

## ***Session 3: What policy-makers and regulators need to do differently in a move to high VRE?***

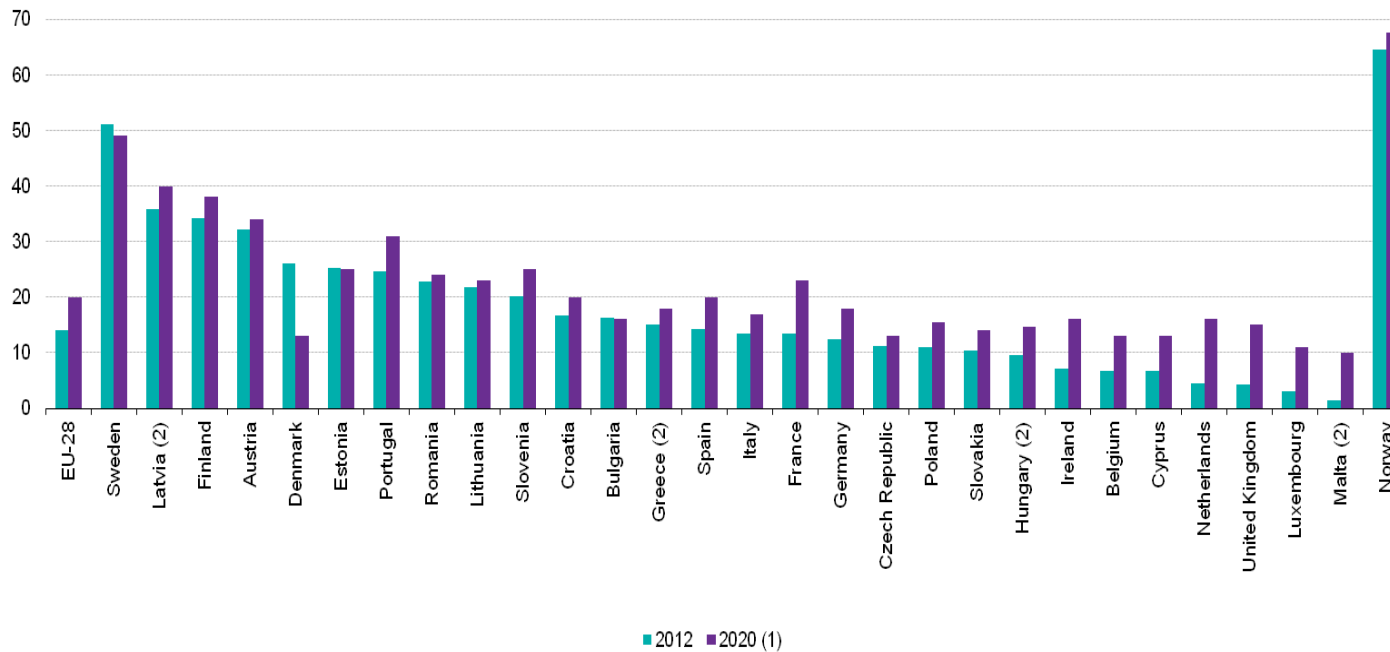
***Industry recommendations to achieve a scaling up of VRE while maintaining system reliability and keeping integration costs as low as possible***

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**Integrating Variable Renewable Energy into Power Grids**

**21 October, Copenhagen**

# Europe is on track to reach the 20% RES target, BUT is facing two important challenges on the road



**Costs** →  
**Competitiveness**

**Variability** →  
**Security of Supply**

Source: Eurostat

**Non consistent and purely national approaches to energy policies risk fragmenting the power market and endangering the completion of the internal energy market**

## The European Union is in the process of setting the basis for the Energy and Climate framework for the period 2020-2030

- **When?**

**At the European Council on 23-24 October**

- **What?**

The Council is most likely to adopt:

