Stakeholder Consultation

“Challenges for RES-E deployment in the European electricity market”

&

Expert Workshop

“Assessment of options for the design of pending electricity market developments in the IEM”

21st April 2015

Brussels

Venue: Silken Berlaymont, Blvd Charlemagne 11/19, 1000 Brussels

DISCUSSION QUESTIONS



You are cordially invited to fill out the questionnaire below. Your feedback, also in written format will be very valuable to shape the assessment to be made of existing options for pending market developments.

**Long term markets:**

*Capacity Remuneration Mechanisms*

1. Which, among the following ones, are the main dimensions to be considered when characterizing a CRM? Why do you think so?
   1. Mechanism for contracting: quantity based (auction or bilateral) vs. price based (capacity payment)
   2. Features of the product: capacity vs. energy; financial vs. physical; time terms (contract duration; lead time);
   3. Discrimination among potential providers (new plants vs. existing plants; per technology)
   4. Creating performance incentives, like the payment of penalties for non-compliance with provision of power under emergency conditions.
   5. Any other.

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1. How the implementation of CRMs in the several EU countries could be coordinated? Why do you think so?
   1. Firm capacity should be separately contracted within each congestion management (or pricing) area.
   2. Exchanges of firm capacity may take place among congestion areas within each national system, but not among the latter.
   3. Firm capacity exchanges could take place among countries in Europe, but physical capacity should not be reserved for these.
   4. Firm capacity exchanges could take place among countries in Europe, and physical capacity should be reserved for these.
   5. Any other.

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*Long term effects of RES generation support*

1. Which are the most relevant considerations to be made when assessing the long term effects of a RES generation support/contracting mechanism? Why do you think so?
   1. It should be effective in achieving the installation of a large enough amount of RES generation.
   2. It should minimize the cost for the system of the compliance with RES generation deployment objectives: avoid distortions of short term signals (prices) while driving efficient long term decisions on RES installation and achieving a high enough level of competition (liquidity) in the market.
   3. It should be compatible with principles existing in the Internal Electricity Market of the EU.
   4. Any other.

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*Design of cross-border products*

1. Please select those statements about long term cross-border transmission contracts that are true in your view. Why do you think so?
   1. Long term Transmission contracts should be physical to guarantee access to the corresponding area if needed.
   2. The initial allocation of cross-border transmission capacity should be carried out by TSOs (in a coordinated way).
   3. Long term transmission capacity products negotiated should be firm.
   4. Long term cross-border transmission products should be made available also in the form of options for the use of the corresponding capacity.
   5. Any other.

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**Short term markets:**

*Level of geographical differentiation of prices*

1. Which, among the following ones, are the most relevant issues in the definition of the level of geographical differentiation of electricity prices? Why you think so?
   1. Achieving economic efficiency (prices that reflect supply cost at each location) 🡺Nodal pricing
   2. Avoiding infeasibilities in the economic dispatch 🡺Nodal pricing
   3. Increasing the liquidity of the market to compute representative price signals. 🡺 zonal or single price.
   4. Avoiding discriminating among consumers based on their location 🡺 single price.
   5. Any other.

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*Short term effects of support to RES generation*

1. Which, among the following ones, are the most relevant requirements for RES support schemes related to the functioning of the system in the short term? Why you think so?
   1. Having a strong correlation between final prices earned by RES generators for the power they produce and the short term market price 🡺 premiums, or fixed support payments
   2. Having schemes that endogenously make power consumers pay RES support payments 🡺 certificate schemes.
   3. Having schemes that endogenously set the level of support payments to that strictly needed by RES generation🡺 auction schemes
   4. Having a support scheme that results in the minimum level of payments made to RES generation🡺 separate quota/payments per technology
   5. Any other.

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*DSR schemes in the short term*

1. Which, among the following ones, are the most relevant requirements for DSR schemes applied in the short term? Why do you think so?
   1. Having an efficient scheme whereby DSR costs are weighted against energy supply costs to determine whether demand reductions occur 🡺 explicit centralized participation of DSR in markets
   2. Having a DSR scheme that fosters liquidity by dispatching DSR bids jointly 🡺 explicit centralized participation of DSR in markets
   3. Avoiding the need to implement demand aggregators and reducing the complexity of markets 🡺 implicit DSR schemes (no DSR bids made to markets but modification of profile of consumption)
   4. Any other.

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*Timing of markets in the short term*

1. Which, among the following ones, are the most relevant requirements for the design of the sequence of short term markets? Why do you think so?
2. Setting both short and very-short term markets that adapt to the specific features of the several products that agents can offer
3. Reducing infeasibilities by allowing very-short term adjustments to the schedule of units and markets where to schedule inflexible units 🡺 both short and very short term markets
4. Maximizing the liquidity of markets 🡺 long term markets
5. Enabling the use of short term markets as a hedging tool 🡺 day-ahead markets in addition to very-short term ones
6. Any other.

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*Bidding protocols and prices*

1. Which, among the following ones, are the most relevant requirements for products traded and pricing schemes adopted? Why do you think so?
2. Defining flexible products (allowing complex conditions to be met by the energy dispatched to an agent in several hours) that adapt to the operational constraints of agents, thus minimizing possible infeasibilities of the market outcome
3. Defining simple, standard, products that are offered by all agents, thus maximizing the liquidity of the market and its simplicity
4. Computing prices that reflect all kinds of costs incurred by agents when producing power or supply a product. This may include the variabilization of commitment costs and others 🡺 quasi-marginal supply costs
5. Having prices that are as simple to understand and predict as possible 🡺 price equal to last accepted bid
6. Any other.

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**Very short term markets:**

*Balancing markets and products*

1. Which, among the following ones, are the most relevant requirements for an efficient Balancing market? Why you think so?
   1. Having an optimal pricing of balancing products and shall the pricing be the same for capacity and energy 🡪 pay-as-bid or marginal
   2. Having an efficient imbalance settlement design for allocating the balancing costs among market parties 🡪 imbalance prices and settlement period, data availability
   3. Adjusting the main drivers to achieve sufficient liquidity 🡪 minimum bid size, possibility of aggregation, offer separately upward and downward products, gate closures for capacity bids, possibility of offering balancing energy without providing capacity, effect of technology specific products
   4. Having sufficient market transparency and global coherence of market designs
   5. Any other.

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1. Which, among the following ones, are the most relevant requirements for achieving sufficient liquidity on Balancing markets? Why you think so?
   1. Minimum bid sizes/possibility of aggregation of bids
   2. Possibility to offer separately upward and downward products
   3. Gate closures for balancing capacity bids
   4. Possibility of offering balancing energy without providing balancing capacity (with gate closure times for energy bids closer to real time operation
   5. Effect of technology specific products/markets
   6. Any other.

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*DSR schemes in the very short term*

1. Which, among the following ones, are appropriate criteria to measure Implementability for DSR market designs? Why you think so?
2. Feasibility: in terms of whether DSR companies specializing in aggregation are allowed to operate or not
3. Compatibility & Simplicity: additional market design complexity associated with DSR
4. Implementation costs: massive roll out of smart meters to enable DSR
5. Level of use of public funds (linked with effectiveness criteria): DSR is a politically attractive technology/activity
6. Scalability: compatible with existing cross border solutions or not?
7. Any other.

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