

Delivering the internal market in electricity and making the most of public interventions

8th Meeting of the EU-Russia Gas Advisory Council, 19 November Moscow

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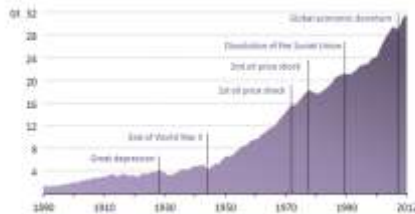




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EU energy challenges – new realities

Global energy-related CO₂ emissions



CO₂ emissions trends point to a long-term temperature increase of up to 5.3 °C

Impact of the financial crisis

Fall in private investment, tight financing conditions

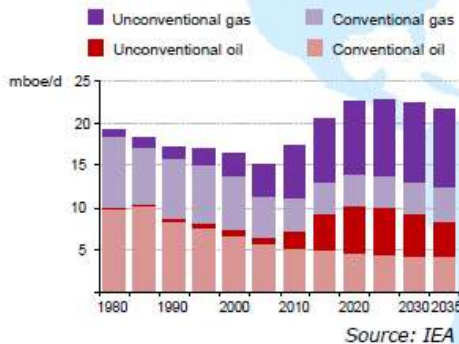
Fukushima



Some countries phase out nuclear power production

Shale gas

US oil and gas production



Rising demand
➔ rising prices

By 2030, world economy set to double and energy demand to rise by 1/3

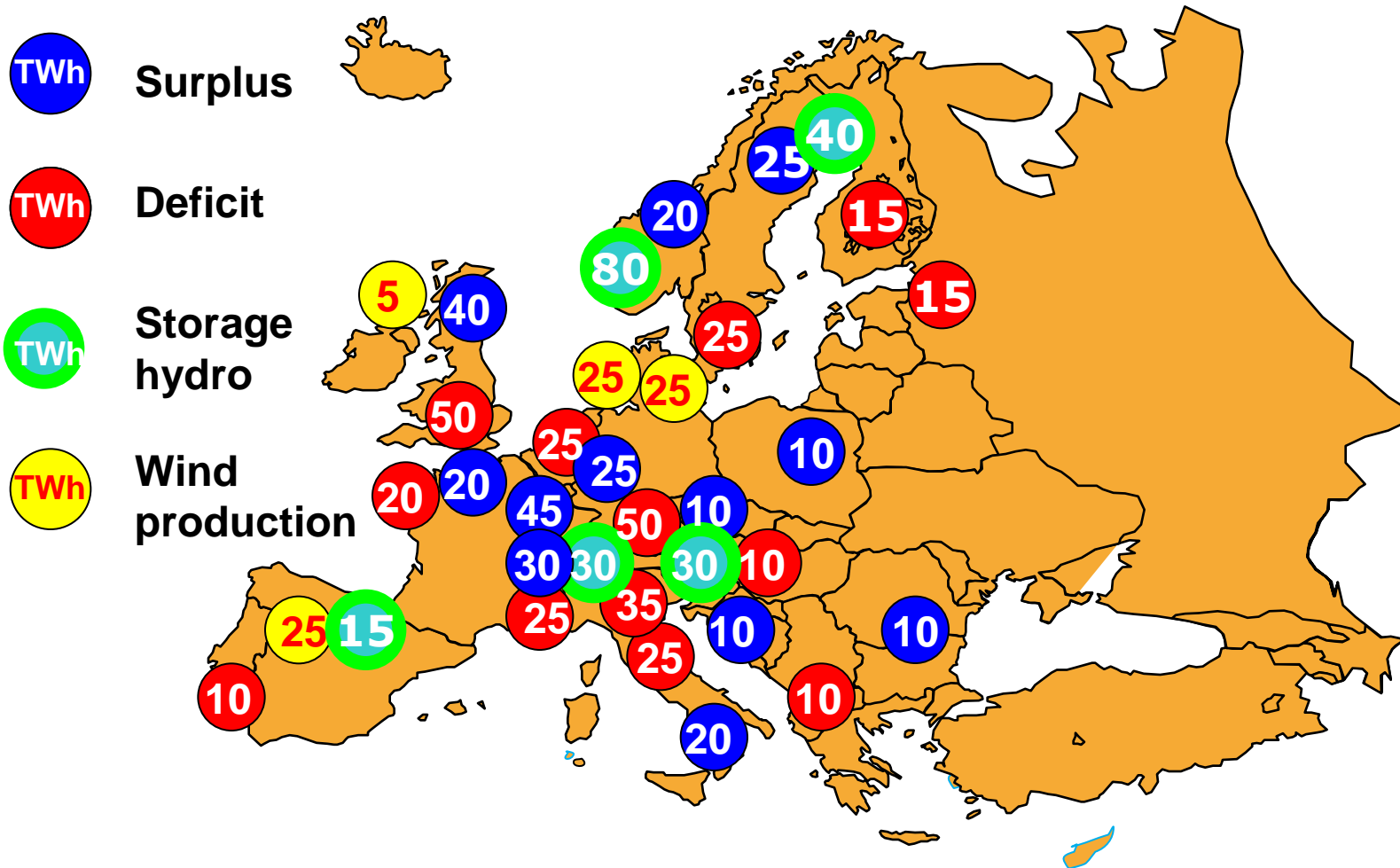
The 2030 energy and climate policy framework





