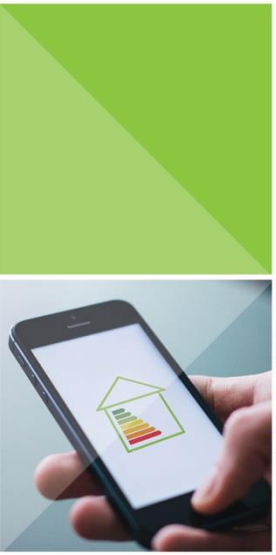




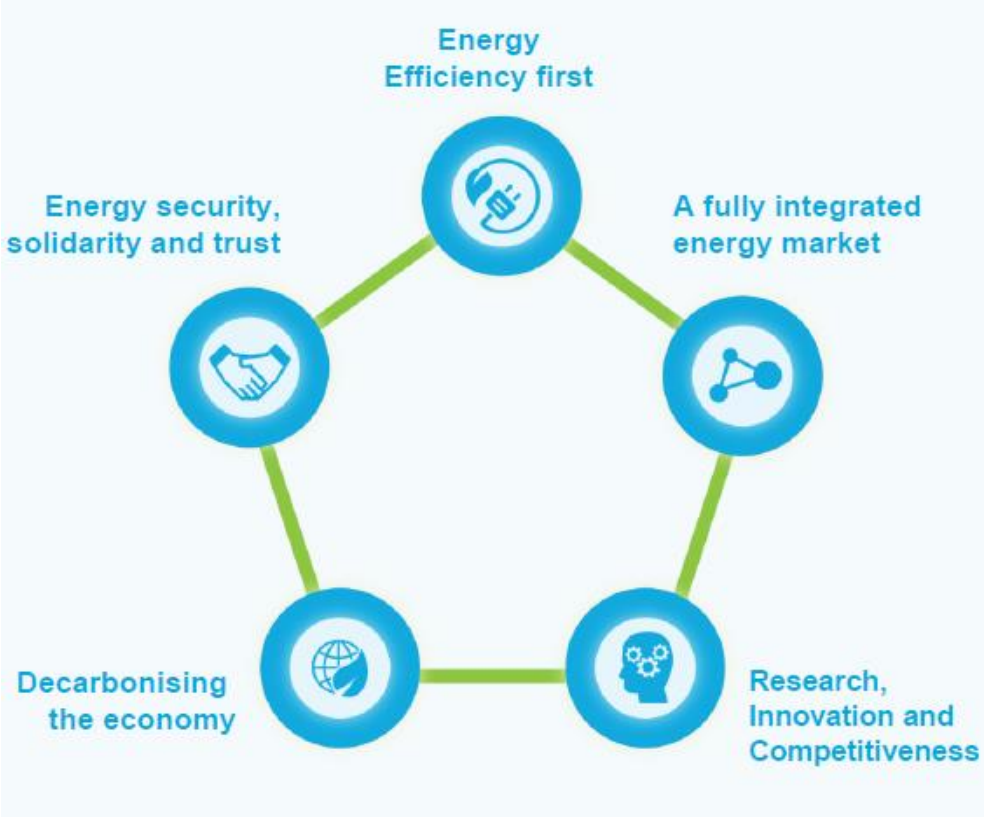

CLEAN ENERGY FOR ALL EUROPEANS

Stepping Up Regional Cooperation

Kristina Jankovich DG ENER B2

LEGISLATIVE PACKAGE – IMPLEMENTING THE ENERGY UNION STRATEGY

AN ENERGY UNION BASED ON 5 MUTUALLY SUPPORTIVE AND INTERLINKED DIMENSIONS



WHY DO WE NEED THIS PACKAGE?

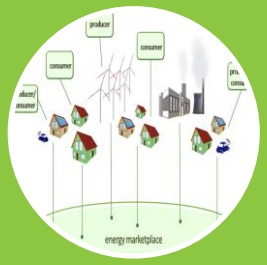
CONTEXT CHANGE : THE ENERGY SYSTEM OF TOMORROW WILL LOOK DIFFERENTLY

2030

50% of electricity to come from renewables

2050

Electricity completely carbon free



Today

Increasingly decentralized power generation

2021-2030
Investment needs 75 bn/Year (47 % network)

Technological and political developments require an overhaul of the market rules

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WHAT?

