



CEER

**Council of European
Energy Regulators**

**Renewables fit for the market:
can support schemes
hold out against state aid requirements?**

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AGENDA

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- Introduction to CEER: Council of European Energy Regulators
 - RES support schemes in view of the EAAG 2014-2020 requirements
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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

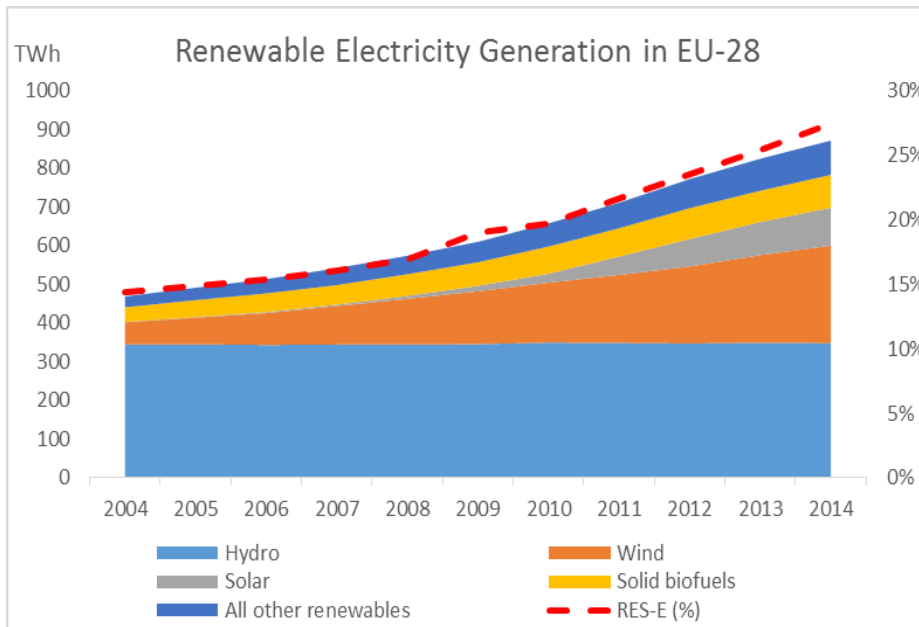
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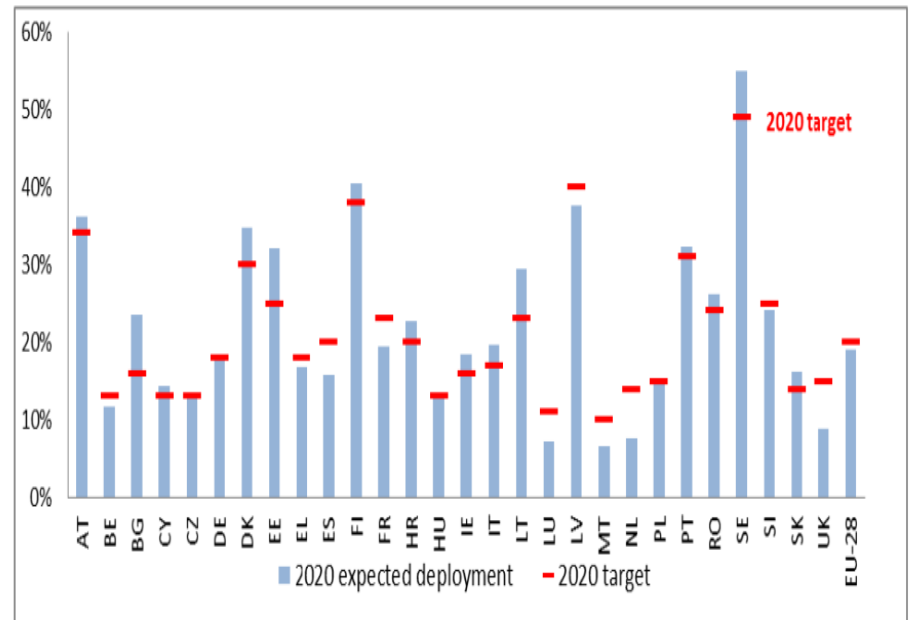
RES: A key part of the present energy market