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Relying on internal market





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The Package:



**Communication on
public intervention**

***RES support
schemes***

***Capacity
mechanisms***

***Cooperation
mechanisms***

***Demand
response***

Principles for efficient public interventions

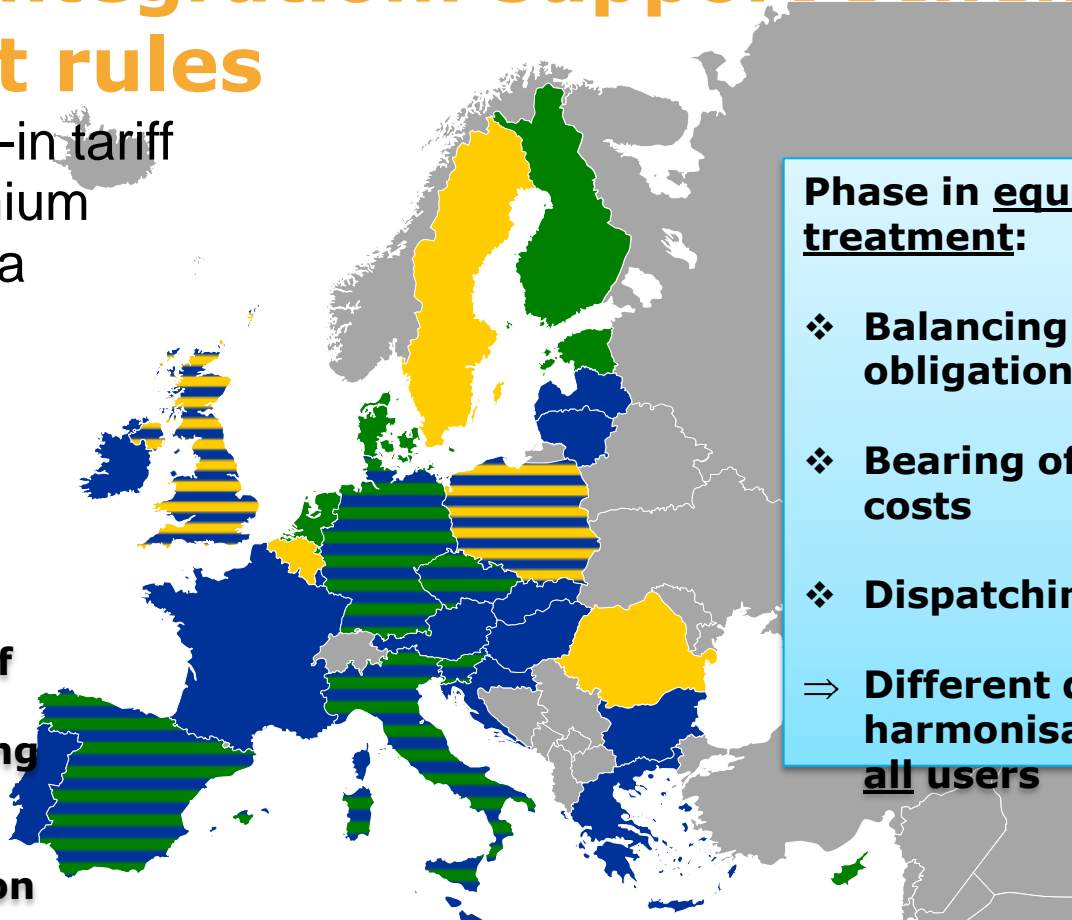
1. Let markets work!
2. Identifying a specific problem and its cause
3. Assessing potential interplay with other policy objectives – holistic approach
4. Evaluating alternative instruments promoting market based solutions, including European options
5. Encourage changes in consumer behaviour
6. Minimising impacts on operating of electricity systems
7. Keeping costs low (competition of technologies and of suppliers, potential of other Member States)
8. Considering the impact on costs of consumers
9. Monitoring, evaluation and phasing out