Boost wholesale market **flexibility** and provide **clear price signals** to facilitate the continuing penetration of renewable energies and ensure investments

Enable **active consumer participation** and ensure that **consumers are protected and benefit** from progress in energy technologies

Promote **regional cooperation** and provide a true **European dimension to security of supply**

WHERE?

Electricity Regulation (RECAST)

- Contains majority of new wholesale rules

Electricity Directive (RECAST)

- Contains majority of new retail provisions

ACER Regulation (RECAST)

- ACER tasks

Regulation on Risk Preparedness (NEW)

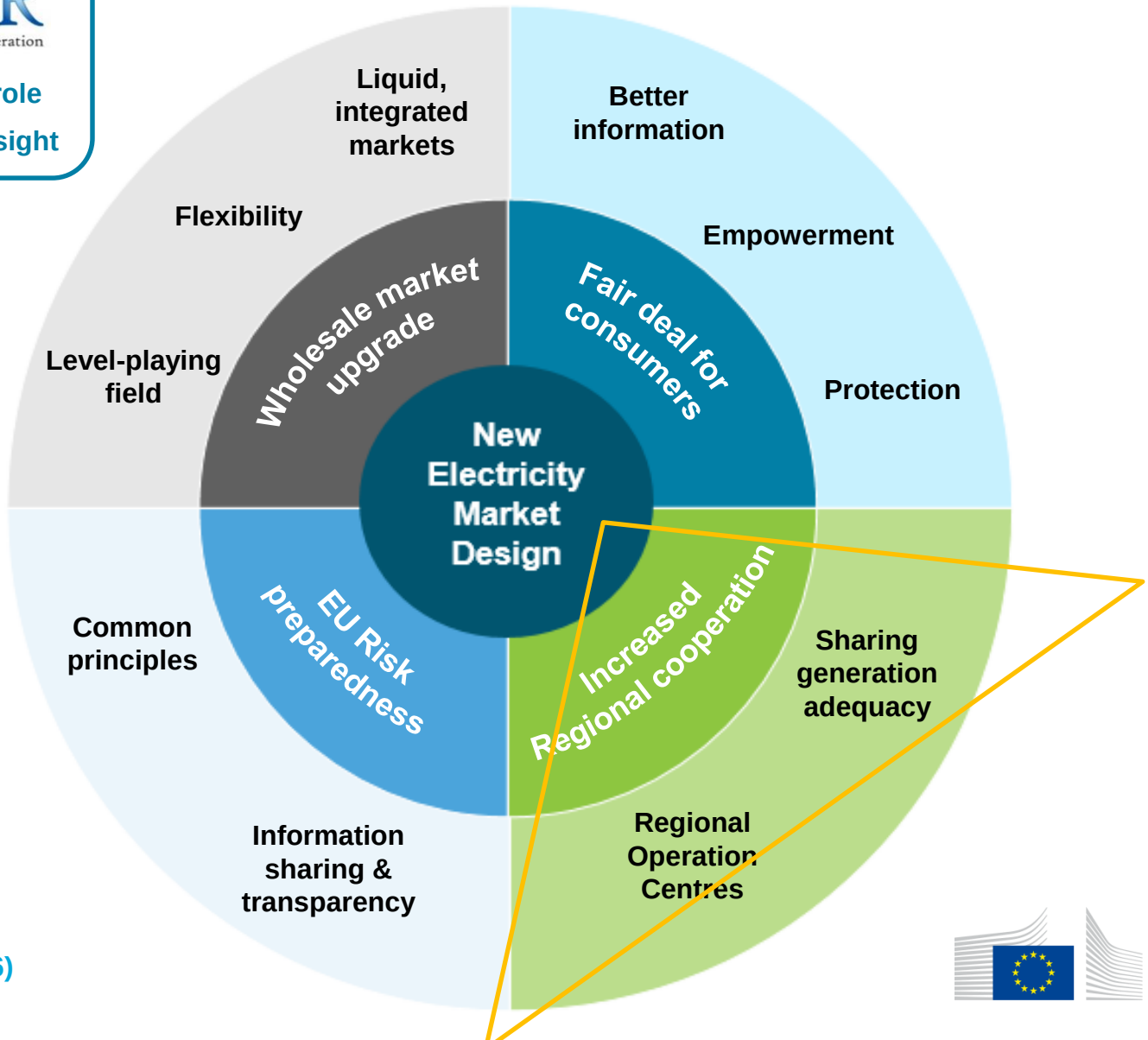
- Member States put in place appropriate tools to prevent, prepare for and manage electricity crisis situations