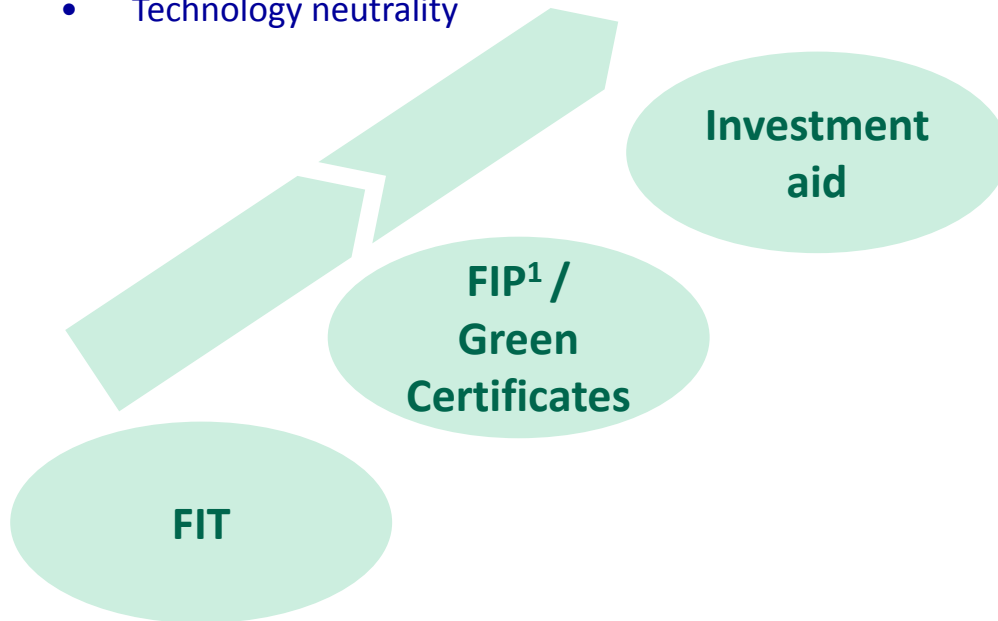
- **40% Greenhouse Gases emission reduction target**  
(binding at European and national level)
- **At least 27% RES target** (binding on a European level only)
- **30 % energy efficiency target** (non binding)

## Competitiveness: RES remuneration should move towards cost-efficiency and maximum market orientation

### Before 2020

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- Tendering of support
- Reducing market distortions
- Balancing obligations
- Technology neutrality



### After 2020

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- **The Emission Trading System as the main driver** for RES deployment and mature RES in the market
- **Immature technologies with possible support** subject to a dynamic approach to follow technology development

## This process should lead to the creation of 'a market for all technologies' with RES fully integrated

- **Responsibility** of generators for:
  - **Selling** in the market (directly or via aggregators)
  - **Nominating / Scheduling** (towards TSO)
  - **Balancing** (costs of imbalances)
- **Same obligation** for all generators for:
  - **Grid connection / usage** (fees)
  - **Dispatch / Grid access** (no priority)
- **For existing plants there will have to be a transition depending on national circumstances** and incentives/compensation in Member States, full market integration being the objective

## Security of Supply: Long term system adequacy is a concern in many markets, giving more urgency to the discussion on capacity markets

- **Political initiatives** in many markets to ensure **national security of supply**
- **Political decisions** are driving the **closure of additional thermal generation due to environmental concerns**
- **RES generation has grown considerably**, impacting the economic viability of capacity needed for system adequacy
  - Lower utilisation of thermal plants
  - Lower and more volatile wholesale prices
- Further development of **flexibility markets**, while necessary, focuses on **short term system adequacy** and **does not deliver signals for capacity** needed for the long term

# EURELECTRIC has established a view on the fundamental principles for the implementation of Capacity Remuneration Mechanism

## Description

	Description
<b>Goal</b>	<ul style="list-style-type: none"> <li>Overarching goal must be <b>generation adequacy</b> (i.e., firm capacity without any other political targets)</li> </ul>
<b>Product</b>	<ul style="list-style-type: none"> <li>Remunerate <b>plant availability/firm capacity</b></li> </ul>
<b>Design features</b>	<ul style="list-style-type: none"> <li><b>Market-based</b></li> <li><b>Technology neutral</b></li> <li>Open to <b>new/existing</b> plants</li> <li>Open to <b>generation/demand response/storage</b></li> </ul>
<b>Geography</b>	<ul style="list-style-type: none"> <li><b>Open to cross-border participation</b>, while not distorting the energy market</li> </ul>

The **completion of the Internal Electricity Market** and coordination of the key elements of market design are **crucial** for EU energy policy

## Key messages

- **A win-win situation must be achieved through a continued growth of RES in the market on the basis of the following measures:**

### Enhance Market functioning as a **No Regrets option**

- The full execution of an integrated European energy market through Intraday, Day-ahead, balancing to ensure incentives for flexibility including demand response
- More interconnections between national markets
- Removal of wholesale price caps and regulated end-user tariffs and other distortions of wholesale and retail electricity markets

### **Integrate RES** into the market

- Universal balancing requirement as a first step
- Use of market procedures to obtain cost effectiveness for new investments
- Adapt existing support schemes and introduce new mechanisms to minimize market distortion

### **Complement the Market Design**

- CRM, where needed, should be market based, technology neutral, open to existing plants and new investments, equally open to generation, demand and storage
- Regional instead of national approach to CRM
- All CRMs schemes must be open to cross-border participation
- Decentral capacity certificates or central auctions for capacity as preferred schemes



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# Thank you!

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