Market integration: support schemes & market rules

- Feed-in tariff
- Premium
- Quota

Phase in market exposure:

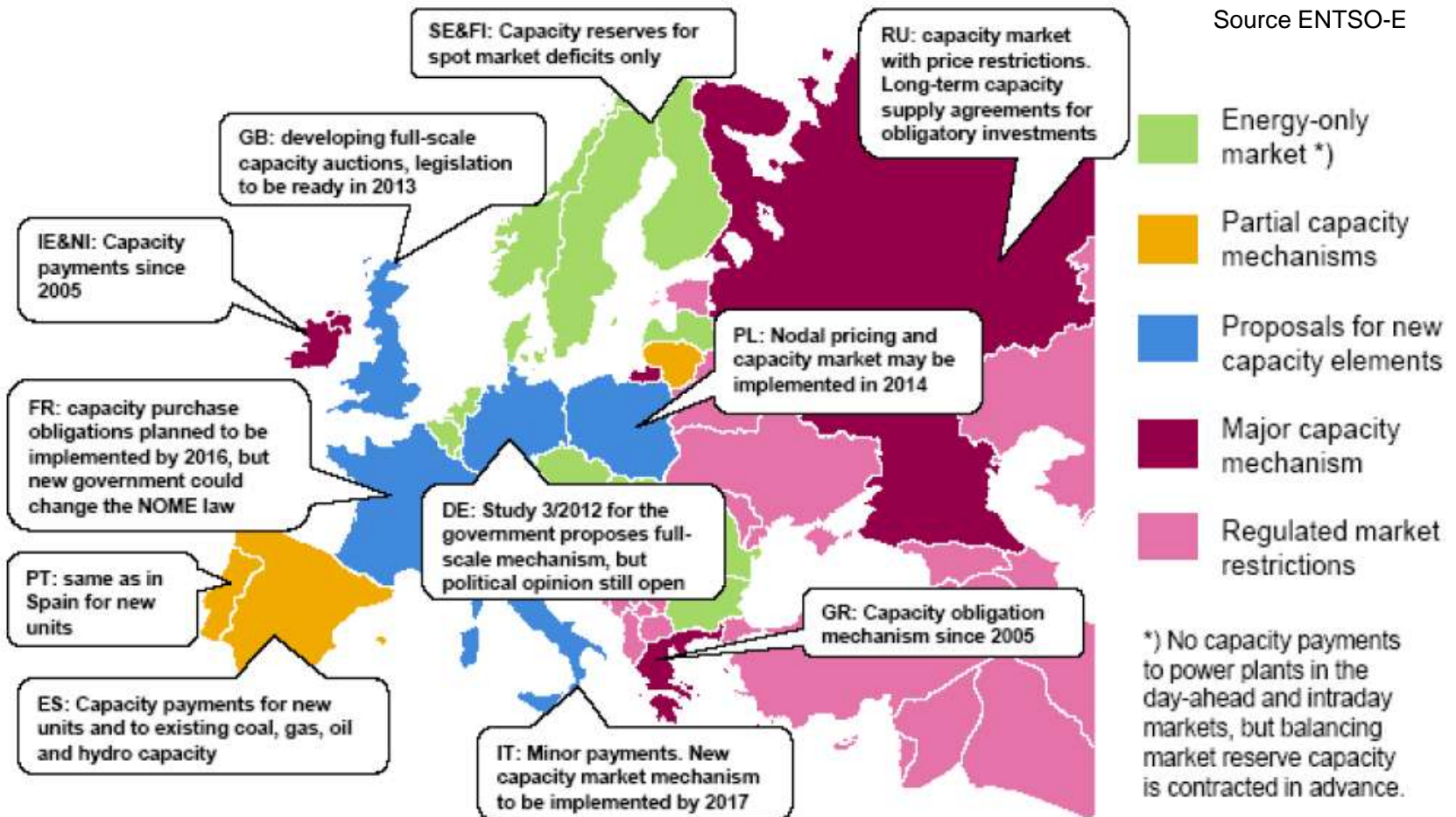
- ❖ Competitive allocation mechanisms
- ❖ Mechanism to reflect maturity of technology
- ❖ Competition among RES – technology development
- ❖ Minimise impact on production decision



