

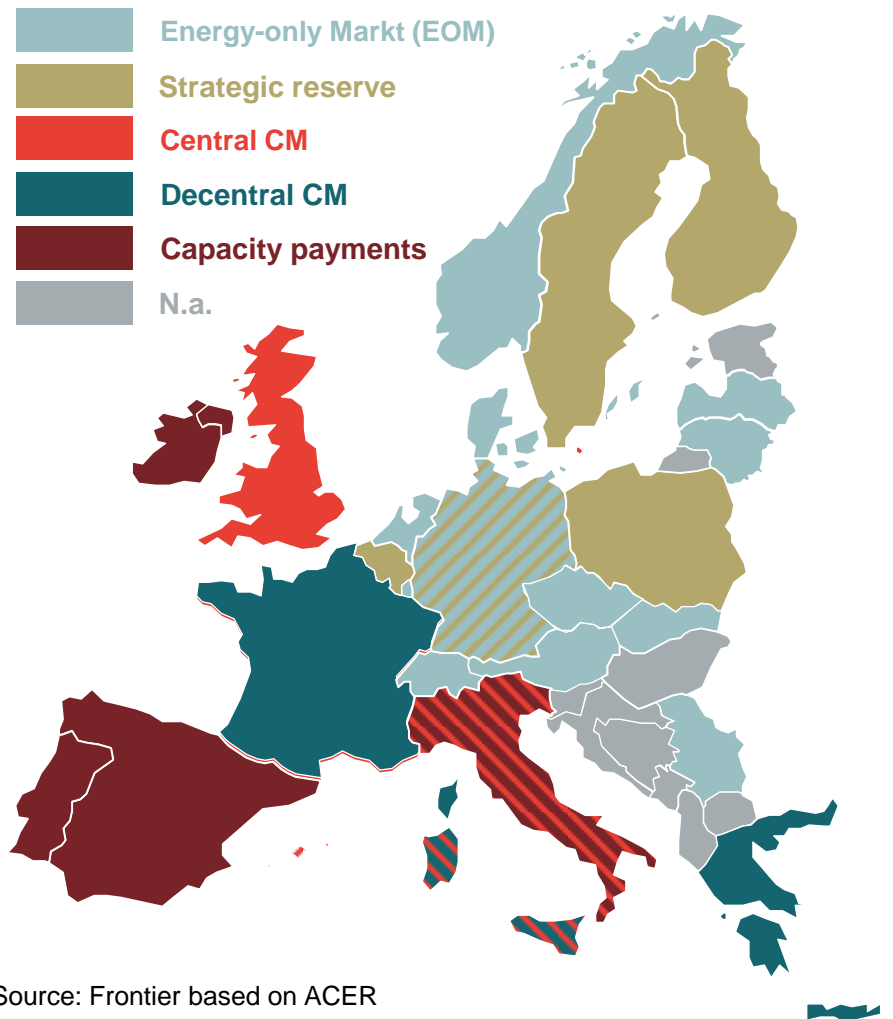


# An electricity market design at last?

Vienna Forum on European Energy Law

15 April 2016