ACER
Agency for the Cooperation of Energy Regulators

Stenghthened role

Regulatory oversight

HOW?



Market Design (6)

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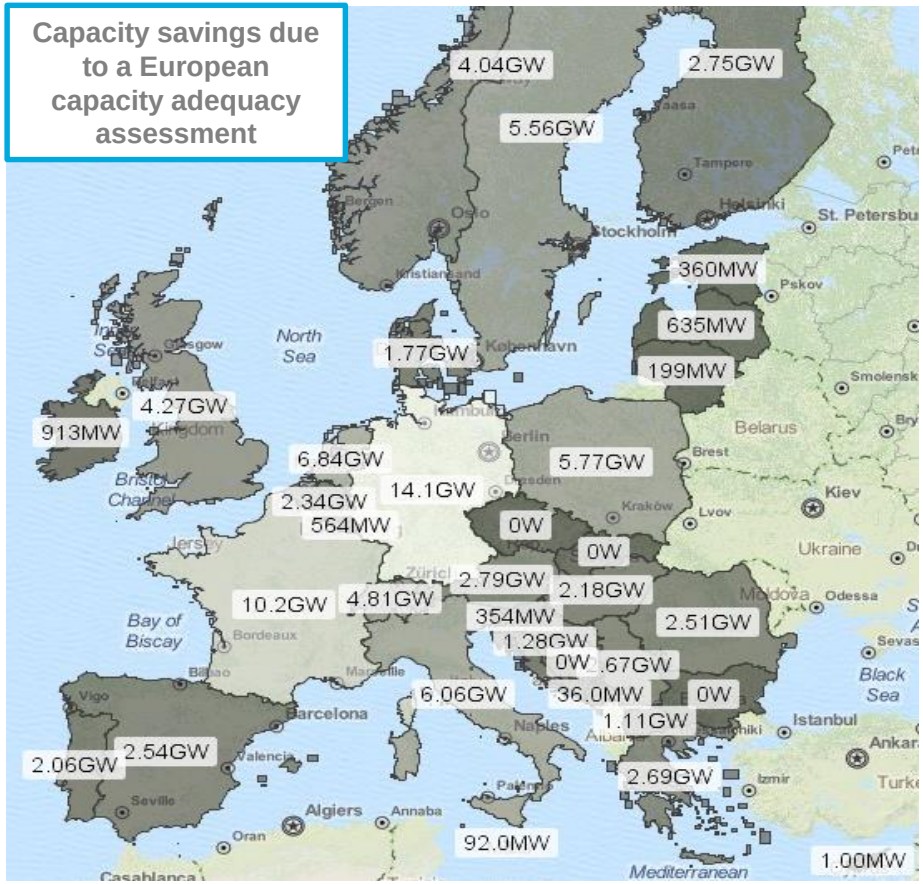
STEPPING UP REGIONAL COOPERATION



- Development of a **European adequacy assessment ➔ mandatory** use for CMs
- **Common capacity mechanisms principles** in line with the Sector Inquiry to ensure least-distortive design **➔550 gr CO2/kWh** threshold
- **Regional Operation Centres (ROCs)** ➔building on existing RSCs, additional tasks (e.g. sizing of reserve capacity), some decision-making power