Phase in equal treatment:

- ❖ Balancing obligations
- ❖ Bearing of grid costs
- ❖ Dispatching rules
- ⇒ Different degrees of harmonisation for all users

Capacity mechanisms



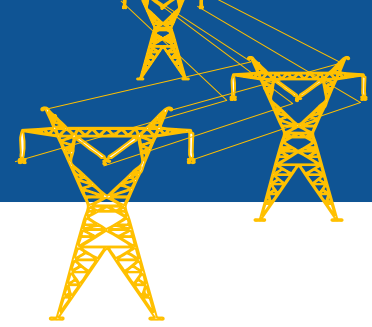
Guidance for MS Choices

Intervention after:

- *Careful and objective assessment of needs*
- *Addressing regulatory and market failures*
- *Cost/benefit analysis compared to other solutions and value of lost load*

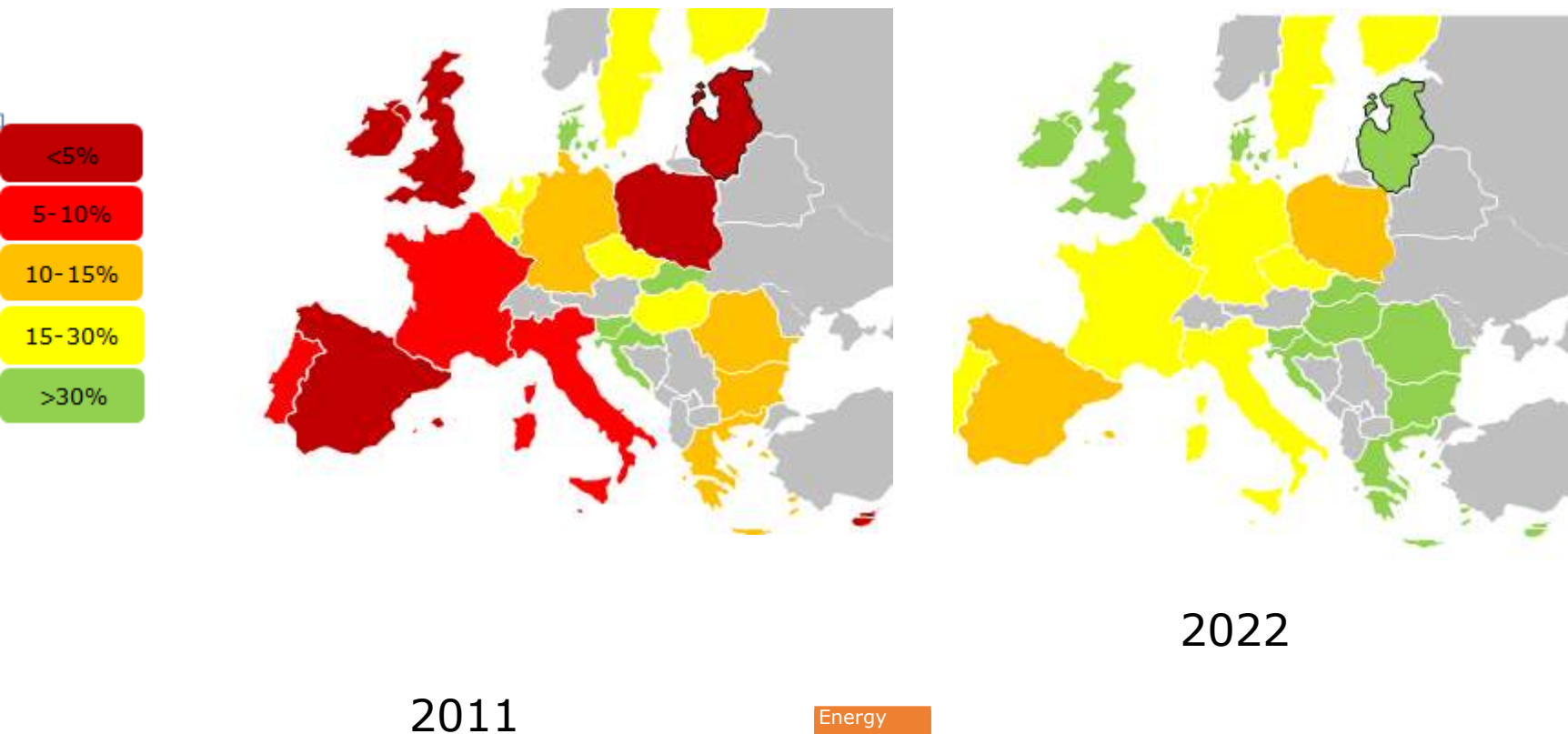
Recommendations:

