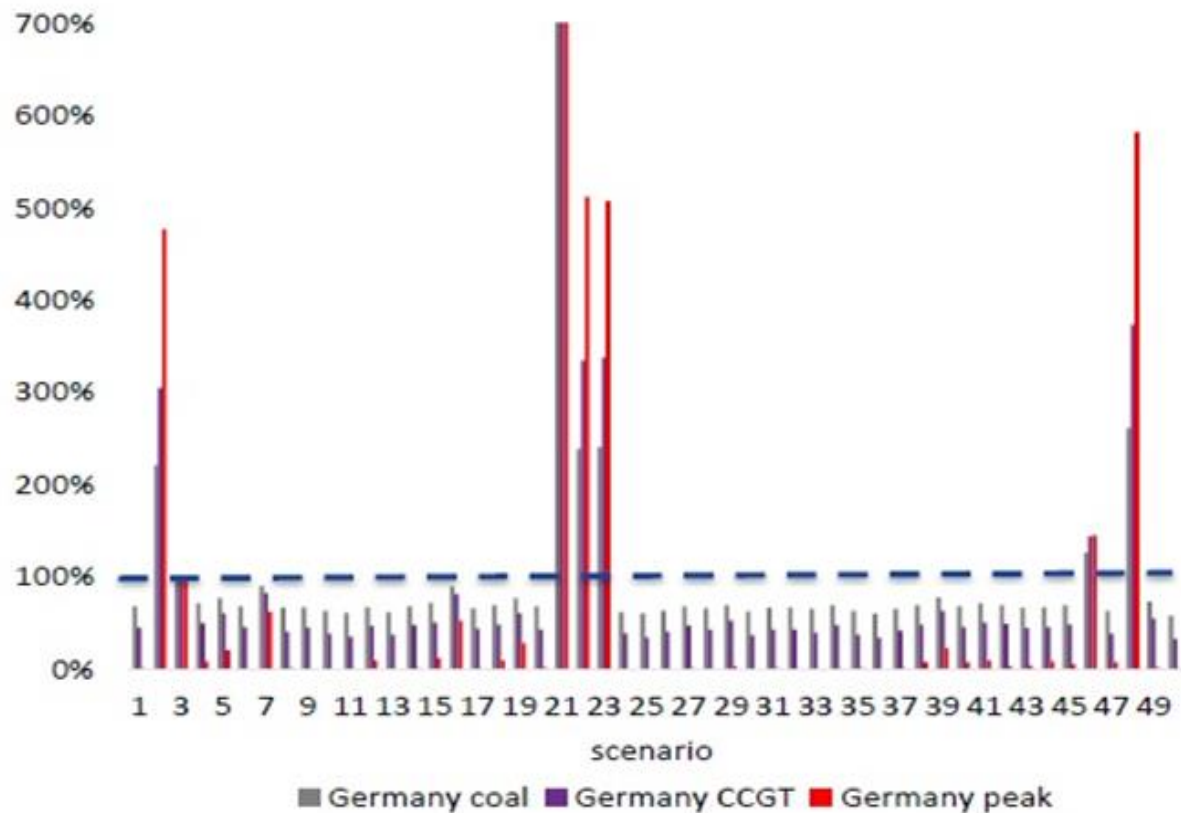


AN OVERVIEW OF THE GENERAL METHODOLOGY



FREE PRICING IS THE CORNERSTONE BUT NEEDS TO BE COMPLEMENTED... IF NOT, SECURITY OF SUPPLY WILL NOT BE MET

7 profitable years out of 50!



EOM is maladjusted to handle
the ever-growing weather uncertainties

A very risky environment for investors...

...Leading to underinvestment and failing to
ensure SoS

A CAPACITY MECHANISM SECURES THE ENERGY TRANSITION AND FOSTERS FLEXIBILITY AND DEMAND RESPONSE

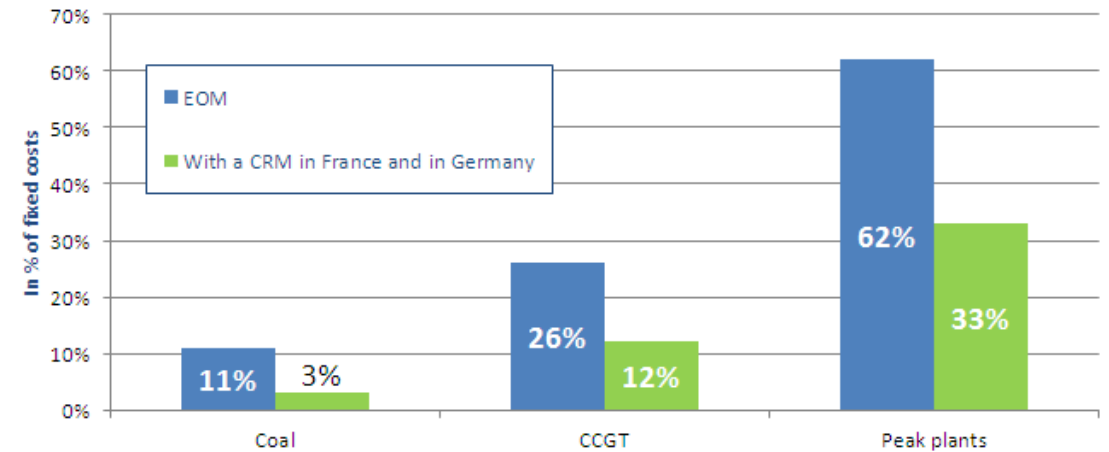
Reduction of the exposure of investors to weather uncertainty

Triggering of investments in generation, in DSM and innovation

Secure electricity supply in all scenarios in which a capacity mechanism has been introduced

National energy transitions are secured

Too high risk premium for flexible assets in an EOM
Figures for Germany



A CAPACITY MECHANISM WILL NOT COST MORE MONEY !