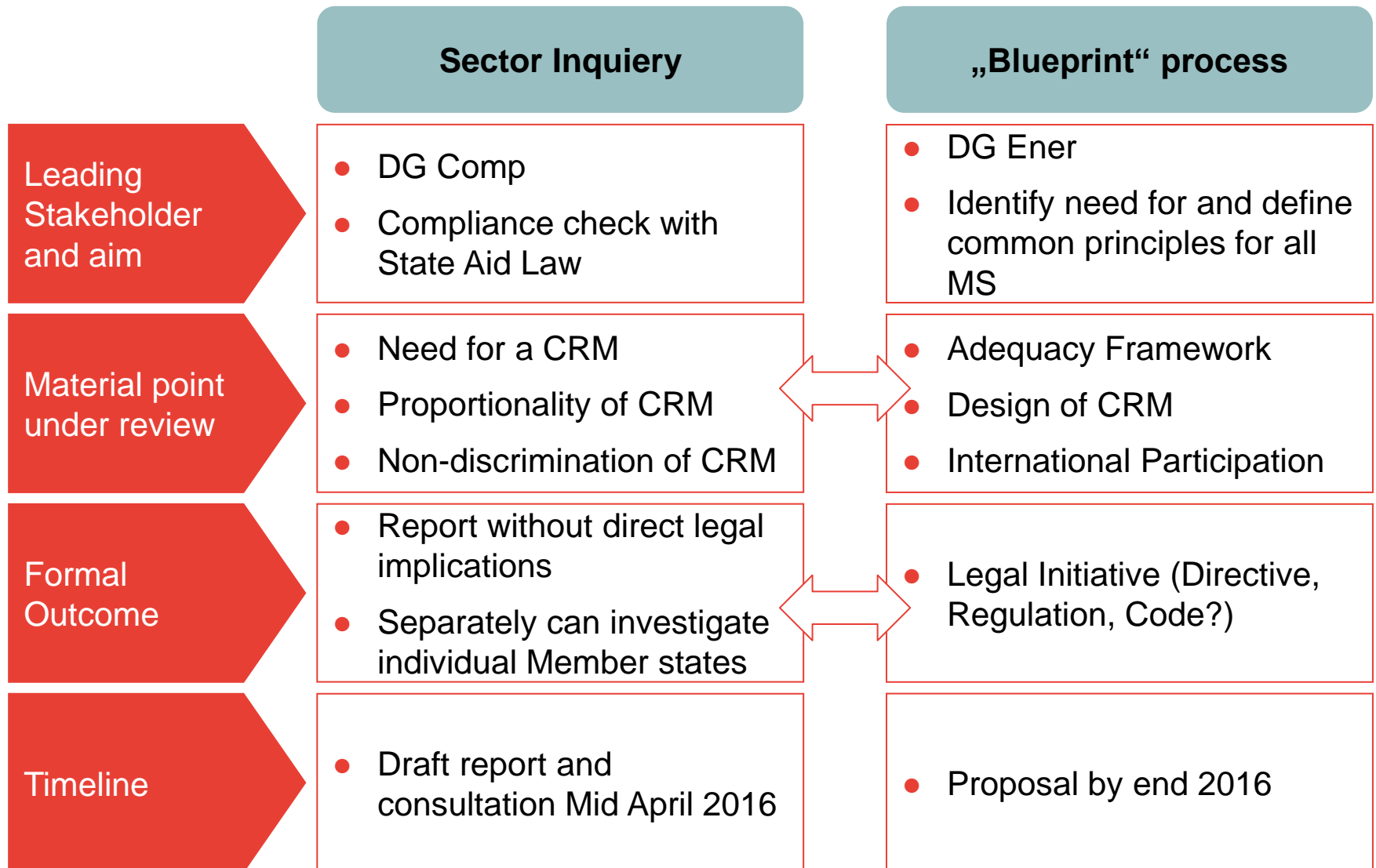
# National capacity remuneration mechanisms (CRM) risks undermining the common market



