

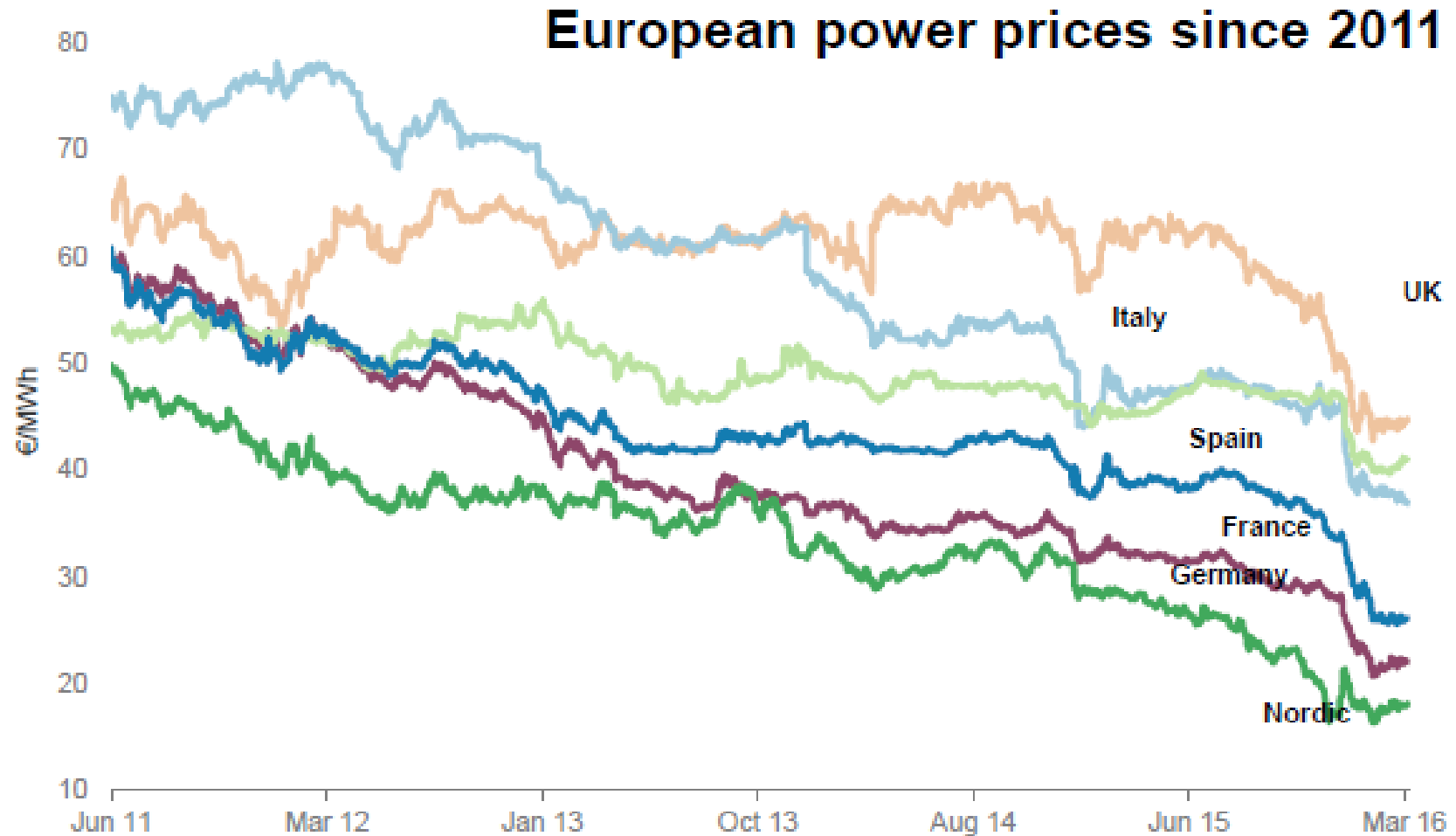
Power markets and decarbonisation goals 2030 Which synergies?

