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European Market Integration - Challenges & Opportunities

IENE – 11th SE Europe Energy Dialogue

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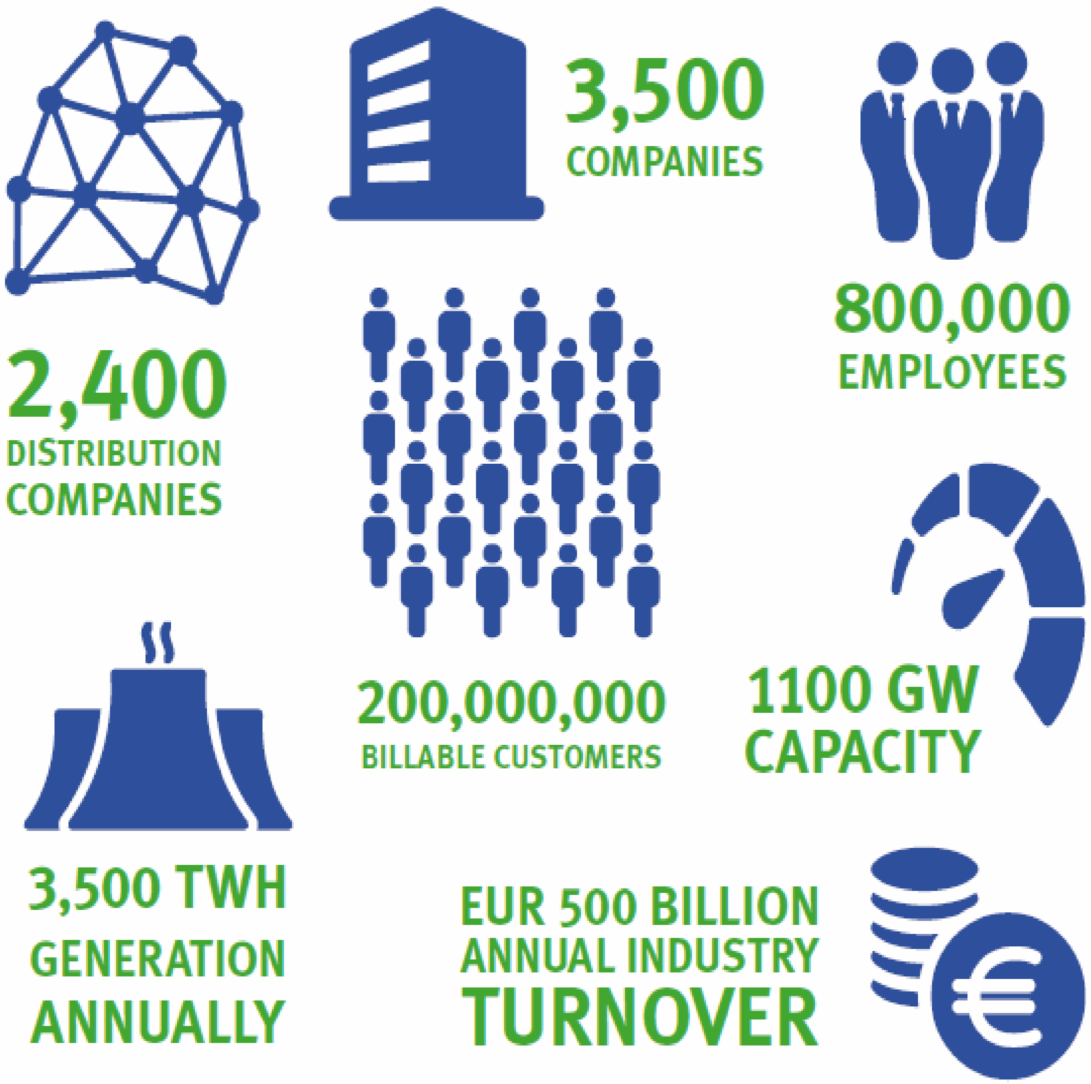
Eurelectric - Who we are