- *Chose the right instrument to address the problem identified*
- *Design the measure to minimize distortions*
- *Ensure mechanism is reviewed as underlying concern addressed*



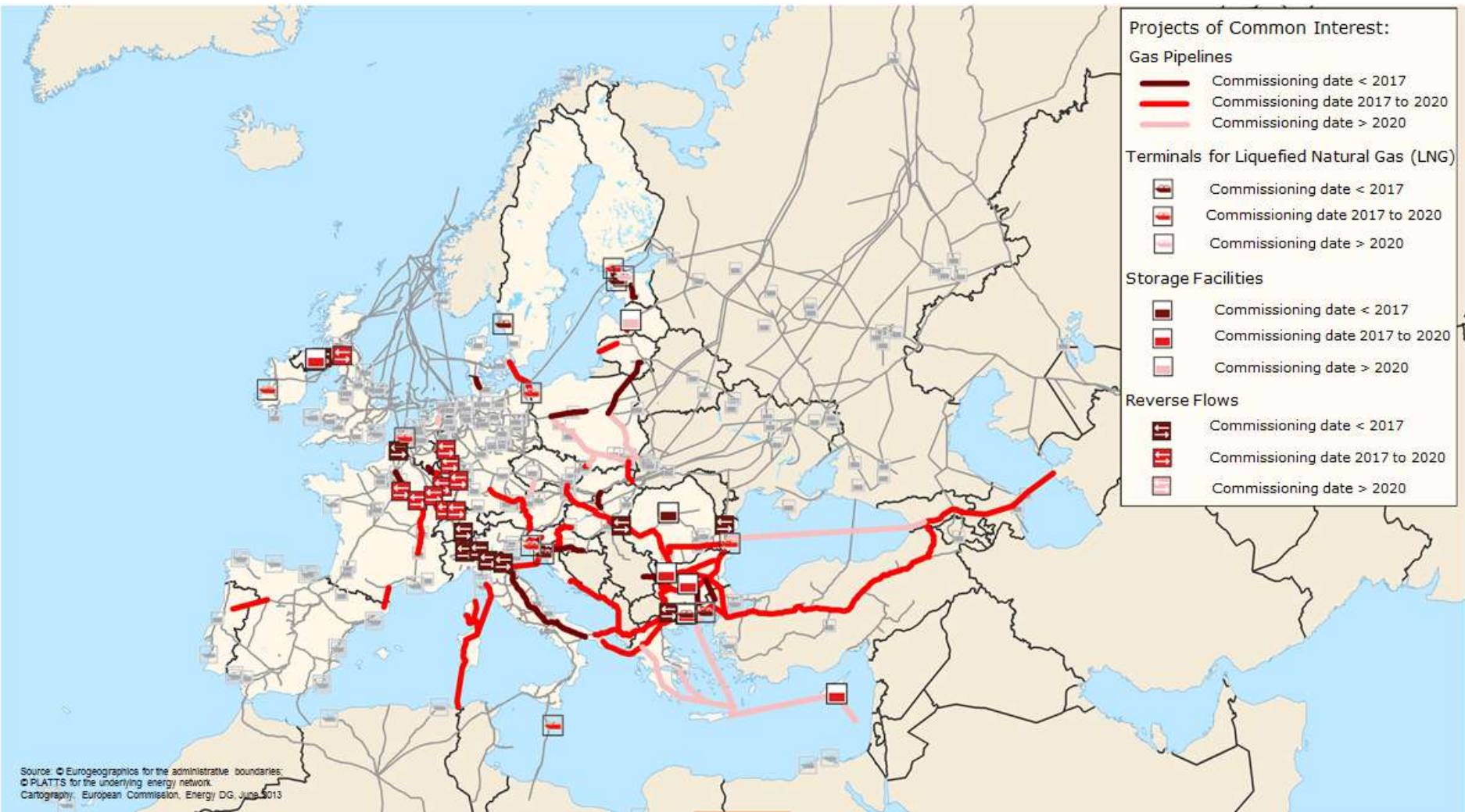
EU-wide infrastructure planning

Import capacity (in% of total capacity) before and after implementation of common infrastructure priorities





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Source: © Eurogeographics for the administrative boundaries;
© PLATTS for the underlying energy network.
Cartography: European Commission, Energy DG, June 2013

Demand Response: What is Needed?

