

Response to the questionnaire

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

No, the current market prices give correct signals for investments in new generation capacity. There is no prove of 'missing money' in energy only markets. Investors realise that the present situation and low prices are due to the economic recession. When industrial growth starts again, demand of electricity will grow and the market prices will rise to levels that provide correct incentives to new power capacity investments. It's also important to take into account, like Commission stated, that in many Member States the markets are not yet operating as market based, effectively. In many countries consumers are not able to participate (=demand respond) in the market as they should in a well functioning market, because of retarded legislation and old electricity contract structures. It's too early to justify the need at this stage of development.

- (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?

Yes, giving some production type priority access to market is disturbing seriously the principle of competition and equal access to the market. The problem is that in some countries there is an obligation for network companies to accept electricity generated by wind, solar and some other renewables at fixed price. This has caused severe disturbances in electricity market and sometimes even negative areal prices. This indeed undermines investments needed to ensure generation adequacy. Priority dispatch should be abolished. Subsidies for fossil power generation must be rejected.

- (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?

Cross-border day ahead, intraday and balancing markets are important to ensuring security of supply. In addition it must be made sure that in every Member State there is enough back-up capacity and demand side response incentives in order to prevent shortages.

- (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?

Market rules should be modified so as to fully exploit the potential of demand side flexibility. Also consumers should be able to bid flexible loads in short term physical markets. Legislation must be developed to ensure correct power contract structures to fully utilise and financially incentivize the demand side flexibility to the market.

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

Member States should abolish obligations for network companies to accept electricity generated by wind, solar and other renewables at fixed prices. Renewable power production should have same responsibilities as conventional power production concerning balancing power and selling the electricity in the market. Also the subsidies schemes should be market oriented rather than fixed.

We want to emphasize that RES subsidy schemes can be designed so that they disturb as little as possible the market functionality and gives correct incentives. For example the Finnish feed-in-tariff system: no priority to grid needed when variable costs are zero, producers are responsible for their own balancing, sales of electricity; subsidy is dependent on actual power market prices (=financial settlement and support is not paid for those hours that market price is zero or negative).

(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?

Security of supply must be guaranteed for all users. Lower standards are not acceptable to any consumers. Demand side flexibility should be developed using market incentives and on commercial basis.

(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 in depth generation adequacy reviews at:

- a. National level
- b. Regional level
- c. European level

A well-functioning internal market contributes to ensuring adequacy and security of supply in all Member States. There is no need for review other than making internal market work.

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

Generation adequacy should be analysed taking into account demand side flexibilities, transmission capacity from neighbouring countries and pump storage capacity. There is a need for European assessment of all these, not only the for back-up generation capacity.

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

Development of real time metering, smart grids and demand side management potentials and consumer participation in bidding flexible loads should be taken into account more profoundly.

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

It is necessary to have some common rules in order to prevent grid disturbances and loop currents to proceed from one country to another. National transmission system operators have the responsibility of grid stability and construction of adequate transmission lines in their own area. Intermittent capacity should not be expanded in any Member State at the expense of grid stability of neighbouring countries.

(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?

There should be no diverging preferences regarding security of supply. High standard should be ensured across the EU.

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

It is of utmost importance that improving market functioning makes capacity mechanisms needless. Introducing and adapting the capacity market can be seen as a result of unsuccessful market deregulation leading to a non-functioning market, not the solution to create a market.

(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?

None of these justify the establishment of capacity 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?

No, this kind of intervention is not acceptable. It will jeopardize the basic idea of energy only markets and restrain the market based signals to the investors.

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?

Introduction of strategic reserves may undermine the signals from the market that new capacity should be built. This risk is real together with the distortion that is caused by ceiling prices. Internal market shall never function properly, if market operators may rely on strategic reserves that always prevent system from collapsing.

(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?

Present power market contracts and sales products don't give correct incentives to demand side flexibility to be utilized in full extent. This has to be corrected first in order to make the system flexible. All capacity market models are distortionary. In the worst case consumers are forced to pay simultaneously variable cost of coal power and fixed cost of nuclear power.

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?

There is no such model.

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

Once introduced, capacity market is irreversible.

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

The basic target of internal electricity market in EU is based on the idea to minimise the consumer price through competition. All capacity mechanisms increase the price and must therefore be rejected.

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

Consumers should be able to participate in balancing power market on commercial basis. New technology and smart grids give more possibilities in the future to utilise flexible loads and consumer storage capacities. Also power sales product should be developed to enable demand response.

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

No. The Commission should make clear to Member States that separate capacity market undermine the functioning of single electricity market.

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

No. Separate capacity market can never be compatible with the internal energy market.

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

a. Should any criteria be added to this list?

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

The list is motivated in order to minimise the damage that separate capacity markets shall create. The length of the list shows, however, that the effort to eliminate the damages is hopeless. If there is a way to circumvent the criteria, speculators will find it and use it sooner or later. This is why it is of utmost importance to abolish the root causes for the need of capacity market. If we don't succeed in this, practically all power generation in Europe shall be dependent on some kind of support and really functioning internal electricity market in EU cannot be established. Ultimately these capacity costs shall be paid by the European consumers as a new type of support mechanism for power producers.