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Imperial means
Intelligent Business

Short-term dispatch and Long-term financing

Discussant Comments

Richard Green

22 June 2021

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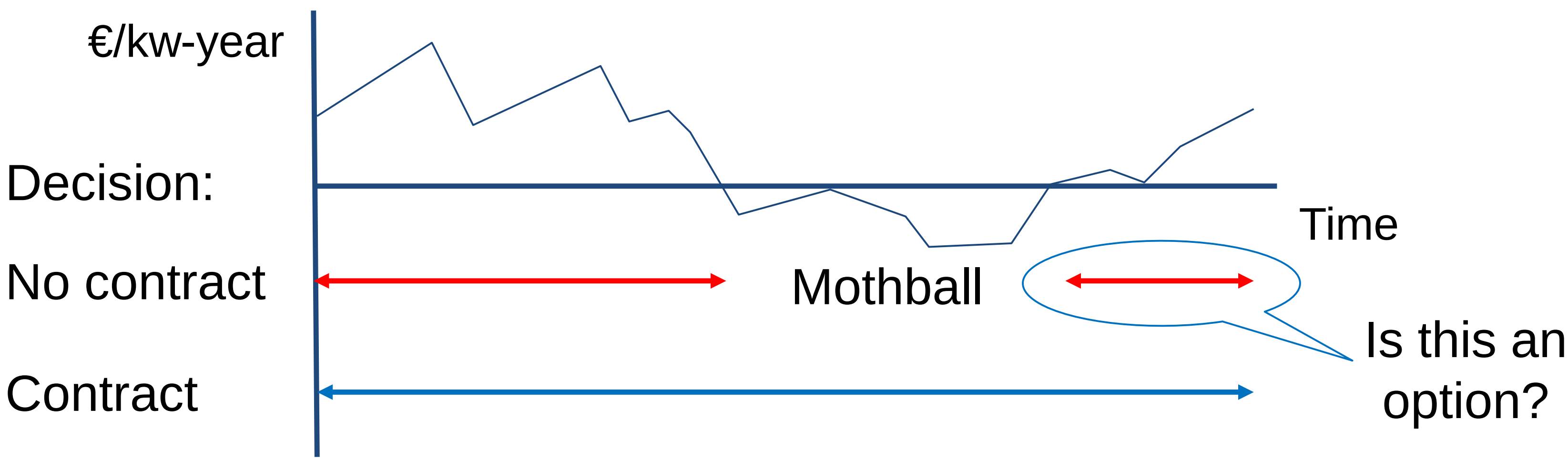
Designing capacity mechanisms

Leopold Monjoie

- Capacity gives you real options
- Contracts may reduce these



- Bid a compensating price for the loss of flexibility?

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Market design of hybrids

Miguel Vazquez

Forward Energy	Capacity	Obligation to Serve	"Pure" Market
Energy PPA	Capacity Payment	On whom?	
Energy & Ancillary Services	Capacity Market	How met?	
	Reliability Option		