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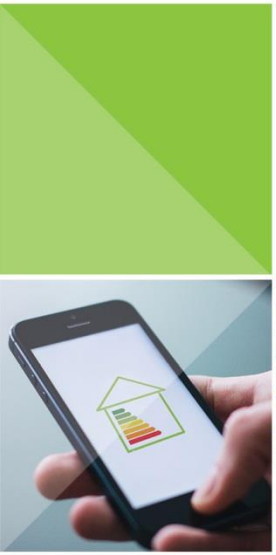
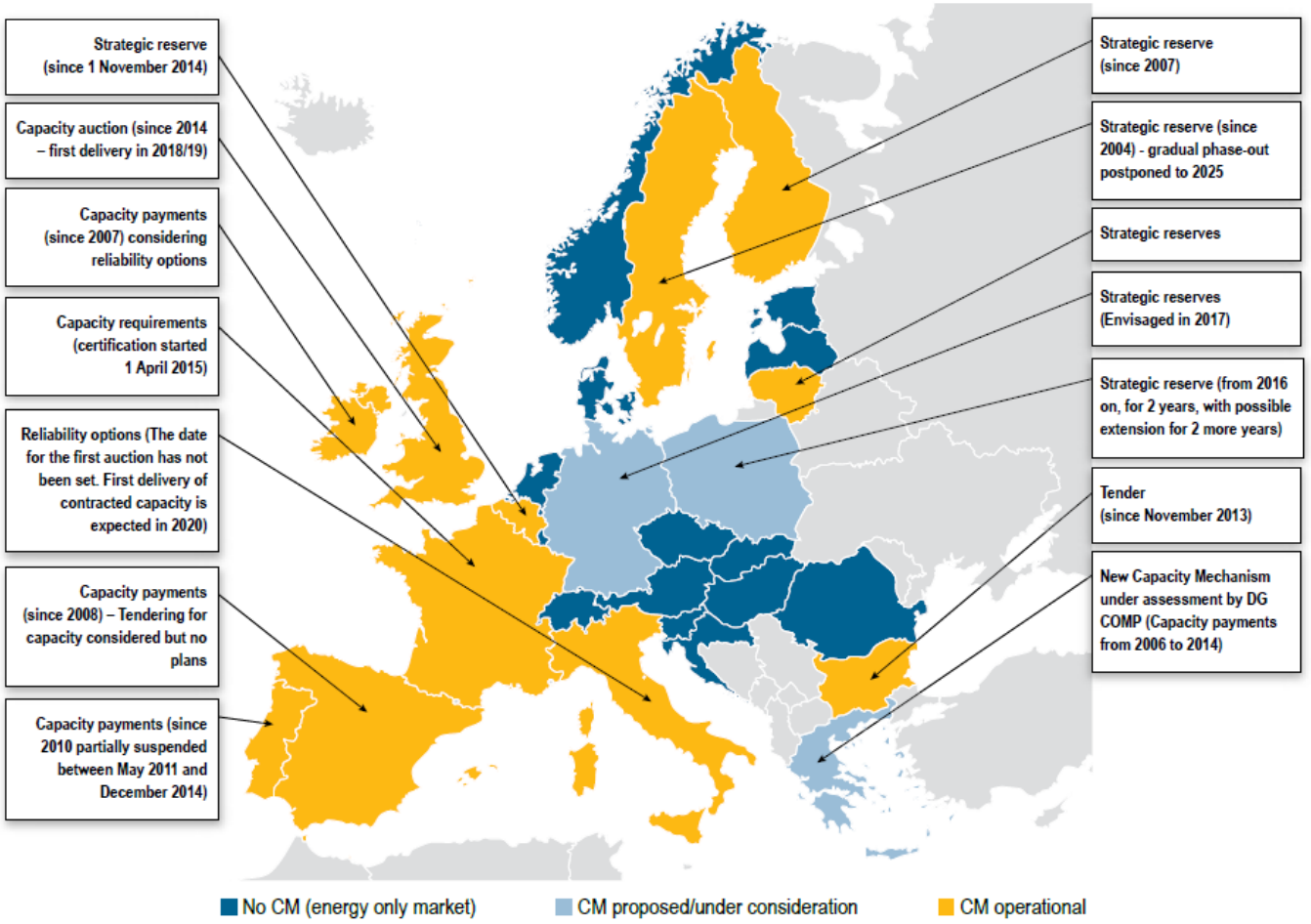





Capacity mechanisms

State of play: Proliferation of capacity mechanisms across Europe



Source: NRAs (2016) and European Commission's report on the sector inquiry into CMs (2016).

