

CEER

Council of European
Energy Regulators



Key support elements of RES in Europe: moving towards market integration

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Meeting of the Energy Community Renewable Energy
Coordination Group
Vienna, 2 March 2016

AGENDA

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- Introduction to CEER: Council of European Energy Regulators
 - Main findings of CEER report on key support elements of RES in Europe
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1. Introduction to CEER

Council of European Energy Regulators

Voice of Europe's national energy regulators at EU and international level

Established in 2000

Not-for-profit organisation

Based in Brussels

8 permanent staff

1.1 Members

30 Members from:
All 28 EU Member States
+
Iceland and Norway

Observers from:
Switzerland
+
Former Yugoslav Republic of
Macedonia (FYROM)
+
Montenegro and Kosovo



1.2 CEER aims and tasks

- The overall aim of CEER is to facilitate the creation of a **single, competitive, efficient** and **sustainable** internal market for gas and electricity in Europe
- CEER acts as a platform for cooperation, information exchange and assistance between Europe's NRAs and is their interface at **EU** and **international** level.
- Main tasks

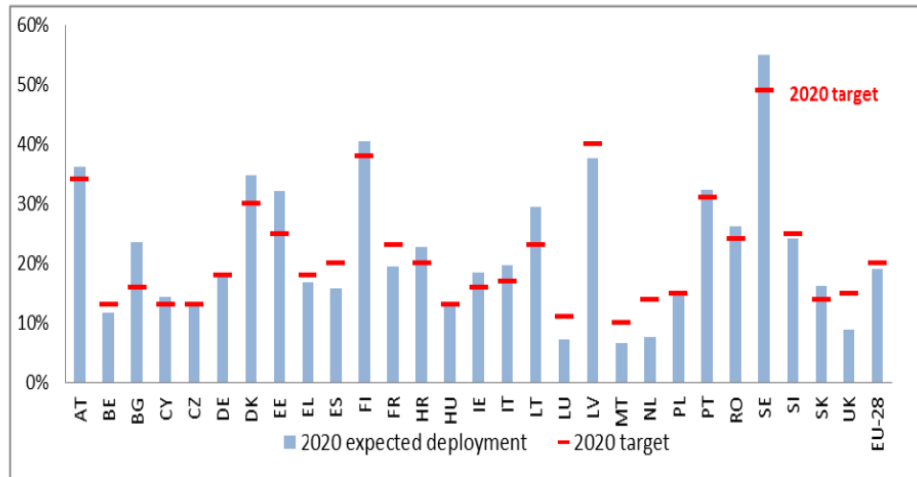
1. Exchange of best practice	<ul style="list-style-type: none"> • Basically all regulatory topics
2. Training	<ul style="list-style-type: none"> • For regulatory staff • Cooperation with FSR
3. Rulemaking/harmonisation	<p>Non-binding recommendations e.g.</p> <ul style="list-style-type: none"> • Distribution/retail • Consumers • Sustainability • Gas storage and LNG • Future challenges..
4. Policy development	<ul style="list-style-type: none"> • Position papers and fact sheets • Contribution to EC consultations • Preparing amendments for EP

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RES: A key part of the present energy market...

- National RES support schemes have been successful in driving RES deployment; **20% objective for 2020 is likely to be reached**



Source: COM (2015)117 final - Renewable energy progress report.

- **Main support schemes' features to date:**
 - ▶ National in scope;
 - ▶ Support levels mainly determined administratively;
 - ▶ Mainly based on feed-in tariffs (paid per kWh); and with
 - ▶ RES producers shielded from market price signals (produce & forget)



... and a major part of the future energy market

EEAG 2014-2020

- **Fundamental break with the way RES have been supported so far**
- **National support schemes have to adapt to new EEAG**
- **Two major changes advocated:**
 - ▶ **Market integration of RES:** Introducing balancing responsibilities for RES producers
 - ▶ **Cost efficiency:** Support levels to be determined through competitive bidding procedures

EU Framework 2030

- **EU level objective:** At least 27% RES share in final energy consumption (>50% RES based electricity produced)
- **New market design package incl. legislative proposal for a revised RED**
- **Revision of the EEAG**



CEER Report on key support elements of RES: moving towards market integration

Purpose

- Provide NRAs insight to policy makers/ other NRAs involved in the design/ implementation of RES support schemes about diversity and complexity of RES support schemes.
- Contribute to the ongoing discussion around a new energy market design incl. the need for greater cost efficiency and the integration of RES into the market.