Market-based & transparent incentives

- Dynamic pricing and reward structures
- Data protection and security

Opening up the market to DR

- Equal footing with supply
- Contractual/technical rules, e.g. network codes

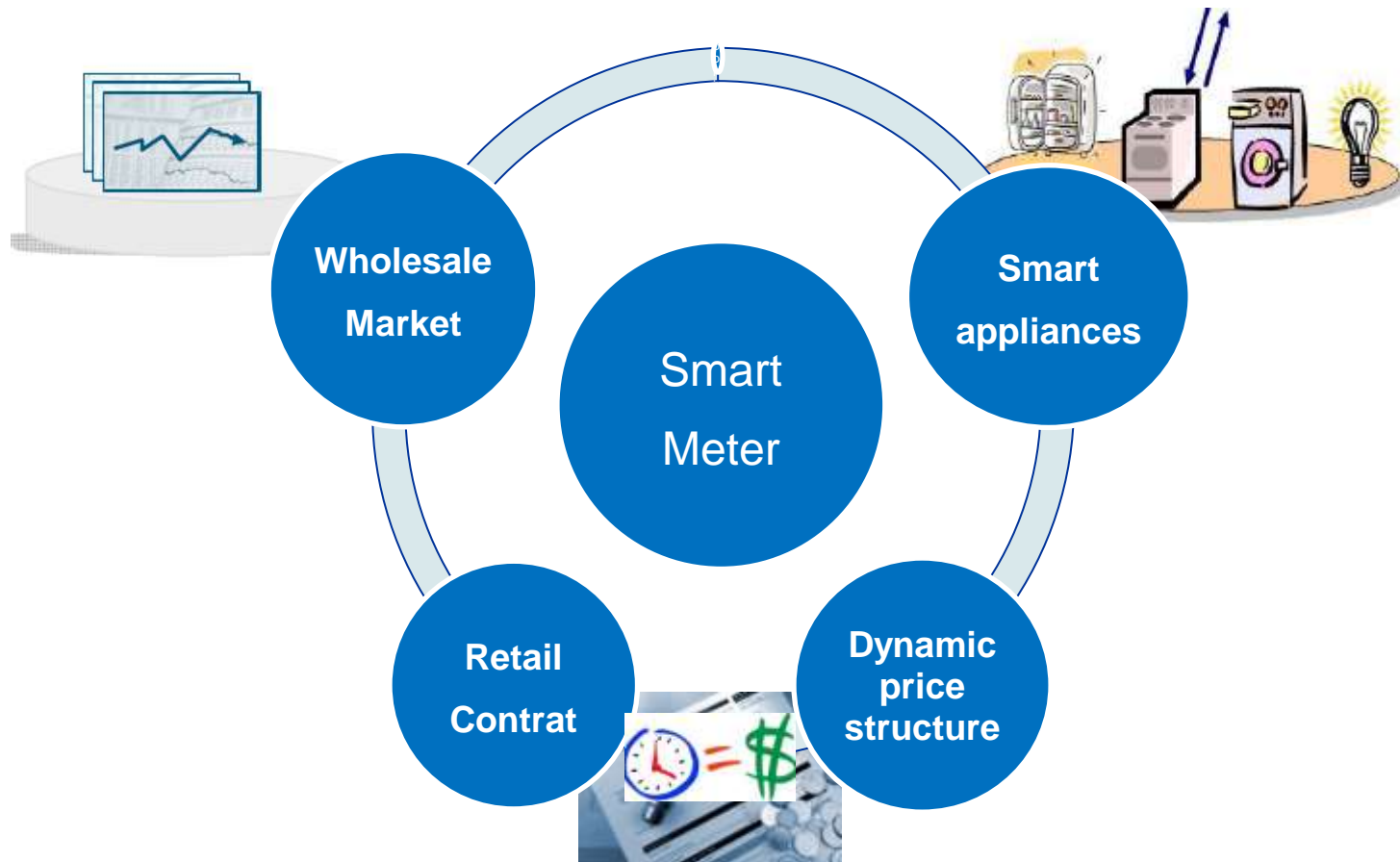
Bringing technologies into the retail segment

- Smart meters
- Smart appliances



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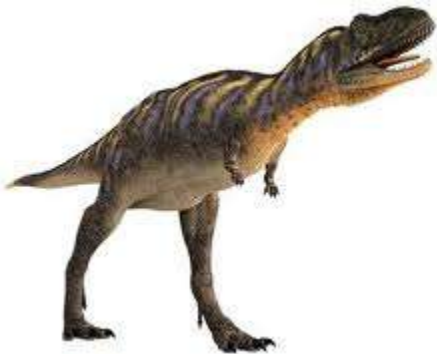
