

The European Commission has approved under EU State aid rules electricity capacity mechanisms in Belgium, France, Germany, Greece, Italy and Poland, according to a press release by the Commission. It found that the measures will contribute to ensuring security of supply whilst preserving competition in the Single Market.

The six capacity mechanisms approved concern more than half of the EU population. They cover a range of different types of mechanism that address the specific need in each Member State, namely strategic reserves, market-wide mechanisms and measures specifically promoting demand response.

In the cases of Belgium and Germany, the Commission has authorised strategic reserves. Strategic reserves keep certain generation capacities outside the electricity market for operation only in emergencies.

Both Belgium and Germany have clearly identified and quantified the security of supply risks to be addressed by the reserves. For Belgium, the reserve is needed to mitigate the supply risks due to Belgium's high reliance on an ageing nuclear fleet, including when it comes to imported electricity. For Germany, the reserve is needed to ensure security of supply during the ongoing reform of the German electricity market and to manage the phase-out of nuclear electricity generation.

In the cases of Italy and Poland, the Commission has authorised market-wide capacity mechanisms. Under a market-wide capacity mechanism, capacity providers can obtain a payment for being available to generate electricity or, in the case of demand response operators, for being available to reduce their electricity consumption.

Italy has demonstrated that a significant amount of capacity risks exiting the market and new investments are unlikely to take place because investors cannot earn a sufficient return from their electricity sales. Similarly, Poland has demonstrated that it is faced with market failures in the electricity market that prevent prices from incentivising power generators to keep existing capacity in the market or to invest in new capacity.

In the cases of France and Greece, the Commission has authorised capacity mechanisms specifically promoting demand response. Demand response schemes pay customers to reduce their electricity consumption in hours when electricity is scarce. The advantage of such schemes is that demand response operators may be able to react more quickly than electricity generators. Moreover, it is generally more environmentally friendly to reduce consumption than to produce additional electricity, and these schemes can render the construction of additional power plants unnecessary.

France has demonstrated that this scheme is necessary to further boost the demand response sector in the country, where extreme demand peaks during cold weather are likely

to occur. In the case of Greece, the existing scheme played an important role in managing the tight electricity situation during cold spells in December 2016 and January 2017 and the measure may be called upon again in the near future.

All measures, except in the cases of Italy and Poland, are temporary, and support for all of them will be granted through regular and competitive tenders, open to all types of capacity providers. Combined with the other facts the Commission has established, it has found all measures comply with EU State aid rules.

Capacity mechanisms have the important objective of ensuring security of electricity supply. But if they are not well-designed they may cause higher electricity prices for consumers, give undue advantages to certain energy operators or hinder electricity flows across EU borders.

The Commission reminds that even if capacity mechanisms are well-designed, they cannot replace electricity market reforms at national and European levels. The Commission's Clean Energy for All Europeans Package of November 2016, includes a new Market Design to create the right investment incentives and to enable further development of renewables in the electricity sector. When adopted Member States will have to adapt all existing State aid measures to the future legislation.

Source: publics.bg