The Future of the EU-Electricity Market

”Strengthening cooperation at Union and regional level and improving capacity mechanisms“

Committee on Industry, Research and Energy, Public Hearing, Monday, 10. July 2017

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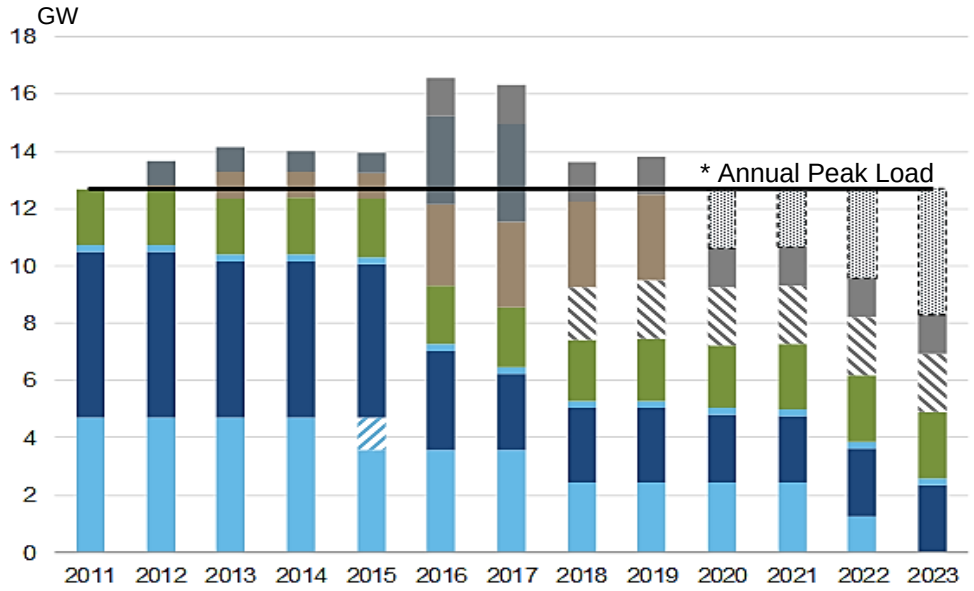
Secured production and peak load in Bavaria 2011 till 2023



* The annual peak load for Bavaria is not documented statistically. IE Leipzig estimated in 2010 that the annual peak load in Bavaria is about 12.7 GW. It was assumed that the ratio between electricity consumption and peak load in Bavaria was equal to the ratio in Germany.

- Reserves to be contracted after 2019
- High voltage connection „Thüringer Strombrücke“
- Contracted reserves abroad
- Contracted reserves in Germany
- Planned additional capacity
- Renewable energy sources
- Pump storages
- Fossil fuels and waste combustion
- Nuclear Power Plant „Grafenrheinfeld“
- Nuclear Power Plants

→ Electricity supply for the state of Bavaria relies on an integrated European market, cross-border supply, and the availability of reserve mechanisms.

Capacity mechanisms

Proposed regulation:

- ENTSO-E and Member States monitor resource adequacy based on a method developed by ENTSO-E and approved by ACER
- Member States may implement capacity mechanisms to secure electricity supply if they don´t create unnecessary market distortions and limit cross-border-trade
- Capacity mechanisms have to be open to cross-border suppliers
- Generation capacity emitting more than 550 gr CO_2 / kWh can not be committed in capacity mechanisms after five years

vbw position: Partial rejection

- The ambitious “Energiewende” increases the need for secured capacity
- Capacity mechanisms need to be market based, cost efficient, open to cross border participation and technology neutral
- A priori exclusion of generation capacity limits cost effectiveness
- European main instrument in cutting carbon emissions is EU-ETS, an emission performance standard for capacity mechanisms interferes with its functionality

Bidding zone review and configuration

Proposed regulation:

- Bidding zones shall be based on long-term, structural congestions in transmission network; bidding zones should not contain such congestions
- TSOs develop methods for bidding zone reviews which require approval by ACER
- Based on proposal by involved TSOs Commission may change bidding zone configuration
- Prior to re-configuration affected actors have to be consulted

vbw position: Rejection

- Impact on market efficiency and liquidity as well as on long-term value of existing assets must be considered
- Impact on competitiveness of industrial consumers in the current bidding zones must be assessed
- Decision on bidding zone configuration must involve Member States – especially if the bidding zone in question covers one state only

Regional Operation Centers (ROCs)

Proposed regulation:

- Establish Regional Operation Centers (ROCs) to ensure the efficient, secure and reliable operation of the interconnected transmission system on a regional level
- ROCs take over various tasks currently performed by TSOs and Regional Security Coordinators (RSCs) and report to ACER on regular basis
- Increased cooperation to coordinate efficient use of grid capacity and strengthen congestion management

vbw position: Rejection

- Cooperation between TSOs needs to be fostered in order to use interconnector capacity more efficiently
- Established RSCs should be given time to operate for a longer period instead of replacing them
- According to Commission proposal, ROCs would deprive TSOs of responsibilities essential to ensure system and supply security
- Liability issues occurring from the implementation of ROCs need to be addressed