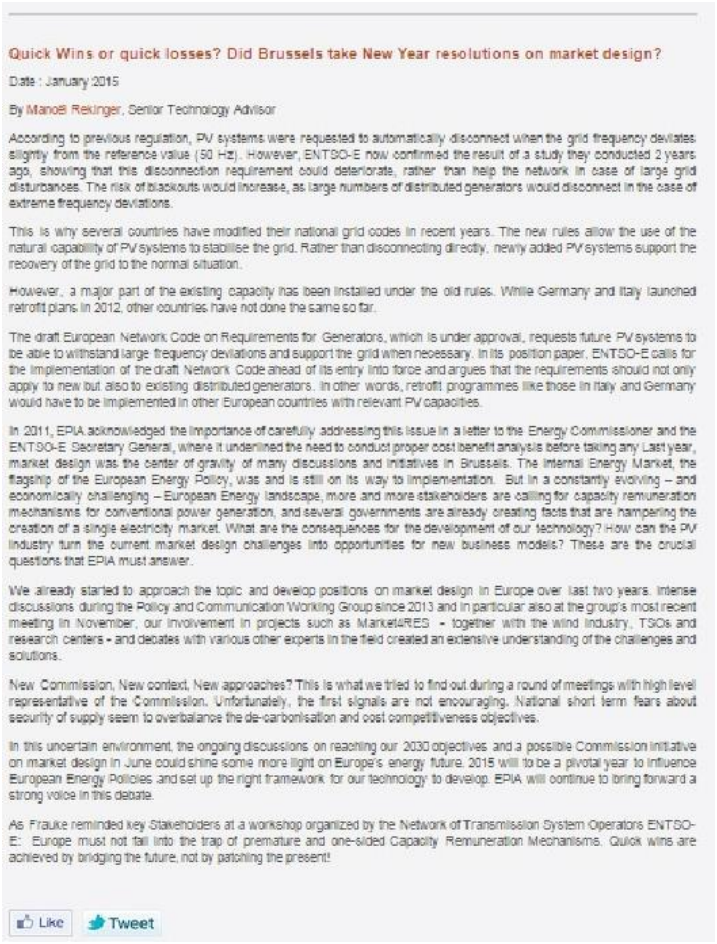
EPIA Monthly Policy Round – Market4RES-related articles



Quick Wins or quick losses? Did Brussels take New Year resolutions on market design?

Date : January 2015

By Manoël Rekinger, Senior Technology Advisor

According to previous regulation, PV systems were requested to automatically disconnect when the grid frequency deviates slightly from the reference value (50 Hz). However, ENTSO-E now confirmed the result of a study they conducted 2 years ago, showing that this disconnection requirement could deteriorate, rather than help the network in case of large grid disturbances. The risk of blackouts would increase, as large numbers of distributed generators would disconnect in the case of extreme frequency deviations.

This is why several countries have modified their national grid codes in recent years. The new rules allow the use of the natural capability of PV systems to stabilise the grid. Rather than disconnecting directly, newly added PV systems support the recovery of the grid to the normal situation.

However, a major part of the existing capacity has been installed under the old rules. While Germany and Italy launched retrofit plans in 2012, other countries have not done the same so far.

The draft European Network Code on Requirements for Generators, which is under approval, requests future PV systems to be able to withstand large frequency deviations and support the grid when necessary. In its position paper, ENTSO-E calls for the implementation of the draft Network Code ahead of its entry into force and argues that the requirements should not only apply to new but also to existing distributed generators. In other words, retrofit programmes like those in Italy and Germany would have to be implemented in other European countries with relevant PV capacities.

In 2011, EPIA acknowledged the importance of carefully addressing this issue in a letter to the Energy Commissioner and the ENTSO-E Secretary General, where it underlined the need to conduct proper cost benefit analysis before taking any. Last year, market design was the center of gravity of many discussions and initiatives in Brussels. The internal Energy Market, the flagship of the European Energy Policy, was and is still on its way to implementation. But in a constantly evolving – and economically challenging – European Energy landscape, more and more stakeholders are calling for capacity remuneration mechanisms for conventional power generation, and several governments are already creating facts that are hampering the creation of a single electricity market. What are the consequences for the development of our technology? How can the PV industry turn the current market design challenges into opportunities for new business models? These are the crucial questions that EPIA must answer.

We already started to approach the topic and develop positions on market design in Europe over last two years. Intense discussions during the Policy and Communication Working Group since 2013 and in particular also at the group's most recent meeting in November, our involvement in projects such as Market4RES - together with the wind industry, TSOs and research centers - and debates with various other experts in the field created an extensive understanding of the challenges and solutions.

New Commission, New context, New approaches? This is what we tried to find out during a round of meetings with high level representative of the Commission. Unfortunately, the first signals are not encouraging. National short term fears about security of supply seem to overbalance the de-carbonisation and cost competitiveness objectives.