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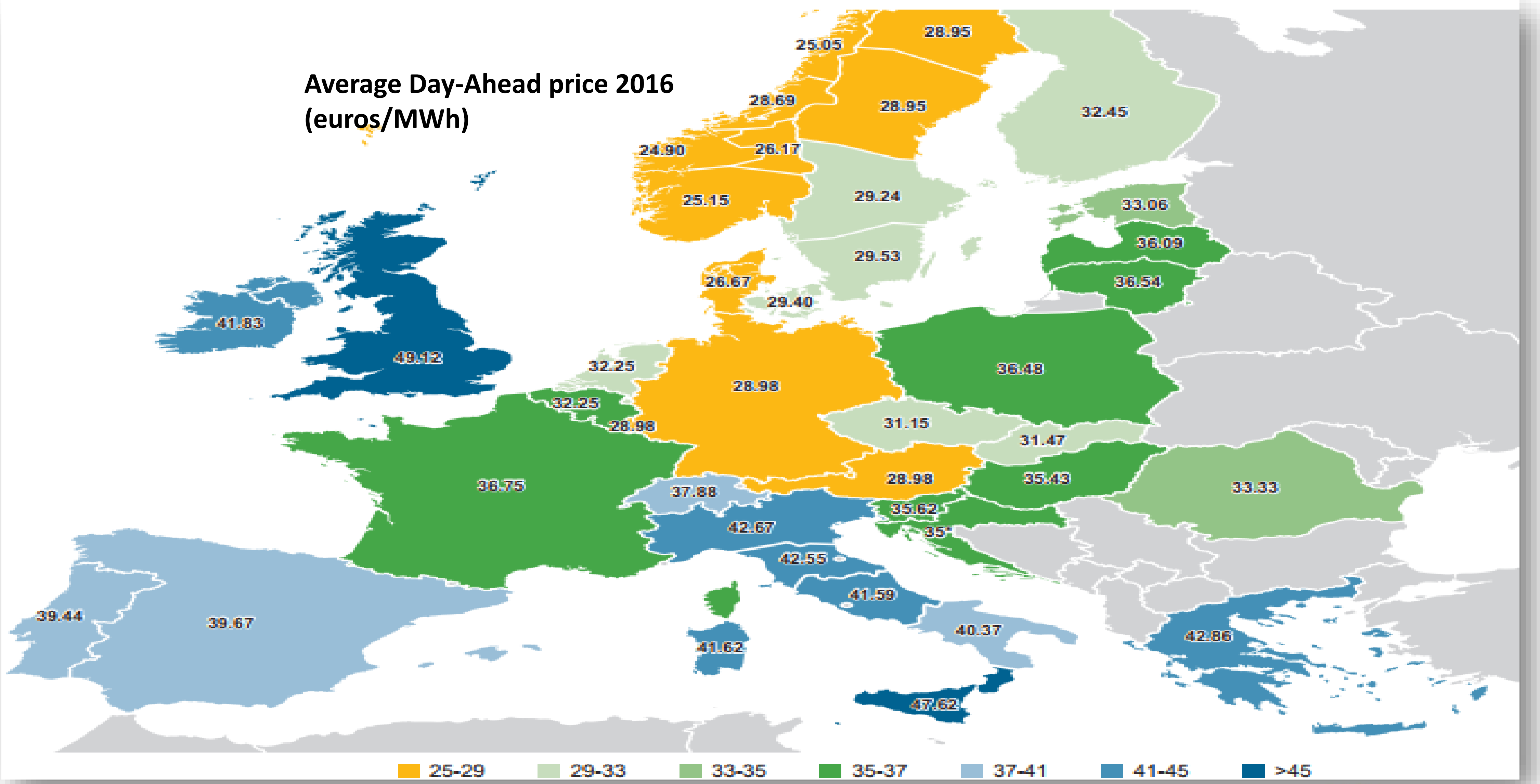
Seeing the big picture



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Source: ACER Market Monitoring Report 2017

Let's first optimize the use of existing interconnections – Optimal use of grids first