Juan Jose ALBA RIOS
Chair of EURELECTRIC's
Market Committee
EPEX Spot European Power
Market Summit
6 October 2016



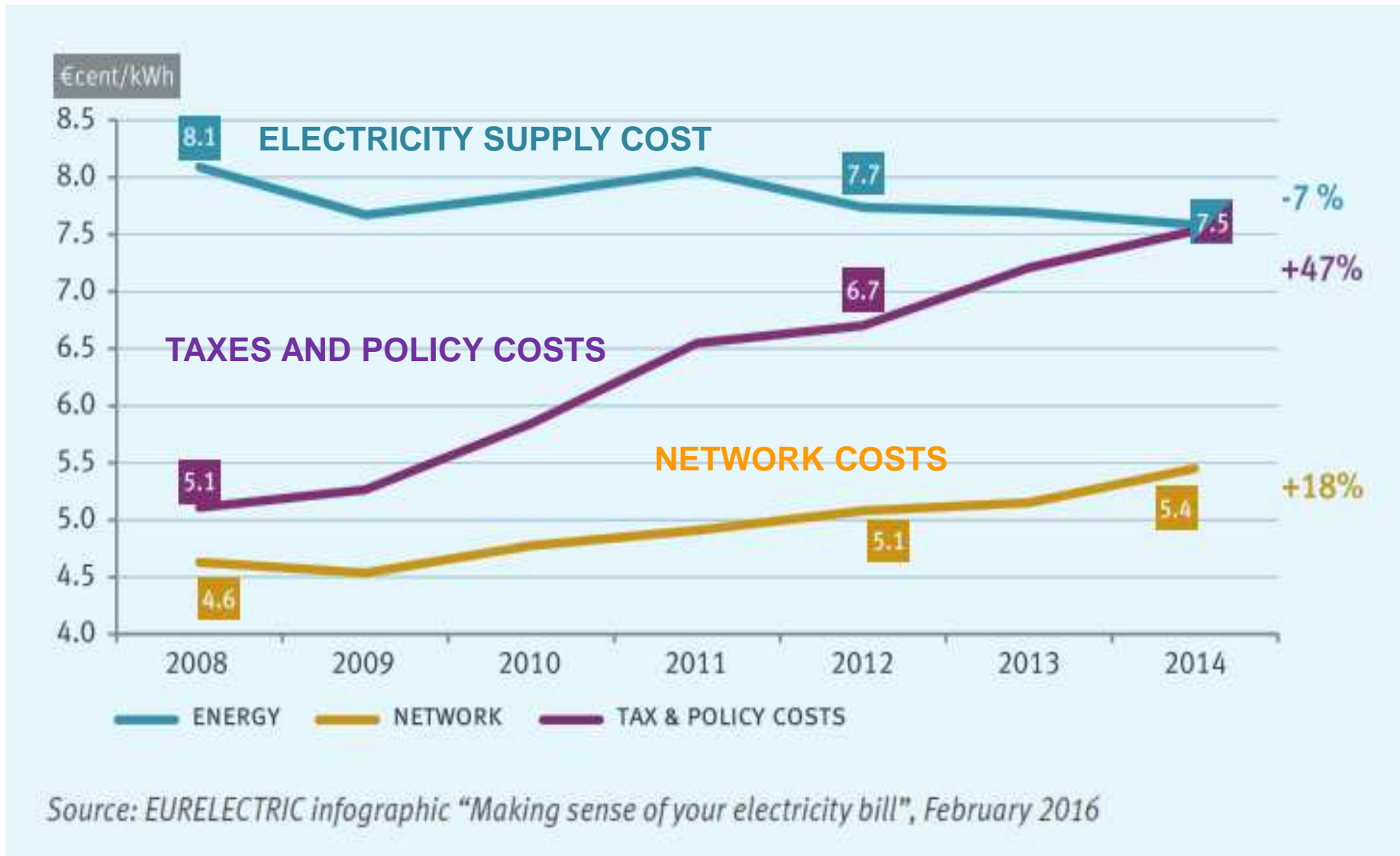
The low-carbon transition must be cost-efficient!

While wholesale prices keep on decreasing...