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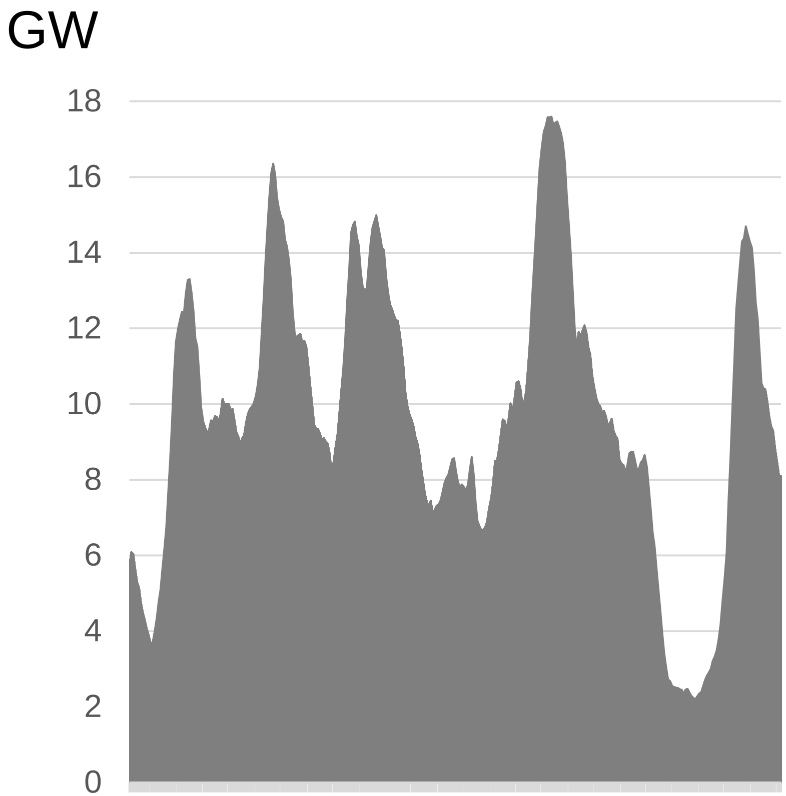
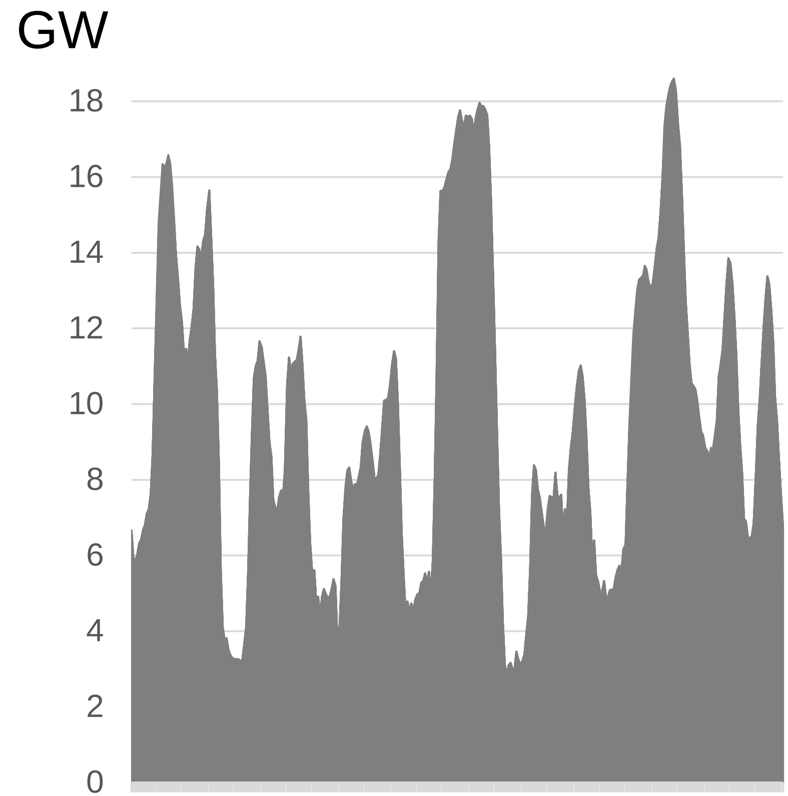
Variable Generators

Coal, Gas and Oil, versus Wind and Solar





…but which is which?

Source: Electric Insights (data are for GB)