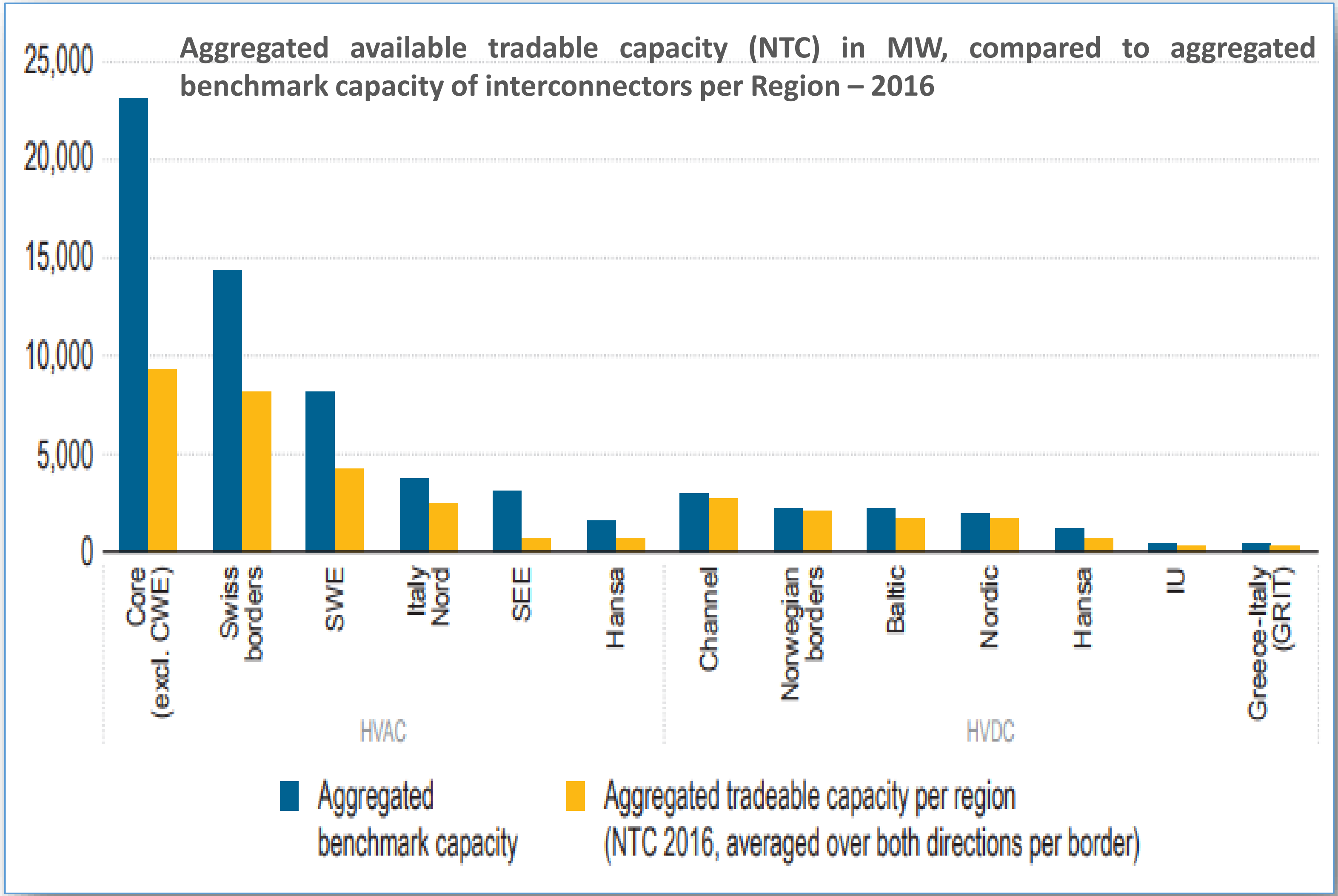
"Each new interconnector be subject to a socio-economic and environmental cost-benefit analysis, and implemented only if the potential benefits outweigh the costs."

Final report by Commission Expert Group on 2030 electricity interconnection targets, 9 November 2017

"Before considering new interconnectors, what we need in most regions is a better use of existing capacities. ACER's last monitoring report was sadly clear: on average only 47% of existing interconnection capacities are made available to the market by TSOs. This must change!"