Content

- Detailed analysis of the key aspects of operational support schemes for RES across the EU:
 - ▶ Administrative & competitive procedures for determining levels of RES support
 - ▶ Support mechanisms to enhance the market integration of RES
 - ▶ Case studies from MS having already adapted support schemes elements in line with EEAG

Key findings:

1. Competitive procedures are to be preferred in principle but administrative procedures will continue to play a role

Administrative procedures

- Done in majority of MS
- Increasingly perceived as inefficient
- Main challenges:
 - ▶ Asymmetry of information
 - ▶ Setting support levels for different RES technologies
 - ▶ Reaction time for adjusting support level
- Future developments:
 - ▶ Trend toward competitive procedures **but**:
 - ▶ Administrative procedures have a role to play where competitive procedures are not suited (e.g. no competitive environment)
 - ▶ Adjustments in administrative procedures to better reflect market developments (e.g. introduction of automatic reduction factor for support levels, breathing caps, etc.)

Competitive procedures

Key findings:

1. Competitive procedures are to be preferred in principle but administrative procedures will continue to play a role

- Done so far only in a few MS (e.g. FR, UK, DE (pilot), NL).
- Objective: Cost efficient support levels (for FIT and FIP)
- Main challenges
 - ▶ Competitive setting
 - ▶ Investor confidence
 - ▶ Design choice to avoid strategic bidding/ ensure diversity of bidders/ realisation rates
- Future developments:
 - ▶ To be introduced in all MS (EEAG: 2017), some exceptions may apply.
 - ▶ Empirical assessment of realisation rates still pending





Key findings:

2. Market integration is to be achieved by FIP and certificate schemes

Market integration of RES

Feed-in Tariff

- No integration of RES producers into the market. No reaction to price signals, they “produce and forget”
- Design choice can ensure that RES electricity (not producers) is integrated in the market, i.e. is collected by one entity and placed on the market. Entity in charge is made balance responsible

Feed-in Premium

- RES production is placed on the market by RES producers
- RES producers are financially responsible for possible imbalances
- RES are exposed to short term price signals, depending on the design of the premium (fix, floating, with or without cap & floors) paid on top of the market price

Certificate schemes

- Certificate market settles level of market premium
- RES producers are exposed to market risks incl. balancing responsibilities and market price



Key findings:

3. Importance of FIT is fading in favour of market oriented FIP schemes

- **FIT schemes were effective in triggering the deployment of RES but display a very limited potential for market integration. Therefore:**
 - **FIT schemes should only be considered for small-scale RES producers**
 - **FIT design should ensure that RES electricity is as transparently integrated into the market as that of conventional producers,**
 - **The balancing responsibility of RES producers falling under FIT scheme should be delegated to a third party.**



Key findings:

4. Making RES fit for the market is at least a mid-term endeavour, for which NRAs can actively contribute

- **In the long run**, market integration of RES means that investment in RES production should be driven by market prices.
- **As for now and in the near future**, RES production is in most cases not competitive, **RES investments remain mainly be driven by support**.
- NRAs have a great deal of competencies in the field of RES support schemes. They can contribute to lay the ground for a deeper market integration of RES by defining adequate rules to enhance non-discriminatory market access (e.g. to short term and balancing markets).



Thank you for your attention!