Consumer Does Not Pay But Gets Paid



Energy utilities in the ..

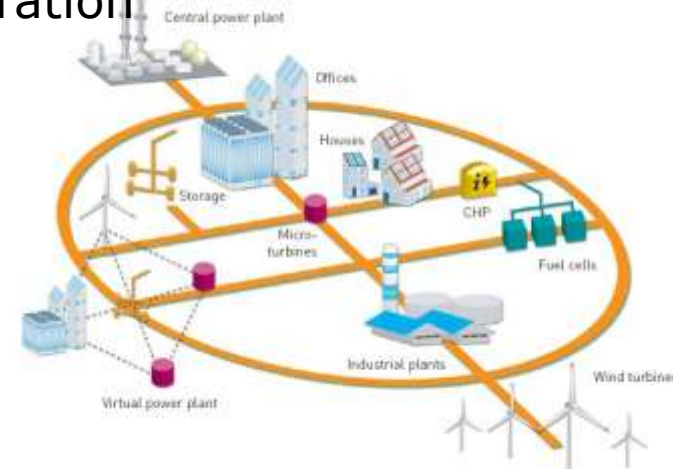
Past

Energy only utilities
vertical integration & centralisation
Baseload-plus-peak



Future

Flexibility
Efficiency
Responsiveness
Networks
(Cross-border)
cooperation





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Thank You