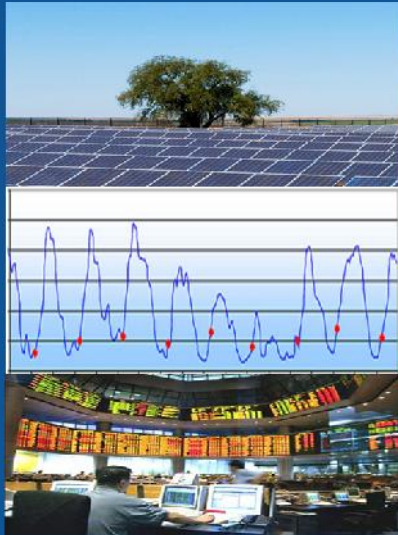




EU Market Design Proposal - Future-Proof?

Dr. Oliver Koch

EU Commission
DG Energy

This presentation reflects solely the views of the author and does not bind the EU Commission

Energy

CLEAN ENERGY FOR ALL EUROPEANS

EU POLICY FRAMEWORK 2030 – 2050?

2020

-20%
GHG
EMISSIONS

20%
RENEWABLE
ENERGY

20%
ENERGY
EFFICIENCY

10%
INTER
CONNECTION

2030

-40%
GHG
EMISSIONS

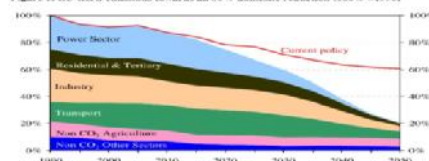
27%
RENEWABLE
ENERGY

30%
ENERGY
EFFICIENCY

15%
INTER
CONNECTION

EC Roadmap for moving to a low carbon economy in 2050

Figure 1: EU GHG emissions towards an 80% domestic reduction (100% = 1990)




 THE CLEAN ENERGY FOR ALL EUROPEANS Package

Consolidation and prioritisation


 Putting energy efficiency first


 Delivering a fair deal for consumers


 Global leadership in renewables


Energy Union Governance


Energy Efficiency
(Energy Efficiency Directive, European Performance of buildings Directive)


Renewables
(Revised Renewable Energy Directive)


New Electricity Market Design


Energy prices and costs report



Energy


 Intro:
 -
 Flexibilisation

Energy



Intro:
Flexibilisation

Old world...



...new world



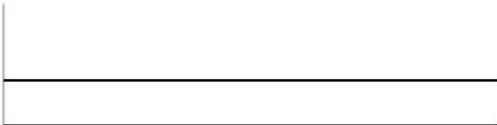
Energy

Disruptive change:

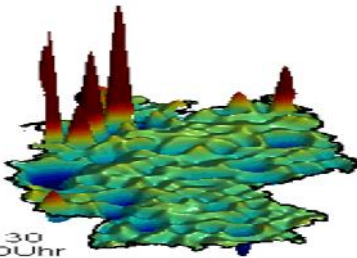


From central / baseload
to decentral / volatile

Old Electricity World



New Electricity World



Tag 130
00:00Uhr



Energy

Market Design Reform

-

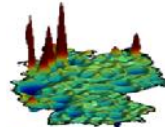
Wholesale market measures

Energy

Reform Proposals Market Design

What do we propose?

- Adapt market rules to new realities



- Reduce state interventions – use markets

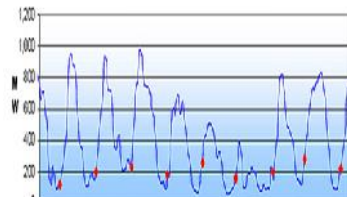


- Cooperate across borders



Adapt Rules to new Realities (...and save money)

Create EU-Short-term Markets



⇒ 15 minutes trading



EU-wide intraday and & Balancing markets
instead forward/day-ahead only



'Missing Money' – or Thinking in Old Baseload World?

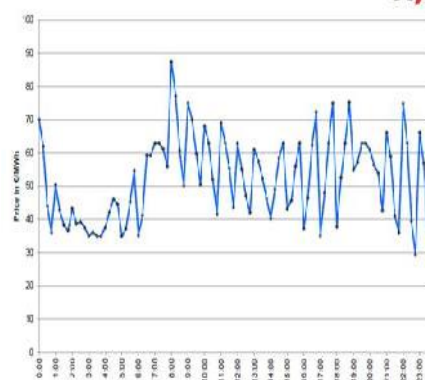
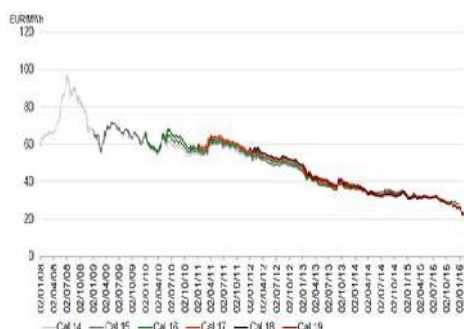
Thinking in average pricing... ...or earning €90 in a €40 market?

Ever Decreasing Power Prices

eeX

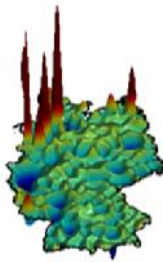
Intraday-Auction on 7 July 2015

eeX



Adapt Rules to new Realities (...and save money)

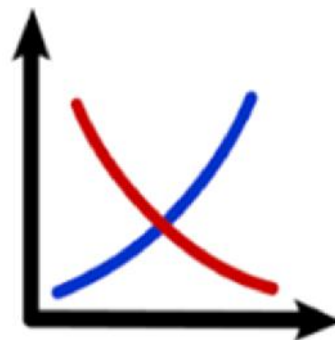
- Demand/supply/grid capacities differ (time/location)
- ⇒ Prices should reflect demand & supply (time/location)
- ⇒ Abolish regulated prices, politically motivated price zones and “price caps” as they...