Source: Frontier based on ACER

... the EU uses State Aid legislation to reign in

# Two EU processes exploring electricity market design



# Some emerging thinking

Common Interest  
Need

Appropriateness  
Incentive  
Proportionality

Avoid distortion to competition

Adequacy  
assessment

National CRM

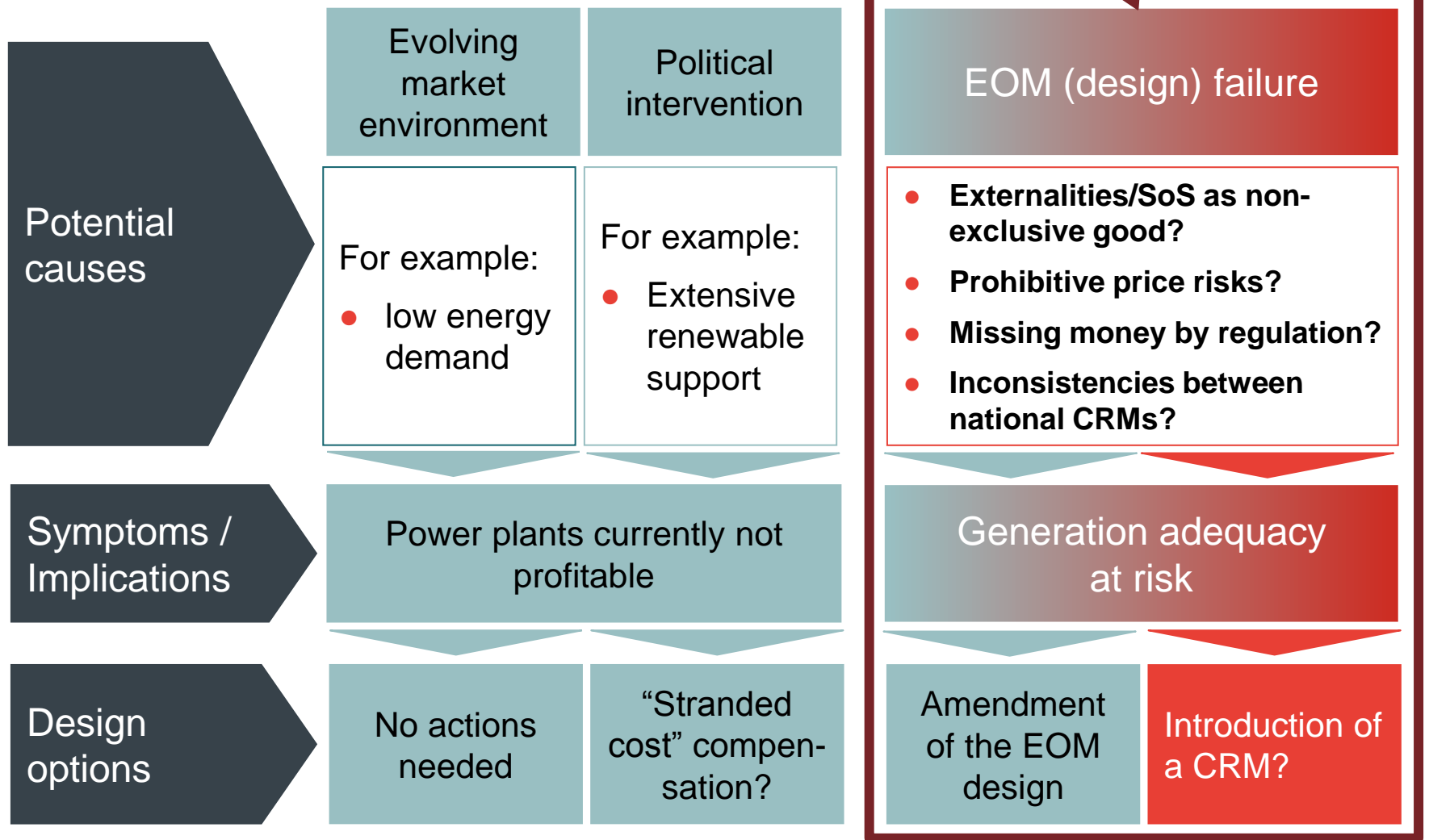
Cross-Border  
Participation

- Need to show need for CRM through adequacy assessment
- EU-wide common approach to assessment?
- Common modelling for assessment?
- National choice of level of adequacy?

- Focus on cause of adequacy issue
- Exploit reform of energy-only market (e.g. balancing arrangements) first
- Competitive design (auction or „certificate“ system)
- Non-discrimination (between technologies, players ...)

- Interconnectors or generators?
- Proof of interconnector (IC) availability?
- Derating of IC capacity?
- Transitional exemptions (for pragmatic reasons)