Problem #1: Absence of common methods makes it difficult to assess the necessity of planned and existing CMs

I Adequacy assessment

- Proposed CMs are based on national assessments
  - Methodologies differ (contribution of foreign capacity, RES, …)
- EU adequacy assessments
  - Methodology needs a review

II Reliability standard

- Many MS applying CMs do not have transparent standards
  - Practices to define standards differ (link with VoLL)

Prevent a common view on the adequacy situation

Do not allow the Commission to effectively assess the necessity of CMs

Problem #2: CMs introduced in an uncoordinated manner can be inefficient and distort cross-border trade on wholesale markets

III

Cross-Border Participation

- Foreign capacity is rarely allowed to participate in CMs
  - X-border participation requires multiple arrangements involving several parties (TSO, NRAs)
  - Difficult exercise requiring willingness and cooperation from all parties

Distortions to investment signals

Risk of costly over-procurement of capacity

-> Increasing risk of fragmentation of the internal market

What are we proposing in the Recast Electricity Regulation?

I

- Exploit reform of energy-only market first
- CMs only to address residual concerns

II

- **Necessity of CMs to be based on real needs**
- **Transparency of reliability standards**
- **Rules for cross-border participation**
- **Emission threshold for resources committed in CMs**

STATE AID RULES

1. Guidelines
2. Case by case notifications to and assessment by the Commission (DG COMP)

Revision #1: State-of-the-art resource adequacy assessment by ENTSO-E

EU-wide adequacy assessment as basis for national CM claims

Updated methodology	Coverage and granularity	Appropriate time horizon	Responsibility
Contribution of interconnection Intermittent RES Probabilistic approach	Scope: EU-wide Granularity: Member States/ bidding zones	Up to 10 year ahead	ENTSO-E

✓ **Facilitate EU assessment of national adequacy concerns**

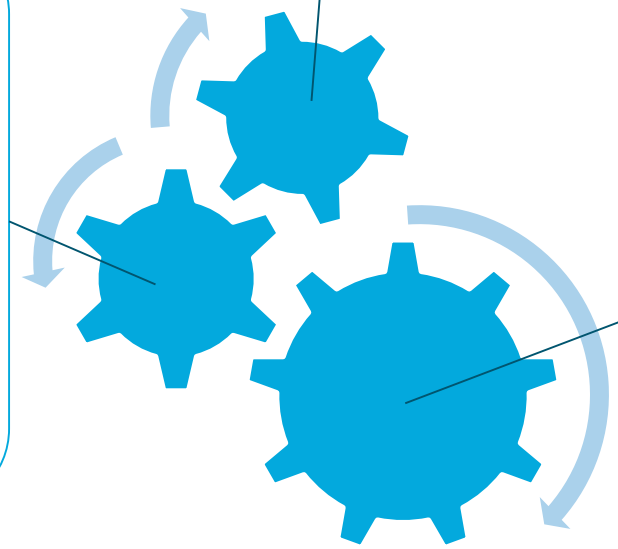
Revision 2: EU framework for cross-border participation in CMs

Cross-border participation is possible

- Explicit participation of foreign capacity

No interference with physical flows

- Primacy of 'market coupling'
- No delivery obligation across the border. Market prices to guide flows in times of system stress

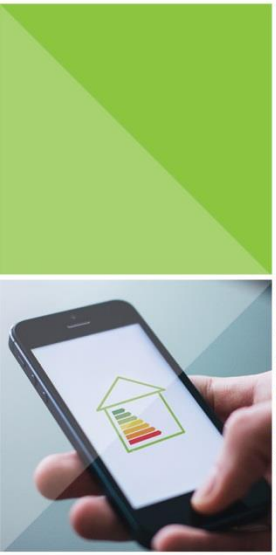


TSOs play an important role

- Calculate and allocate capacity for cross-border participation
- Verify availability of resources
- Transparent protocols for simultaneous scarcity situations

✓ **Facilitate cross-border participation in CMs (in support of State Aid rules)**