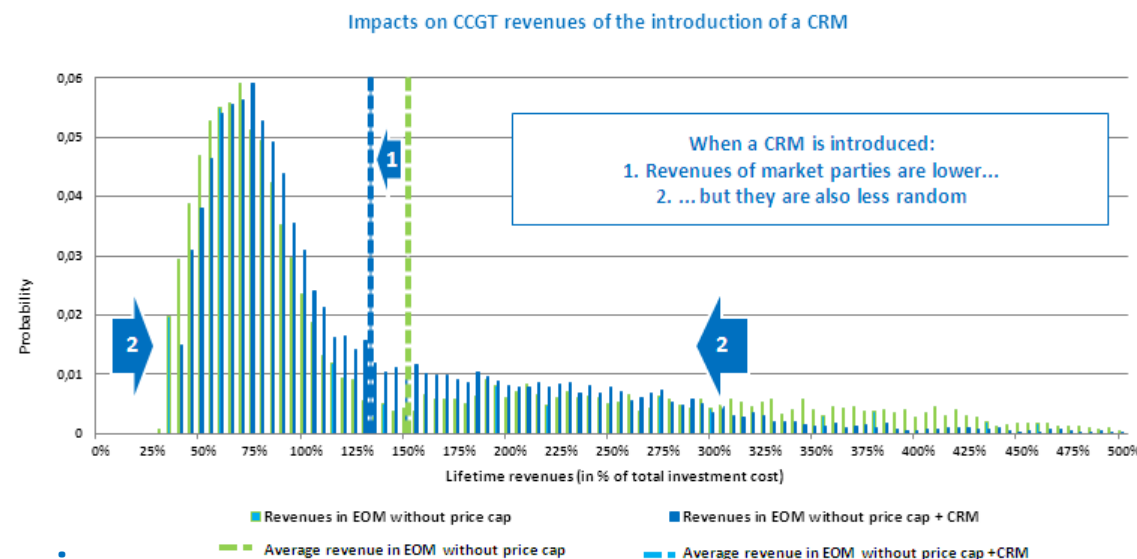
1 Capacity mechanism never results in welfare loss, and can lead to welfare gains in best case

- Welfare gains between **370 M€/year** compared to current situation
- No welfare loss compared to free pricing option

2 Capacity owners' income will be more predictable

3 Consumers will pay lighter bills for a better service

- Savings for French consumers: **87M€/year** compared to free pricing option
- Savings for German consumers: **82M€/year** compared to free pricing option



WHAT IF A REGIONAL AND COORDINATED APPROACH IS PREFERRED ?

Benefits for ALL !



For consumers: a cheaper and safer electricity supply
Savings **500 M€** for French and German consumers compared to EOM



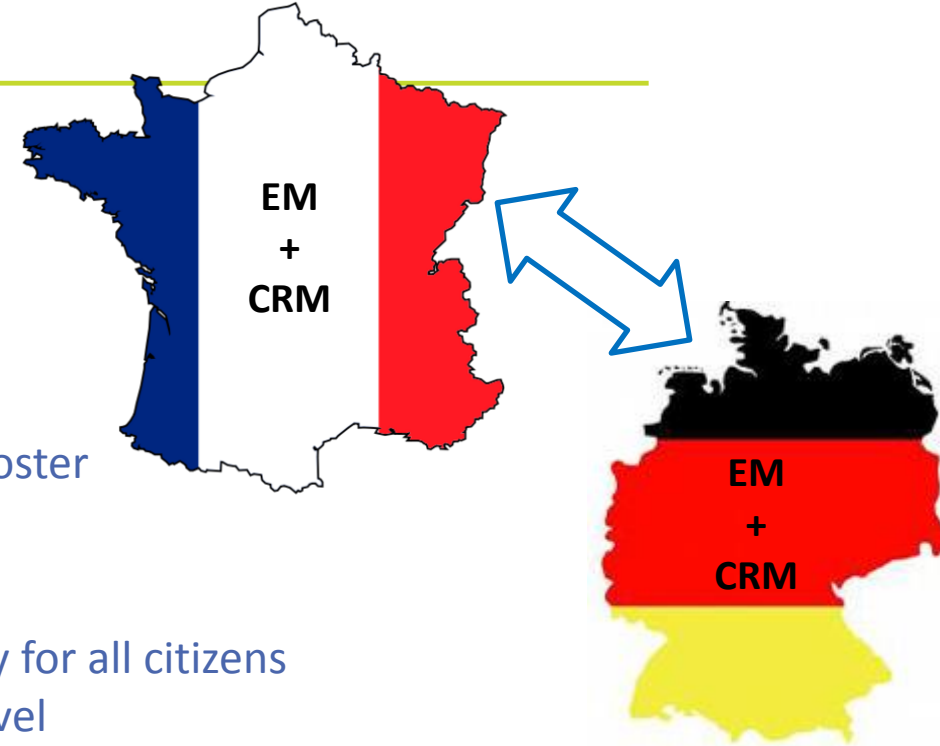
For investors: a greater predictability and an innovation booster
+ 1 400 MW of flexible assets, similar results for DSM



For public authorities: a secure electricity supply for all citizens
LOLE reduction of 35% at the Franco-German level



For the regulatory authorities and the European Commission:
a new role to play in the security of supply field



THE MORE THE MERRIER !