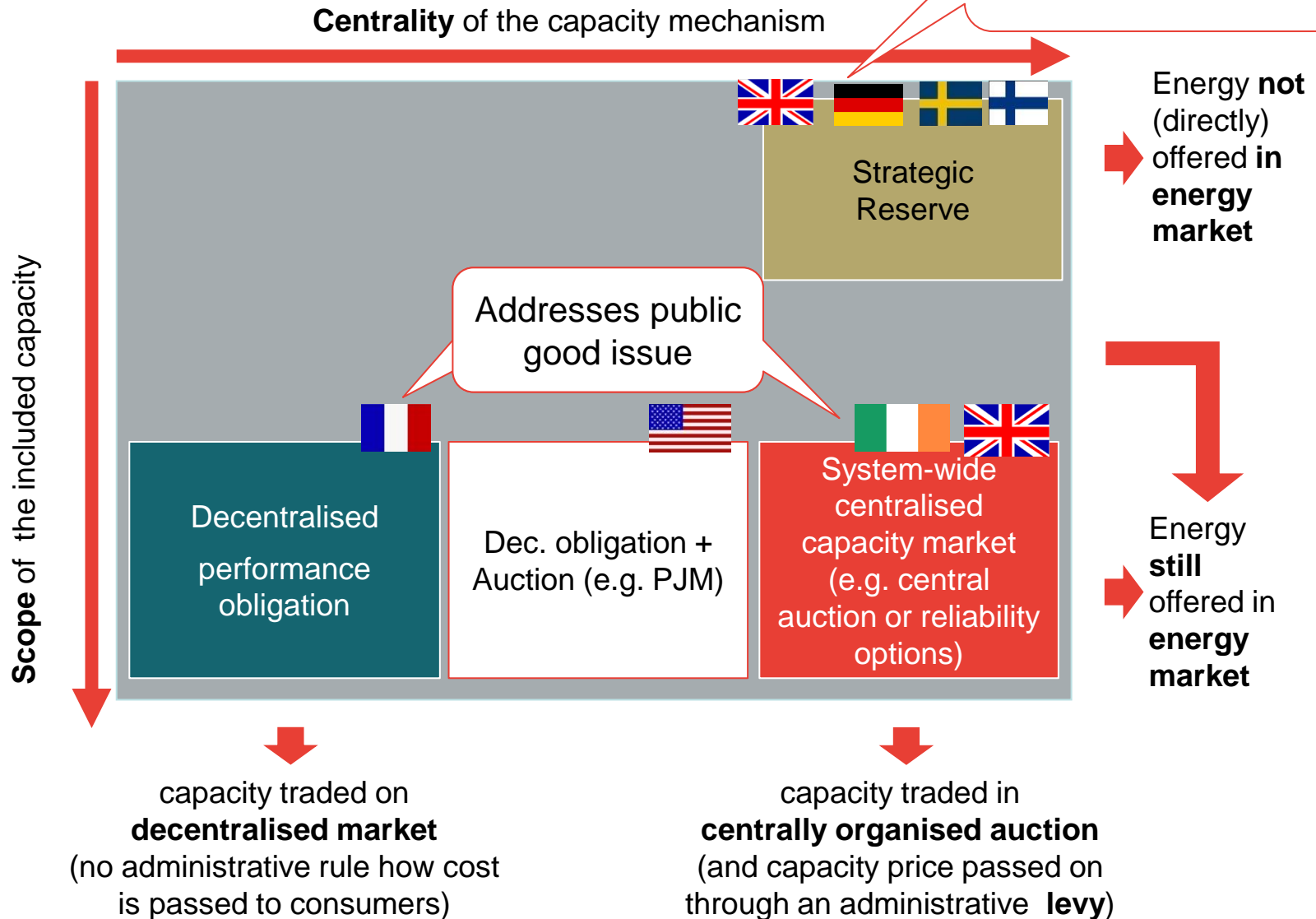
# Need to identify cause ...



... to find the appropriate remedy

# Designs may serve different purposes

- Can be transitional
- Partial insurance



... in addition there should be a common interest in harmonised approaches!

A patchwork of national designs each of which is individually State Aid compliant, may still lead to an incoherent system

The EC will try to deal with this through the „Blueprint“ process

# A possible straw man for future governance

*This straw man is not intended as a recommendation, but merely as a focal point for discussion*

Adequacy assessment

National CRM

Cross-Border Participation

EC/DG Ener  
(e.g. EC Regulation)

Requires **common criteria** and **analytical framework** for EU wide assessment

Defines **few Blueprint models** that MS may adopt depending on issue CRM aims to address

EC/DG Comp

Reviews and approves **State Aid** compliant models proposed by MS  
May approve **transitional arrangements**

How much discretion for DG Comp once blueprint (as a sort of “block exemption”) in place?

ACER

Reviews and approves **framework of analysis** (before they can become binding)

[Further duties and rights tbd]

Role of ACER unclear as long as approval process rests on State Aid principles

Member States

Set **national adequacy targets** based in relation to common criteria

May **propose and notify** CRM incl x-border particip.  
**Demonstrate** adequacy concern and how this is resolved by proposed CRM

ENTSO-E

Contributes to development of **common criteria**, and **analytical framework**

There is a wider discussion around the appropriate role and independence of ENTSO-E

... let us discuss it



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