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Response to European Commission Consultation Paper on “Generation adequacy, capacity mechanisms and the internal market in electricity”

Introduction

The Confederation of Swedish Enterprise acknowledges the EU objective for energy policy – sustainable and secure energy and a competitive internal market for energy. In the context of the overarching policy we would like to stress the importance of an energy policy that also can deliver internationally competitive energy costs. The development now seen in other regions of the world (e.g. USA, Middle East, China) and the predictions made by e.g. the IEA on future energy costs shows a development where European costs prices are substantially higher. This is of great concern to the business sector and has to be a top priority in any changes made in both energy policy in general and in the internal market for electricity.

The issues raised in the European Commission’s Consultation Paper, generation adequacy and creating a framework for dealing with capacity mechanisms on the energy market are important for the future electricity market development.

Generation adequacy

Generation adequacy is very important – to have resilient and efficient electricity system that can cope with variations in both generation and consumption is key in a modern society.

The intermittent generation of wind and solar are - as said in the consultation - one reason for the need to have this consultation at all and to make further changes in the electricity markets. Therefore the answer to question number 2 is clearly that the support given to these intermittent generations’ technologies is creating challenges in the electricity market.

Capacity markets

Creating capacity mechanisms can increase generation adequacy, but risks at the same time increases the cost of electricity. This is naturally worrying for European businesses. We believe that a functioning electricity market should be able to deliver generation adequacy and competitive electricity prices at the same time. Therefore the most important issue to tackle is not necessarily the framework for capacity mechanisms but the framework for the electricity market as a whole. Before any decision on capacity markets is taken, or any framework is set up there has to be a thorough analysis of the consequences for the customers from different alternatives made.

According to the European Commission (Communication on the internal energy market published on 15 November 2012), the different energy liberalisation phases

have moved the EU towards further market opening and integration. However, the prospect of a single energy market is still some way down the road. As of February 2012, seven Member States have not yet communicated any transposition measures with regard to the Electricity Directive of the Third Energy Package – which should have been implemented by March 2011. There is a risk that parts of the Third Energy Package and proposals of linking infrastructure could cause a cost burden on energy consumers. This needs to be thoroughly analyzed.

Since the European Union's energy markets have a long way to go before they actually work as real markets we would suggest that the Third Energy Package needs to be implemented before more attention is given to cross border infrastructure. Furthermore, we suggest that the European Commission sets up routines for measuring the extra costs for energy consumers that are created by capacity mechanisms.