Platts, 30 August 2016

...consumers' bills keep on increasing



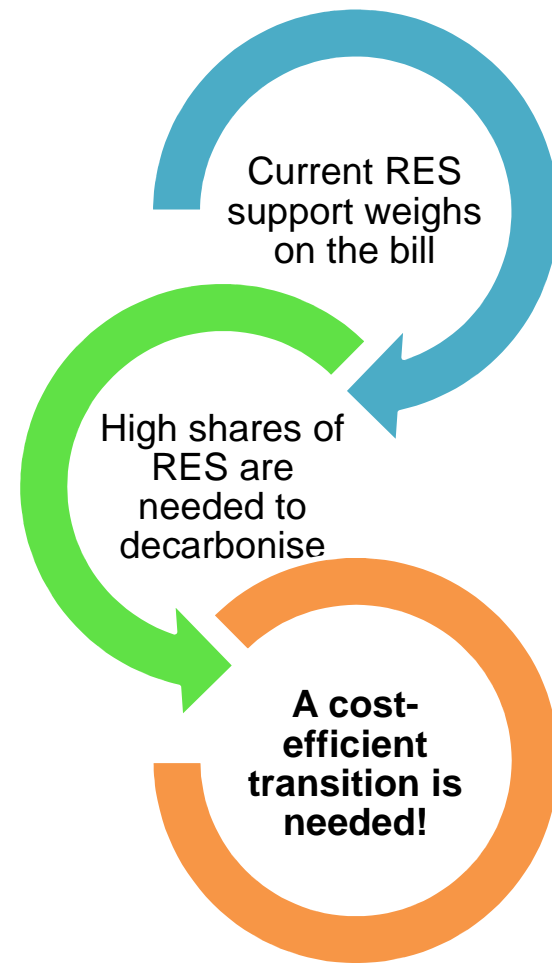
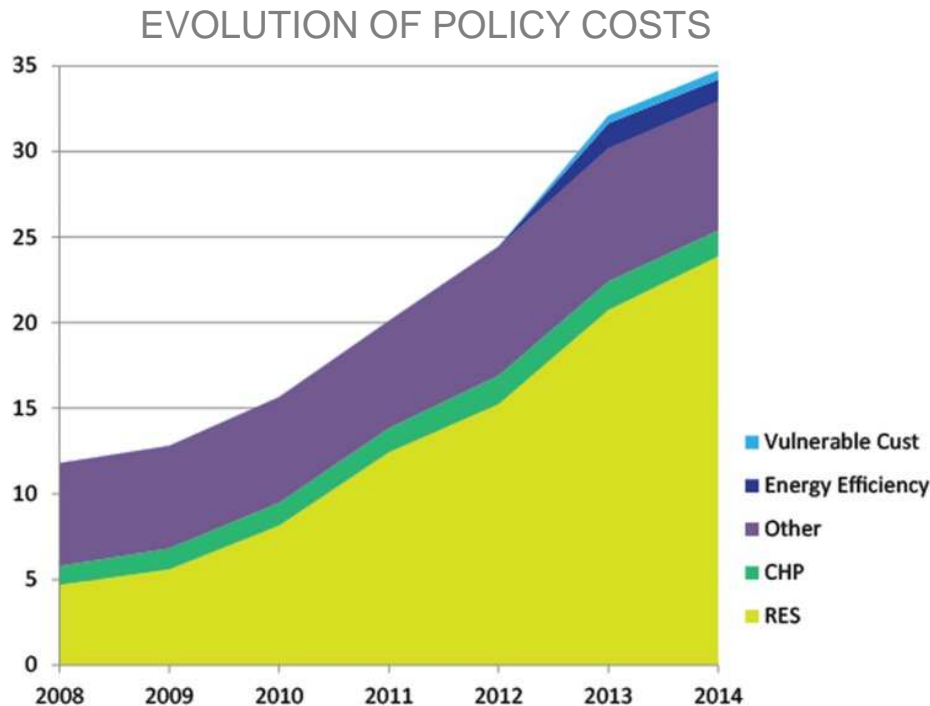
What is needed as part of the upcoming Winter Package?