✓ **Remove distortions to investment signals**



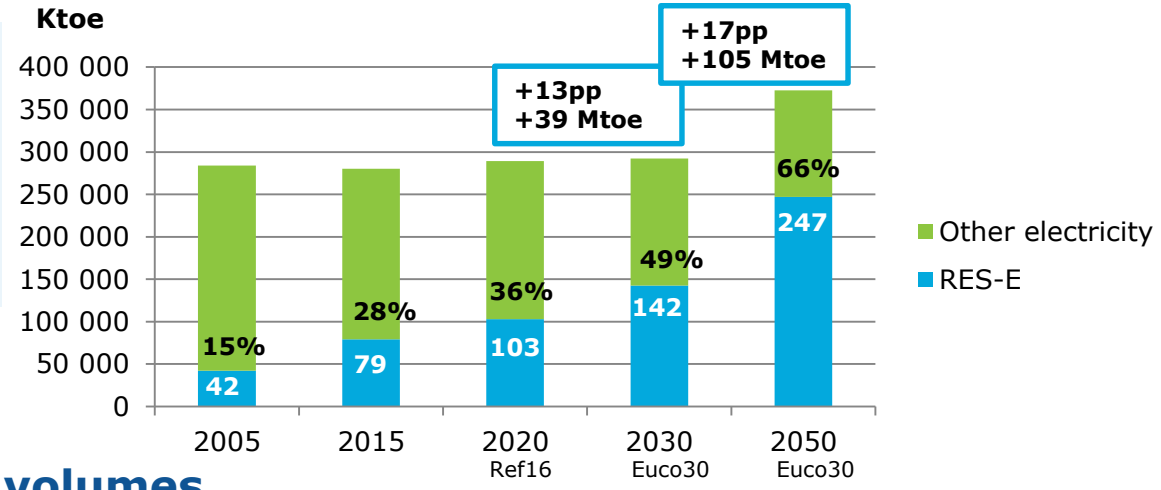



Regional Operational Centres (ROCs)

Fact: System Operation is much more interrelated than in the past

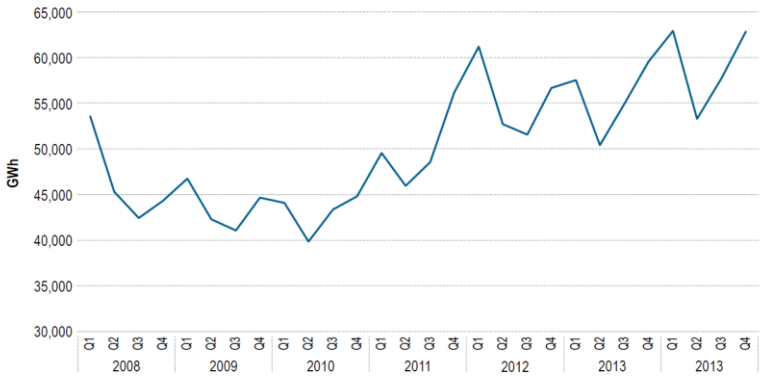
Driver 1: .. increasing shares of intermittent RES and decentralised generation (driven by the Renewable Energy Directive) and…

RES-e share of total electricity



Evolution of XB DA traded volumes

Figure 62: Evolution of cross-border traded electricity (DA nominations) for a selection of borders in Europe – 2008–2014 (GWh)



Source: ACER MMR (2014)

014).
14 period are included in the figure.

Driver 2: … unprecedented interconnection development and closer market integration (driven by the Third Energy package)