- National RES support schemes successful in driving RES deployment: **27,45% of gross electricity production from RES in 2014**
- 20% in Gross Final Energy Consumption by 2020 likely to be reached
- More efforts from MS for 2020 RES-E target achievement (NREAPs)
- 27% RES target by 2030 plausible but demanding



Source: EUROSTAT

02/06/2016



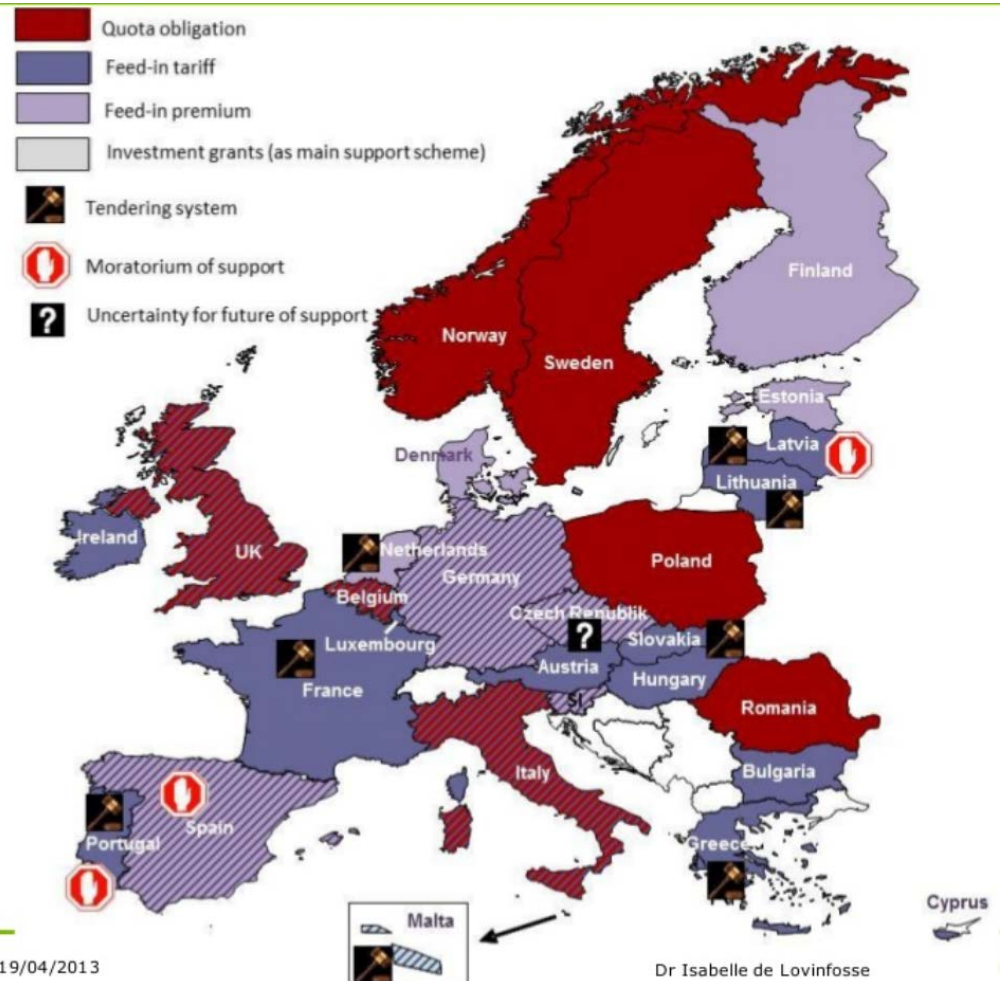
Model based projections on total RES in GFEC

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

RES Support schemes: Findings from CEER report

• Main support schemes' features to date:

- ▶ National in scope;
- ▶ Largely based on feed-in tariffs;
- ▶ RES producers shielded from market price signals and balancing obligations (produce & forget)
- ▶ Support levels mainly determined administratively;



Setting the Support Level for RES: Administrative vs Competitive procedure

- Administrative procedure
 - ▶ Increasingly perceived as inefficient
 - ▶ Main challenges:
 - Asymmetry of information
 - Complication due to various RES technologies with different maturity levels
 - Monitoring and reaction time for adjusting support level according to technological developments
 - ▶ Future prospects:
 - Still key-role where no competitive conditions exist
 - Deployment of mechanisms to better reflect market developments and needs (e.g. automatic reduction factor, breathing caps, etc.)



