



PKEE

Polski Komitet Energii Elektrycznej
Polish Electricity Association

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Fist Madrid, then Paris and Rome, and the summary in Brussels. The Polish Electricity Association has completed in the capital of Belgium the series of conferences on the capacity market.

The European electricity market is presently grappling with structural problems relating to the security of supply, resulting from capacity scarcities and the “missing money” problem. The new investments are insufficient to bridge this gap. This leads to a series of questions arising on the future of the capacity markets in the EU.

During the debate that has brought together over 100 experts, the representative of the PKEE Maciej Burny was arguing that the capacity market presents opportunities to acquire new funds for financing the energy sector transition in Poland towards green energy. ***“If at the moment we are incurring the very high costs of purchasing the CO₂ allowances, then we have less funds left for implementing the new investments in lower-emission generating capacities”*** – underlined Maciej Burny. The PKEE expert also added that the CO₂ emissions reduction should be realised with a single tool – the EU ETS. Thus, introducing an additional tool for reducing emissions by adopting the CO₂ emissions standard of 550g CO₂/kWh in the capacity markets (the EPS550) increases the costs of the energy transition and has no economic justification. “One cannot mix tools as this only inflates the costs for consumers” – added the expert.

Maciej Burny has also pointed to the threat of retroactivity of the new regulations, therefore, as he stressed – ***“the auction participants expect that the contracts for deliveries concluded before entry into force of the new market regulation will be protected under the acquired rights doctrine. In a similar way as in the case of the just agreed revision of the RES Directive that fully respects the acquired rights of the investments in the renewable sources. We need the same predictability of the regulatory environment for the conventional sources that are necessary in the power system to preserve its stability”***.

Fabien Roques, vice president of Compass Lexecon, one of the most experienced consultants analysing the capacity markets in the EU, has stressed during the debate that the Polish capacity market will be technology neutral, open to cross-border participation and based on auctions to provide the consumers with the lowest prices. He has reminded that the capacity market was already implemented in 6 EU Member States. In each of these Member States, it contributed towards the increased security of supply.



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Among the discussed topics that will substantially impact the future of the capacity mechanisms in the EU, was the issue of the EPS 550 standard. So far, some of the EU Member States have introduced the capacity markets, and some – the strategic reserves, which according to the Union’s competition policy are capacity mechanisms, thus, as the PKEE representative has noted, they should be subject to equal treatment. ***“The European Parliament in its proposal stipulates exemption of the strategic reserves from the EPS 550 requirements and this means adopting double standards. We expect that the new regulations in practice will not be favouring some Member States at the expense of others”*** – pointed out Maciej Burny.

He was echoed by Christof Schoser, representative of the Directorate General Competition of the European Commission, who admitted that the strategic reserve should not be favoured. He has underlined that the capacity markets must be open for cross-border power flows.

The PKEE points out that the Polish capacity market approved by the European Commission in February 2018 is fully compliant with the EU rules on State aid. The Directorate General Competition of the EC after a detailed analysis concluded that the capacity market is the right option for solving the structural problem of assuring the security of electricity supply in Poland. The decision of the European Commission also concerned five other Member States.

The debate participants have agreed that due to Poland’s specific circumstances, transitional solutions are needed in the Regulation concerning the capacity decision of February 2018 that has approved the capacity market without the EPS 550.

The debates by experts organised by the Polish Electricity Association in the European capitals are a contribution to the process of negotiations of the regulation of the Union’s electricity market, which should be completed during the Austrian presidency until the end of this year.