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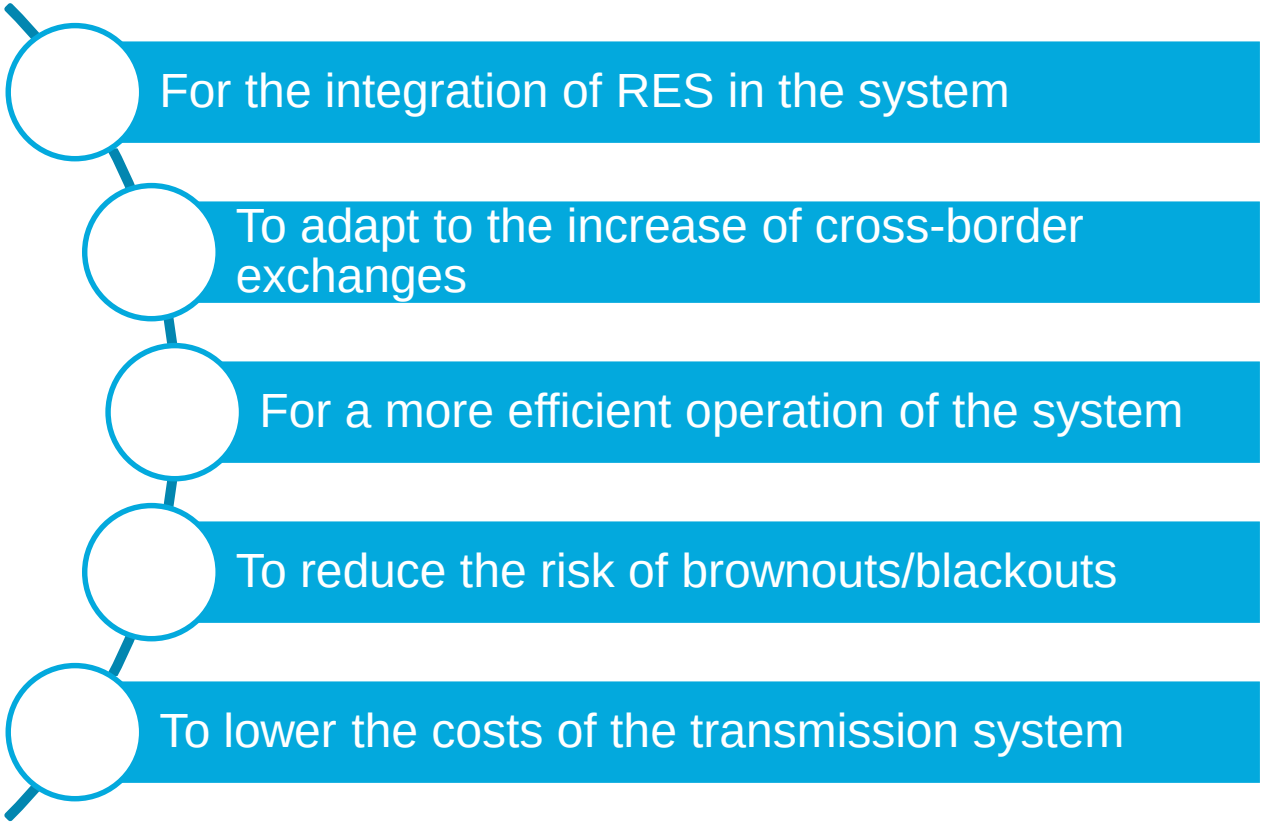
Why do we need ROCs?



What's the status quo? What's our preferred measure?

