

Agenda item 3

Reflections on capacity mechanisms



- An objective appraisal is required of the need for capacity mechanisms
 - Lack of generation adequacy must be demonstrated, not asserted
 - Is “missing money” a transitory or a structural problem?

- Energy-only markets are paramount to value capacity on real time basis

High risk of TSO interference in Energy markets: no double optimisation and let markets dispatch

- Capacity mechanisms risk crowding out other market-led initiatives
 - Demand response reduction
 - Smart meters and smart grids
 - Storage investments

☞ An integrated market based approach to guarantee **efficiency and costs**

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If capacity mechanisms are introduced....



- ➡ Improvements to the “energy only” market design remain priority
- ➡ No discrimination between vintages or new technologies or demand: a MW is a MW
- ➡ Market based incentives and dynamics to find optimal solutions rather than penalties
- ➡ Governments\regulators\TSOs not to become de-facto “customer”: state aids...
- ➡ TSO’s focus to remain on availability of installed capacities to cover system risks but
system risks cannot be transferred from TSOs to market participants (inefficient)
- ➡ Trade off between political adequacy targets, affordability and value to consumers
- ➡ An EU approach to CRM objectives and coupling: consumers not to pay for 27 CRMs
- ➡ **Adequate “coupling” between RES development and CO2 market to be developed** (RES development not to decrease both CO2 prices and energy prices!)