Kristian Ruby – Eurelectric's Secretary-General, 9 November 2017

Main challenge - Despite investments in transmission grid, tradable cross-border capacities continue to be limited



- In Europe on average **85% of HVDC and only 47% of HVAC interconnector's** physical capacity is used for trading;
- We call for **effective integration, not just market patching**;
- Ensuring the **equal treatment** of exchanges within & between bidding zones and increasing the level of **TSO coordination** are utmost priorities;
- TSOs should be given the **right tools and incentives**, to **maximize regional overall welfare**, and have access to all **costly remedial actions on equal footing if economically efficient**; The role of NRAs is crucial to this end.
- **CCMs are the key**, and do not yet meet stakeholders' expectations, they lack ambition;

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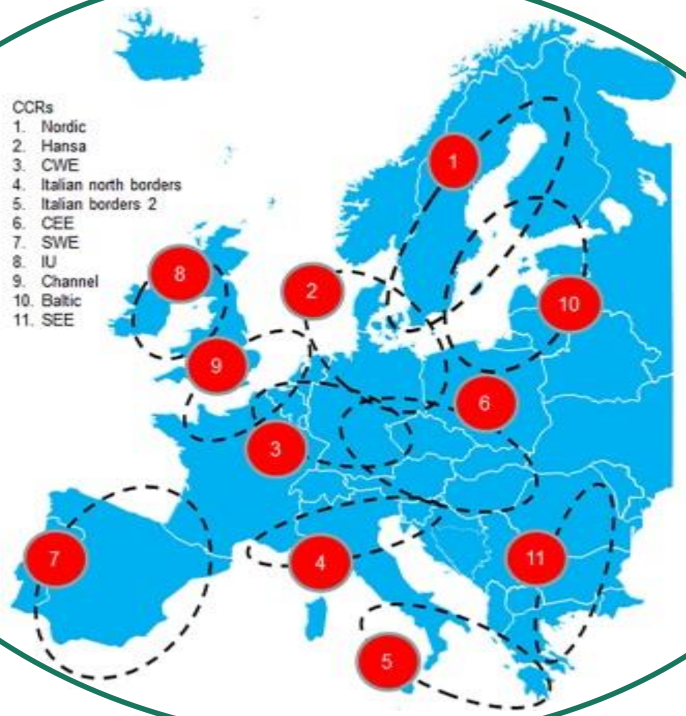
Source: ACER Market Monitoring Report 2017

Enhance further the regional approach to cross-border capacity calculation

Past

Present



RSCs

Baltic
Coreso
Nordic
SCC
TSC

From uncoordinated calculations

To regional coordination … but still improvements to be made

Strengthen the regional approach to system operation to boost renewables' integration


October 2017

ClientEarth

EFET European Federation of Energy Traders

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Europex Association of European Energy Exchanges

RAP

SEDC Smart Energy Demand Coalition

SolarPower Europe

Wind Europe

Strengthening the regional approach to system operation to boost renewables' integration

Call for a step-wise regional approach to system operation through:

- An **enhanced regional governance framework for Member States and NRAs**
- **Ambitious and transparent coordinated capacity calculation** resulting in the allocation of the optimal volume of cross-border transmission capacity to the market
- A **fully transparent and systematic justification** when TSOs derogate from RCCs' instructions

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The Clean Energy Package is a great opportunity to strengthen regional cooperation for the benefit of all Europeans

- Macro-regional partnerships to foster regional projects
- A more regional approach to RES
- Regional analysis for system adequacy
- A more regional approach to system operation
- Regional governance and regulatory oversight

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Conclusion: challenges and opportunities

Challenges are real

—A changing market;

—In a changing market environment;

—Adding complexity;

—With a heavy and fast-paced implementation track;

Opportunities are most promising

—Broader market & participation;

—Increased liquidity;

—Increased security of supply via the creation of shared balancing reserves;

—Level playing field;

—Market-integration of new technologies;

Thank you!

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