Setting the Support Level for RES: Administrative vs Competitive procedure

- Competitive procedure
 - ▶ Applicable only in a few MS (e.g. FR, UK, DE, NL).
 - ▶ Objective: Cost efficient support levels based on competitive offers
 - ▶ Main challenges
 - Competitive favourable conditions
 - Investor confidence – stable investment environment
 - Proper design to avoid strategic bidding and ensure diversity of bidders and realisation rates
 - ▶ Future prospects:
 - To be introduced in all MS from 2017 on (EEAG - exceptions foreseen)
 - Empirical assessment of realisation rates still pending



EEAG 2014-2020: setting the framework for RES support

- “*Guidelines on State aid for environmental protection and energy 2014-2020 (EEAG)*” issued on April 2014 - applicable from July 2014
- Clarify the assessment rules of state aid (SA) cases regarding compatibility with internal market (Art. 107(2&3) of the EU Treaty)
- Objective: incentivize **market integration of electricity from RES** and promote **cost-effectiveness** through market-based competitive mechanisms



EEAG 2014-2020 setting the framework for RES support

- General requirements for operational aid:
 - ▶ To be granted as a premium on top of market price (FiP);
 - ▶ Generators obliged to **sell the electricity directly at the market**;
 - ▶ Beneficiaries **subject to standard balancing responsibilities**, unless no liquid intra-day market exists;
 - ▶ Measures to ensure that **generators have no incentive to generate electricity under negative prices**;
 - ▶ **Quota systems** compatible in evidence of
 - Systems necessity for support
 - Measures to prohibit overcompensation
 - Measures to ensures competitive behaviour
 - ▶ From 2017 onwards, level of support determined via **competitive bidding**, preferably under technology neutral mechanisms
 - ▶ Provisions for exceptions (small scale RES, evidence of ineffectiveness etc)



How do RES support schemes fit for the market?

EEAG 2014-2020 Compatible

Feed-in Tariff

- In general no integration of RES into the market.
- No reaction to price signals, “produce and forget”
- Proper design to ensure partial integration of RES in the market, i.e. balance responsibility

Feed-in Premium

- RES producers sell directly at the market
- RES producers financially responsible for imbalances
- Proper design to ensure RES are exposed to short term price signals, (fix, floating, with or without cap & floor)