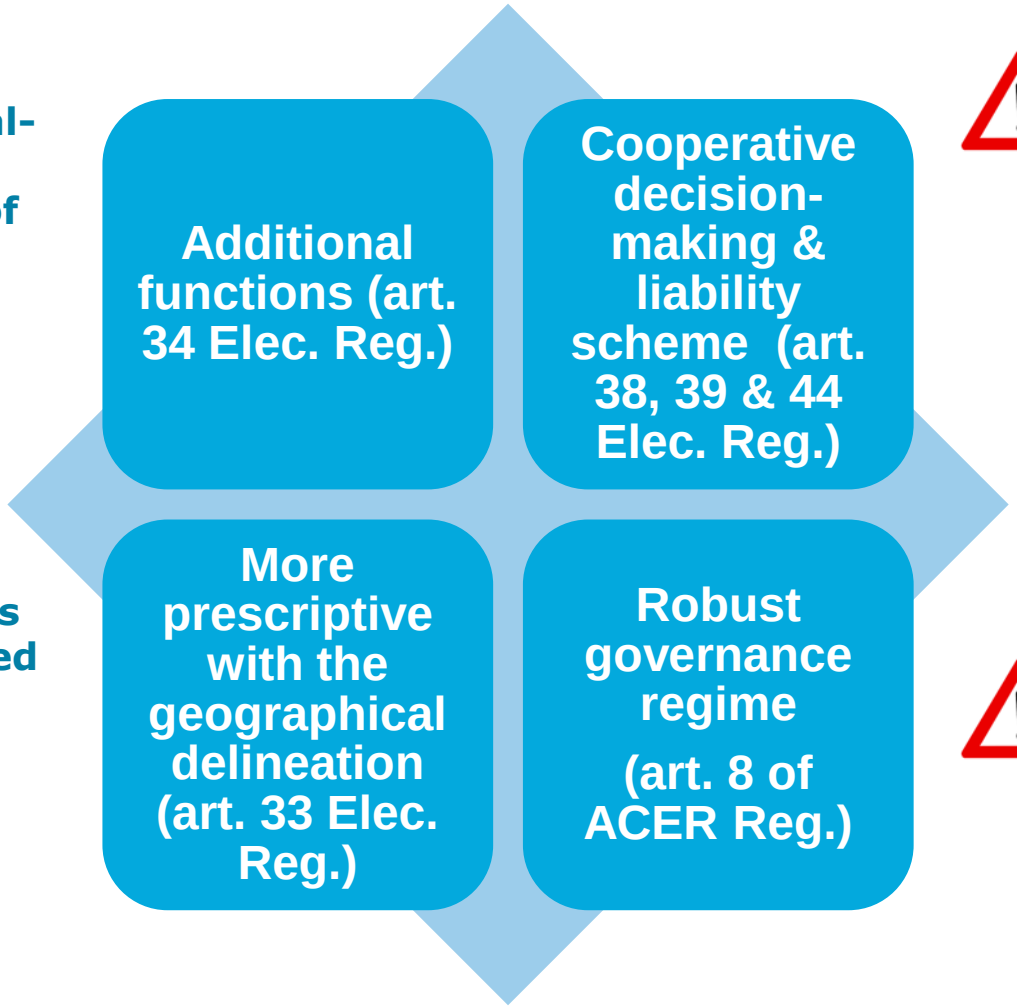
Voluntary cooperation (existing RSCIs)	Mandated cooperation via System Operation Guidelines (RSCs)	Mandated cooperation via Market Design Initiative (ROCs)
• Cooperation based on existing initiatives (e.g. Coreso, TSC…) • Advisory role: input to TSOs operations but no decision-making powers • Implementation time: **current status quo**	• Mandatory cooperation in the framework of network codes (RSCs) • Full regional coverage, minimum size of regions • 5 Functions defined in network codes • Advisory role. • Implementation time: **1-3 years**	• Enhancing the RSC set up by: a. Additional functions b. Cooperative decision-making c. More prescriptive with the geographical delineation • Implementation time: **5-7 years**

Framework not suitable for a post-2020 context !!

What are we proposing?

Functions exclude real-time operation of the system

ROC regions to be defined by ENTSO-E/TSOs, based on technical criteria



- **ROCs will supplement (<u>not replace!</u>) TSOs**
- **Safeguards for SoS reasons**

ROCs will not take SoS-relevant short-term decisions

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REGIONAL OPERATION CENTRES

Extend Functions

- Need for enhanced cooperation not disputed
- Still potential benefits from looking beyond national borders

Geog. Scope

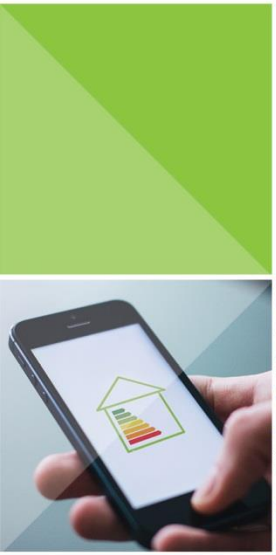
- TSOs to prepare proposal, ACER to approve
- All functions to be performed by each ROC

Decision Making

- TSOs to develop decision-making process
- Decisions binding unless risk to the system
- Any TSO can request a review of decisions

Oversight

- Oversight given to the NRAs (observers on the board)
- Oversight also to ACER



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Thank you!