



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

Austrian Federal Economic Chamber (WKO)
Interest Representation Register No: 10405322962-08

Deadline: February 7, 2013

WKO response

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

No, current market prices in Austria do not prevent investments.

(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?

No, currently generation adequacy is ensured in Austria. However, investments in generation capacity and other infrastructure, especially grid infrastructure, are needed as a matter of urgency and priority to ensure security of supply in the medium and long term.

(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?

Yes, liquid cross-border day ahead, intraday and balancing markets will play an important role, along with other factors. This work should continue.

(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?

A coordinated expansion and modernisation of energy infrastructure at European level is essential, as envisaged by the Energy Infrastructure Package. Furthermore, parameters for the expansion of renewable energy should be set at European level. This includes the harmonization of subsidy schemes and the targeted subsidisation of renewables at locations/sites that are economically sensible.

Equally important is the rapid completion of the internal market. This requires that the Third Energy Package is fully implemented in all Member States, which in turn must be ensured and enforced by the European Commission.

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

As mentioned above, it is crucial for all Member States to fully transpose and implement legislature set out in the Third Package. Also, Member states must consider the potential effects on their neighbours and the entire internal market when discussing and drafting energy policy. Member States must also create an environment which stimulates

investments in generation capacity and grids. This necessitates simpler and faster permit-granting procedures for infrastructure projects.

(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?

The permit-granting procedures for all energy infrastructures must be simplified because the expansion of grid infrastructure is lagging behind generation capacity.

(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

(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?

Yes, this assessment should be carried out at European level for the internal market but also for individual Member States.

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

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

A revision of the Electricity Security of Supply Directive should be considered to ensure that in cases where infrastructure projects in one Member State affect neighbours, these are involved at an early stage. The problems currently experienced regarding the transmission network in Germany as a result of the massive expansion of wind and solar power generation are a case in point. These have implications for the network and the security of supply in neighbouring countries, particularly Poland and Czech Republic.

(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?

Generally, risk assessments are vital and necessary. It should be assessed whether these should be mandatory.

(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?

Yes, generation adequacy standards should be harmonized across the EU.

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

Yes definitely. If these are prematurely introduced it would be a step in the wrong direction regarding the internal market and an unnecessary intervention into and distortion of the market. A fully functioning Internal Market with liquid wholesale markets the necessary infrastructure is the best way to ensure security of supply and affordable energy for businesses and households.

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

a. to ensure that new *flexible* resources are delivered?

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

For both a. and b. the answer is similar. The market functioning is insufficient if there is not enough competition, especially if there is not sufficient supply and/or demand to ensure the smooth running of the energy market.

(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?

Yes, but only if this strategic reserve solely and clearly serves the purpose of ensuring the security of supply. If the intention is to manage the price by withholding supply, then strategic reserves must be avoided.

In the Austrian situation, a strategic gas reserve is kept by law to ensure sufficient supply in times of heightened demand and/or insufficient supply. In the power sector, Austria has pumped-storage hydropower plants to ensure security of supply in potential crisis situations.

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?

As mentioned above, the risk is that price of energy rises or is kept artificially high.

(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?

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?

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

It is essential that grid operators provide energy security by ensuring that consumers are always provided with sufficient energy to meet their demand. If there are potential disruptions or gaps in energy provision, network operators must close them using all possible generation sources. It must do so without price regulation or price caps, so as to ensure the minimum possible disruption to the market.

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

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

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

Yes, that is a good idea. But it must be clear that capacity mechanisms should only serve the purpose of security of supply and affordable energy prices.

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

Yes absolutely as this would ensure harmonization and a level playing field.

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

Yes, we consider the criteria to be appropriate

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- a. Should any criteria be added to this list?
- b. Which, if any, criteria should be given most weight?



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