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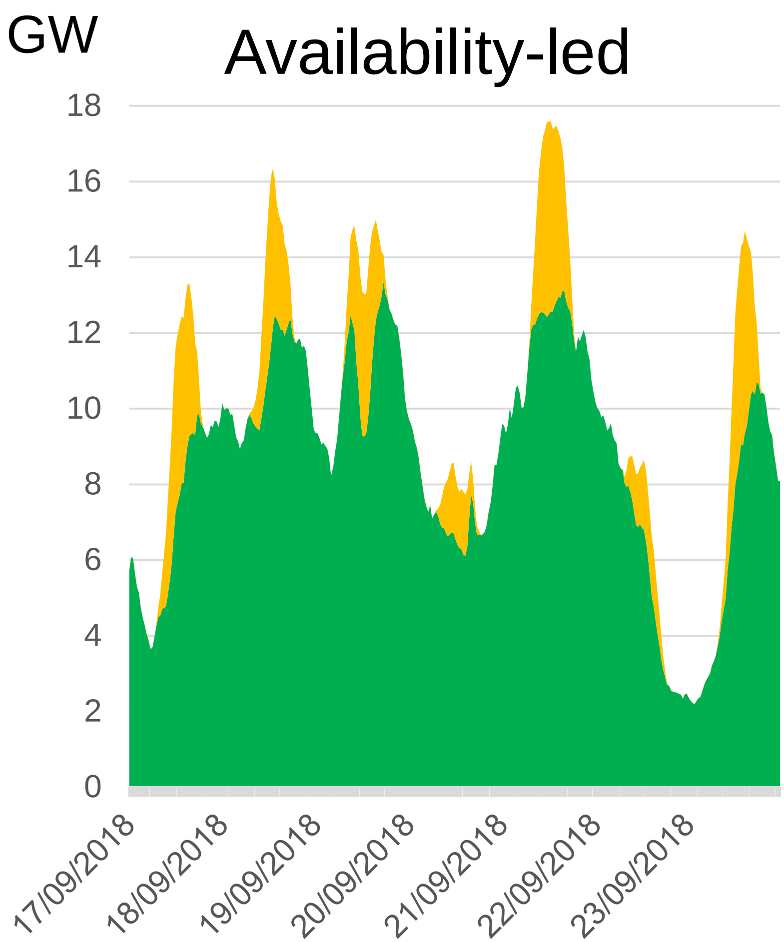
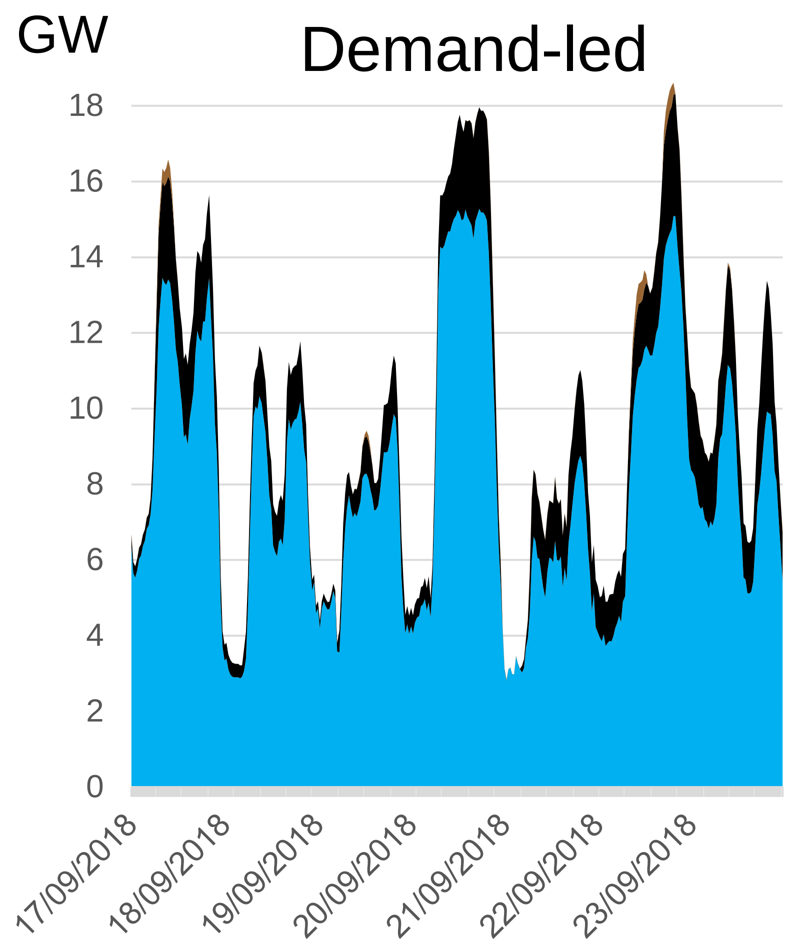
Variable Generators (x2)

Wind and Solar versus Coal, Gas and Oil





Source: Electric Insights (data are for GB)

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What are the risks?

(in the market)

- Demand and weather fluctuations
  - short-term contracts (e.g. one year)
- Over-capacity suppressing prices
  - market “should” self-correct
- Capture value erosion
  - cannot be hedged
- Peak price suppression (missing money)
  - cannot be hedged
- Fuel prices setting power prices
  - hybrid markets need hybrid markets?

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What are the risks?

(from low-carbon contracts)

- Fixed-cost generators face lower risks
  - Cost of capital lower, price might be
- Consumers face less volatile bills
  - Generation costs partly de-linked from fossil prices
- “Bungling bureaucrat” signs the wrong contracts
  - Profit margins too high
  - Too much capacity commissioned
  - Promising technologies ignored

Thank you