Ensure that consumers reap the benefits of linking wholesale and retail markets




Ensure that renewables are fit for the market and the market fit for renewables




Improve the energy market to better integrate renewables and attract flexibility resources



**Cross-border capacity
& market integration**



**Transmission tariffs
respect the market &
the merit orders**



**Robust intraday and
balancing, with
shorter gate closure**

Energy, flexibility and capacity must be valued in a well-functioning market design

ENERGY

Selling KWh

Markets:

- Forward, day-ahead, intraday markets

FLEXIBILITY

Adjusting to short-term variations

Markets:

- Day-ahead, intraday, balancing markets, ancillary services


CAPACITY

Firm capacity for security of supply


Markets:

- Market-based capacity mechanisms where relevant, national and regional adequacy assessments to be taken into account


BUT WILL GOVERNMENTS LET SCARCITY PRICES HAPPEN?



Scarcity prices should appear when there is a real risk of brown out. Are governments ready to accept scarcity situations?



Price caps should be set higher or removed. Yet, they are not the main issue today as they are rarely reached.

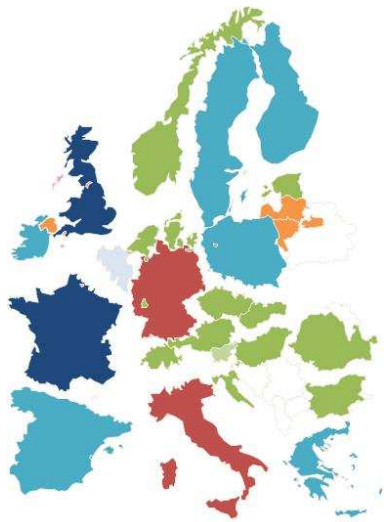


The main issue is interventions, subsidies that distort the market and market exit barriers for power plants: prices do not go as high as they should.



In a market where scarcity prices are rare and uncertain, will they provide investment signals for investors in all technologies?