Certificate schemes

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



Currently approved RES support schemes in EU

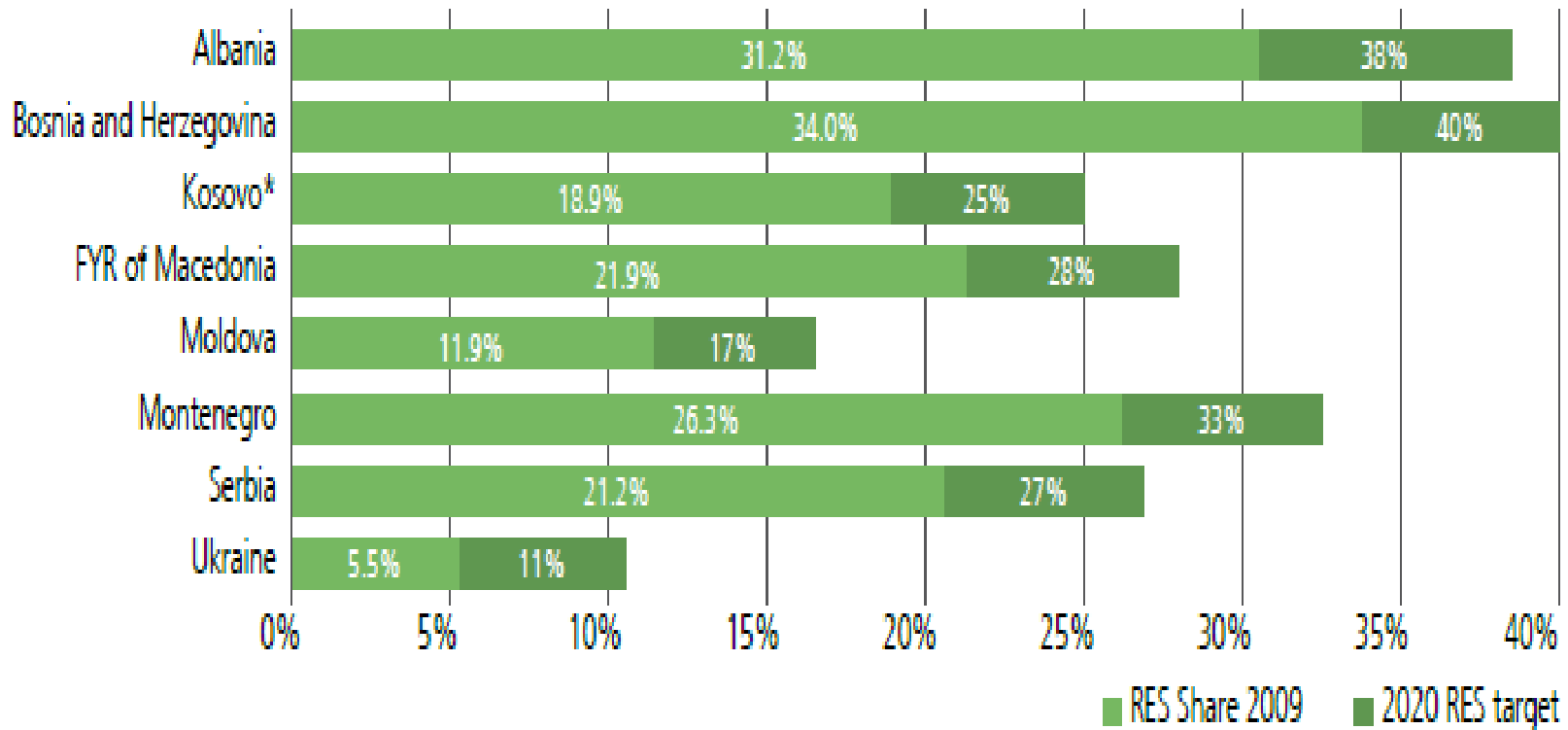
Country	Case number	Case Title
Denmark	SA.37122	Aid to household wind turbines and offshore wind turbines with an experimental aspect
	SA.36204	Aid to photovoltaic installations and other renewable energy installations
Estonia	SA.36023	Support scheme for electricity produced from renewable sources and efficient cogeneration
Germany	SA.38632	<ul style="list-style-type: none"> • EEG 2014 (Renewable Energy Sources Act 2014) • Support to 20 large offshore wind farms under the EEG Act 2014
Netherlands	SA.39399	Modification of Dutch SDE+ RES scheme
Portugal	SA.39347	Support scheme for experimental and pre-commercial renewable technologies
United Kingdom	SA.36196	Contract for Difference for renewables in UK
Italy	SA.43756	Support to electricity for renewable sources in Italy