- ...**prevent effective price** formation
- ...lead to power **flows to "wrong" place/at "wrong" time**
- ... **prevent investments** where needed
- ...**increase costs** for consumers – *hide variability*

|

Use Market Forces to Bring Prices down & Reduce Distortions from State Interventions



Use Market Forces to Bring Prices down & Reduce Distortions from State Interventions

- Outdated/fragmented **state aid for renewables** (& coal)

Old: "produce and forget" New: Market Orientation



- Outdated/fragmented **state aid for generators**

("Capacity Mechanisms" and "strategic reserves")

Old: Generator-driven New: Joint needs assessment

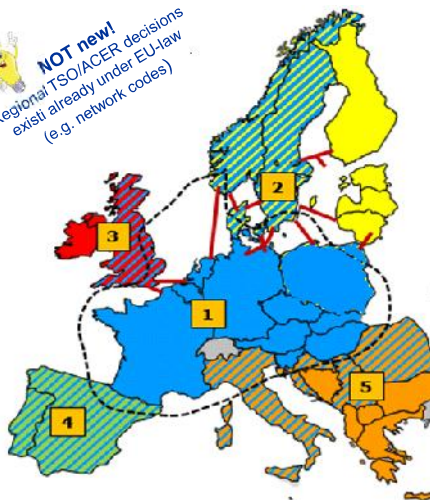


More market-compatible design

=> Make State Interventions compatible with market

Increased use of Regional Cooperation – Overcome fragmented island solutions

NOT new!
Regional TSO/ACER decisions
exist already under EU-law
(e.g. network codes)



"ROCs": Obligatory cooperation of TSOs; more security; decrease costs, increase trade

ACER: Binding coordinated decisions – if indispensable (e.g. "Market Coupling")

European Needs Assessment
Common Framework for market-compatible capacity mechanisms

(Pre-) coordinated crisis management

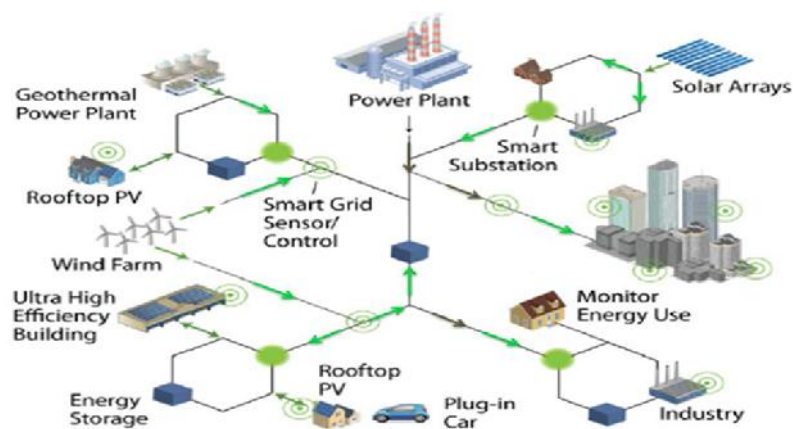
Market Design Reform

-

Retail market measures

Energy

Update Retail Markets

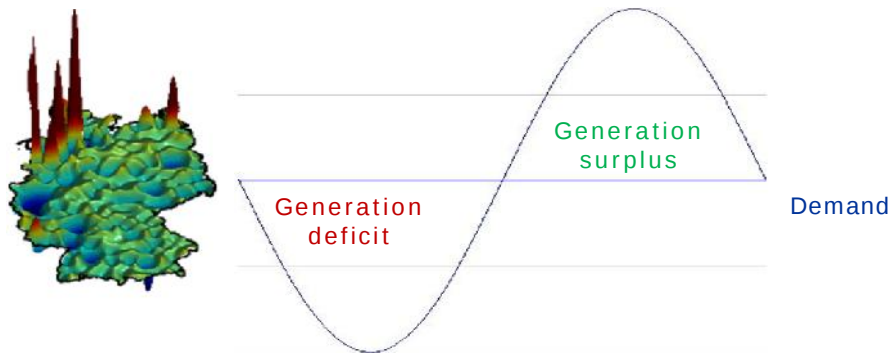


Energy



Intro:
Flexibilisation

Earning money with electricity demand: Coping more effectively with deficits and peaks



- Classic: Pay backup generation
- Alternative: Postpone consumption... (...and earn money...)
- Classic: Curtail generation
- Or: Activate consumption (and save money...)

Energy



Thank you

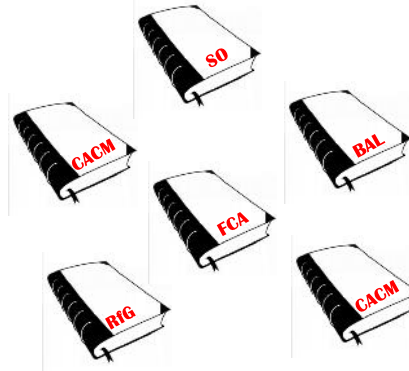


Energy

Interplay Third Package & Implementing Legislation (Network Codes & Guidelines)



Main legal principles & rules
(including on balancing)



Concretisation of rules,
more technical details