A more regional approach to system adequacy is needed



WHERE THEY EXIST, WELL-DESIGNED CAPACITY MARKETS ARE A TOOL FOR ADEQUACY ASSESSMENTS

Clear security of supply targets

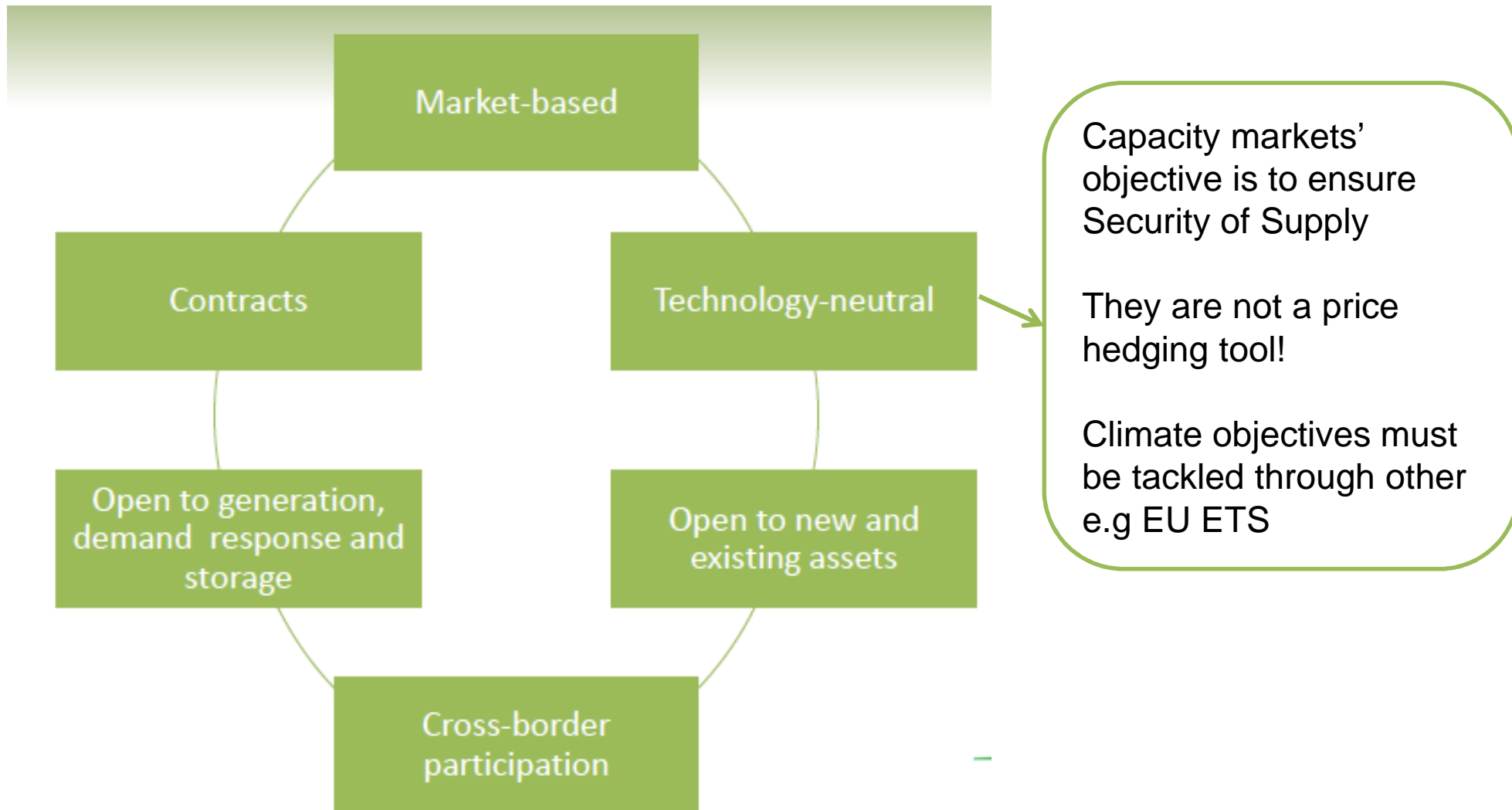
Regional scenarios

Economic viability of assets

Sound and transparent methodology

Taken into account when introducing capacity mechanisms

Where implemented, capacity mechanisms should be well-designed and have a regional perspective to ensure SoS

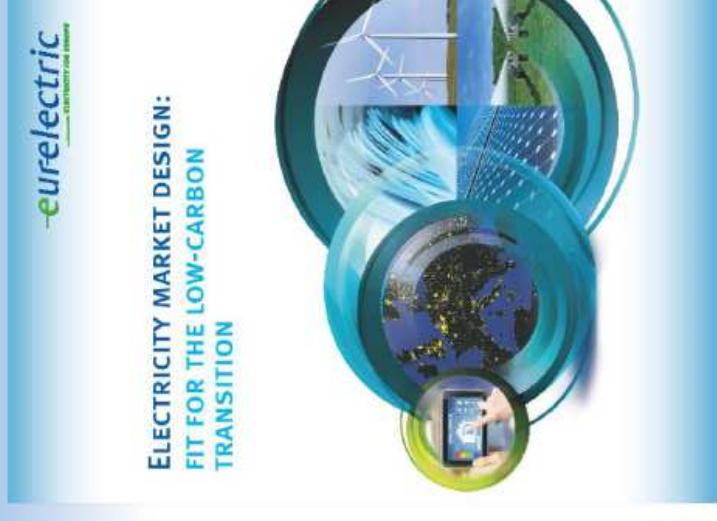


FINAL REMARKS

A NEW MARKET DESIGN IS REQUIRED TO SUSTAINABLY DELIVER THE TRANSITION TO LOW-CARBON ELECTRICITY

THE MARKET SHOULD EVOLVE REGIONALLY AND FIT FOR RENEWABLES, WHILE PROPERLY VALUING FIRM CAPACITY

A FULLY INTEGRATED AND FUNCTIONING MARKET WILL ACCELERATE THE TRANSITION, SUPPORTED ON COST-EFFICIENCY PRINCIPLES



THANK YOU

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