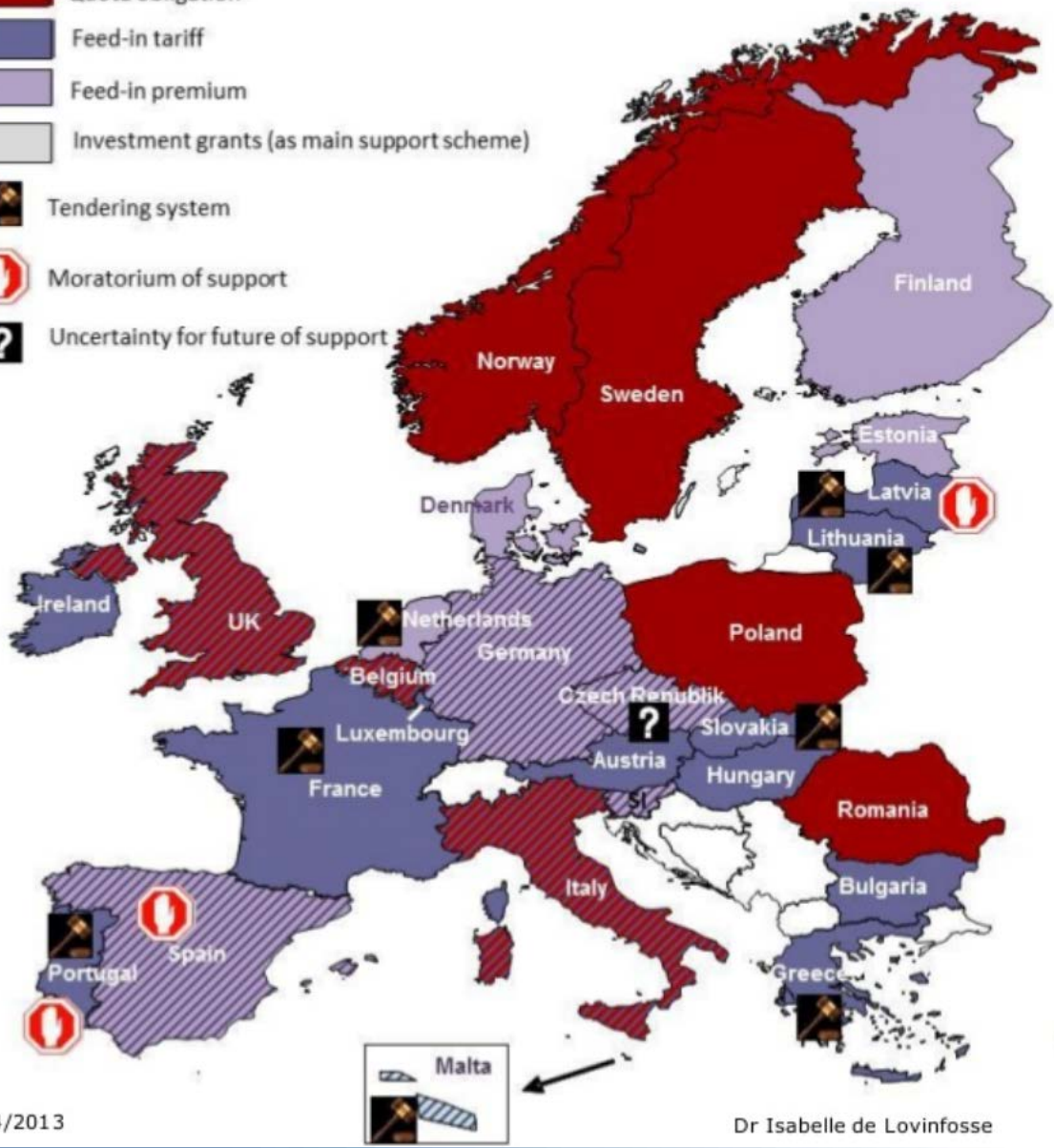
The full report can be download under the following link:

[http://www.ceer.eu/portal/page/portal/EER_HOME/EER_PUBLICATIO
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www.ceer.eu



- Quota obligation
- Feed-in tariff
- Feed-in premium
- Investment grants (as main support scheme)
- Tendering system
- Moratorium of support
- Uncertainty for future of support



! Not fully up to date