In this uncertain environment, the ongoing discussions on reaching our 2030 objectives and a possible Commission initiative on market design in June could shine some more light on Europe's energy future. 2015 will to be a pivotal year to influence European Energy Policies and set up the right framework for our technology to develop. EPIA will continue to bring forward a strong voice in this debate.

As Frauke reminded key stakeholders at a workshop organized by the Network of Transmission System Operators ENTSO-E: Europe must not fall into the trap of premature and one-sided Capacity Remuneration Mechanisms. Quick wins are achieved by bridging the future, not by patching the present!

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Electricity Markets: 50 % a solution, 50 % a challenge for the RES development in EU

Date : March 2015

By, Manoël Rekinger, Senior Technology Advisor

Through successive electricity directives, electric markets in Europe have been gradually developed over the last decade. Although many achievements can be mentioned, there are still many challenges ahead to meet the EU policy goals up to 2020 and beyond. On the way towards a renewables based electricity mix, two of the most disputed questions concern the market design and the financing of renewables.

On the one hand "classical" PV support schemes such as FIT or net metering are great tools to kick start PV markets but are not compatible with the concept of large scale RES development. While their impacts on the electricity system were marginal, these support schemes start to create market distortions as measure as the share of RES in the mix is growing. On the other hand, "classical" electricity markets have demonstrated their limits to support investments in new capacities, including RES, failing to fully implement policy objectives. This has for instance been clearly illustrated in a report recently published by our partners of Market4RES project.

An effective electricity market design should provide sufficient investment signals to develop and accommodate high share of renewables while maintaining a free and secure electricity trading in Europe. Although a silver bullet solution does not exist, alternatives to the current market design are available, should be analyzed and developed. This is exactly the purpose of our involvement in the Market4RES project. If you are interested to contribute to the discussions, together with other partners we will organize two open workshops in the coming months:

- On the 21st April, a workshop on the challenges for RES-E deployment in the European electricity market.
- On the 22nd May, a workshop on market based mechanisms to integrate high levels of renewables.

You can find more information on these events here.

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Is being cost competitive making solar PV ready for electricity markets?

Date : April 2015

By Manoël Rekinger, Senior Technology Advisor

First results of the EU project Market4RES

While electricity markets in Europe were gradually developed through Directives, solar PV evolved from an expensive curiosity into an alternative, and now to be a new conventional electricity generation source. A traditional way forward would be to fully rely on Electricity markets to support the development of Solar PV and other RES technologies.

Although the establishment of electricity markets already created benefits for the end customers, there are still many challenges ahead to meet the EU policy goals up to 2020 and beyond. On the way towards a renewables based electricity mix, two of the most disputed questions concern the market design and the financing of renewables.

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On the other hand, "classical" PV support schemes such as FIT or net metering are great tools to kick start Solar PV markets but are not compatible with large scale RES development. While their impacts on the electricity system were marginal, these support schemes start to create market distortions as the share of RES in the mix is growing.

An effective electricity market design should provide sufficient investment signals to develop and accommodate a high share of renewables while maintaining a free and secure electricity trade in Europe. Although a silver bullet solution does not exist, evolution and complementary approaches of the current market designs exist. They should be analyzed and developed. This is exactly the purpose of EPIA's involvement in the Market4RES project. An analysis of the current directives supporting the EU market coupling will soon be published by the project consortium. In the meantime, the market4RES partners will organize a workshop on the 22nd May to exchange with stakeholders on market based mechanisms to integrate high levels of Renewables.

You can find more information about the project or the workshop on the Market4RES website here.

Expert Workshops on electricity market design options in 2020 and post 2020 frameworks

22 May 2015 - Silken Berlaymont, Brussels, Belgium

The Market4RES consortium is pleased to invite EU-28 Transmission System Operators, European regulators, policy makers, and other relevant stakeholders to our one-day event where we will:

- Validate the specifications of the studies about electricity market design options within the 2015-2020 period. Our analyses are run on the OPTIMATE numerical simulation platform and focus on the effects of RES support schemes and demand flexibility.
- Discuss the market based mechanisms to integrate high levels of renewables while assuring security of supply in the post 2020 period

Find out more here.

Workshop on Challenges for RES-E deployment

21 April 2015- Silken Berlaymont, Brussels, Belgium

The special focus of this workshop will be on the implementation status and the market focused diagnoses of the European Target Model. This will be underpinned by empirical analyses in selected European market regions emphasising the challenges in electricity markets in Europe with high shares of RES-E penetration

Changes are to be made to the design of currently existing markets with the aim to overcome the above-mentioned problems. Thus, following the stakeholder consultation event, a special expert workshop is organized where the market4RES consortium would like to further discuss with you, experts in the field, possible market design options for future market developments and the assessment of these options.

Find out more here.