Note: Non-comprehensive list; other cases may be pending



Energy Community perspective: Progress towards RES-E target

Energy Community Renewable Energy 2020 Targets



Source: ECS, Annual Implementation Report 2015



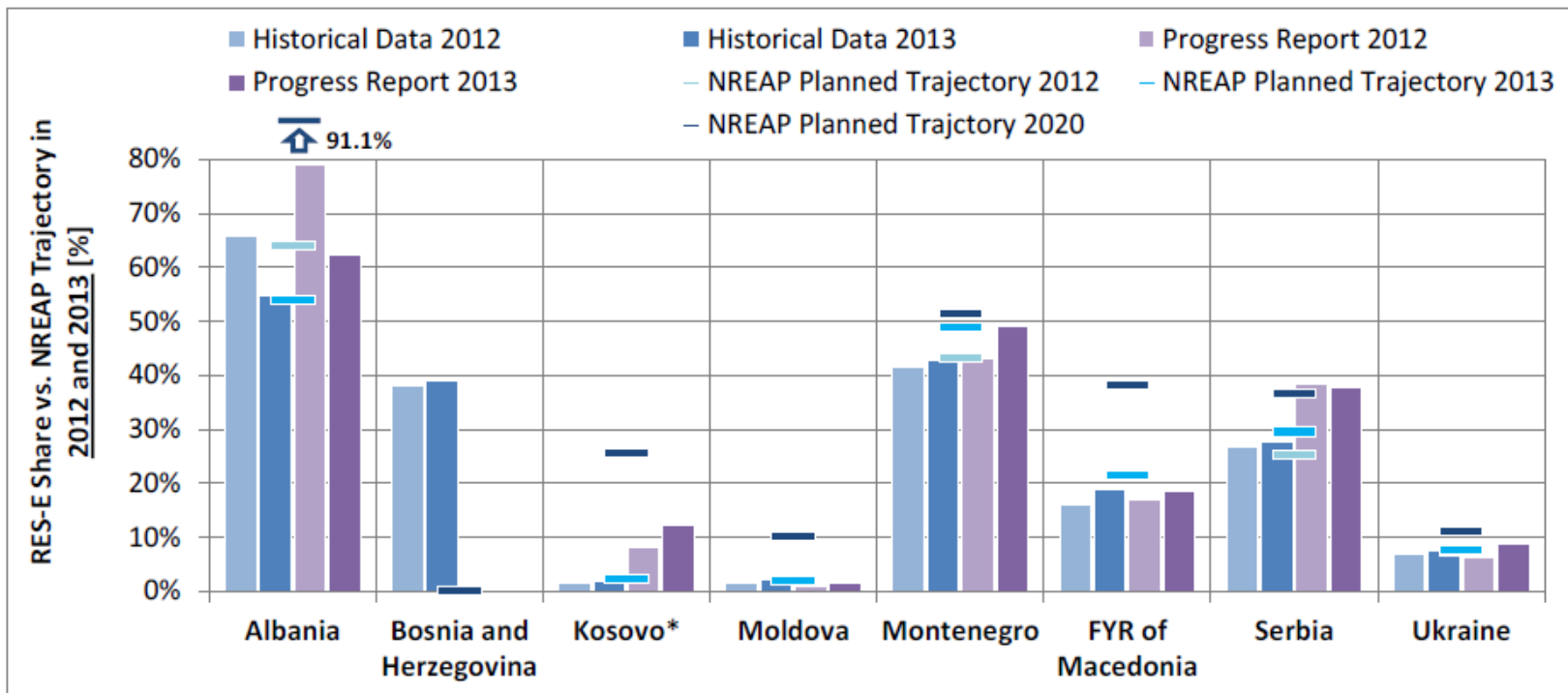
Energy Community perspective: Current RES support schemes

- Based on ECS' 2015 RES Progress Report
 - ▶ FiT schemes for most of the CPs
 - ▶ FiP introduced in Republika Srpska
 - ▶ Moldova: FiT calculated annually based on common methodology
 - ▶ Moldova to introduce tenders
 - ▶ Generally low investment rates in RES (except Ukraine)
 - ▶ FiT levels not very attractive but
 - ▶ Decisive role of administrative difficulties and related investors' risks



Energy Community perspective: Progress towards RES-E target

- Significant effort by almost all CPs needed to reach 2020 RES targets
- Market reforms and RES support will still be necessary



Energy Community perspective: EAAG 2014-2020 applicability

- Energy Community CPs are bound to comply with the *acquis* on Competition and State aid (Title II, Article 18, 19 and Annex III of the Treaty).
- Based on the ECS Policy Guidelines on the Applicability of the EEAG (November 2015)
 - ▶ CPs are obliged to apply EEAG to RES support schemes
 - ▶ ECS will follow the EEAG when assessing compatibility of environmental and energy aid with the functioning of the Energy Community
- **Decisive factors**
 - ▶ Status of competitive wholesale market opening (DAM, I-DM)
 - ▶ Tackling administrative difficulties
 - ▶ Introduction of competitive procedures
 - ▶ Enhance investor's confidence



Thank you for your attention!

The full CEER report entitled “**Key support elements of RES in Europe: moving towards market integration**” can be downloaded from the following link:

http://www.ceer.eu/portal/page/portal/EER_HOME/EER_PUBLICATIONS/CEER_PAPERS/Electricity

www.ceer.eu

