

Subject :

Generation Adequacy Treatment in Electricity A CEER Call for Evidence

GABE Comments

1. QUESTION 1:

What are the key elements for ensuring generation adequacy in the competitive electricity market in EU MS and the EU as a whole?

- Efficient ancillary services for balancing and back-up power:
 - ♦ Enlarging zones to reduce any market dominance: national zones should be merged to create Regional zones without internal borders. This should avoid both back-up and balancing powers to be in the hand of one or few dominant players.
 - ♦ Un-balance tariff should be low for incidental unbalances, so as power plant shut-down, (but higher as both the service cost and the day-ahead price), while penalizing systematic unbalances of an actor.
 - ♦ In some member states, industrial plants provide their TSO with the instantaneous load-shedding of a part of their loads, on a contractual base, as ancillary service providers. This mechanism reduces the generation capacity to be reserved for ancillary services. This contractual instantaneous load-shedding should be generalized in Europe.
- Stable and efficient energy policy allowing generators to invest with confidence. This concerns also the authorized power plant types and their legal technical requirements, which should be harmonized at European level.
- Concerning “Demand Response” :
 - ♦ Some industrial sites are able to modulate their load consumption, as answer to market incentives. This is defined by either the consumer-generator contract or the consumer offers to the (day-ahead, intraday or balancing) market.
 - ♦ In any case, this modulation must remain voluntary, as a win-win commercial operation when the industrial site does not need to run at 100 % of its capacity.
 - ♦ The Generation – Load Adequacy may not integrate this modulation and must permit each consumer to consume 100 %., because
 - when an industrial site must produce 100 % of its products, any modulation capability imposes an over-sizing of the plant which may represent an higher cost as to increase generation capacities !
 - the fundamental objective of both generation and transmission is, finally, to supply the consumers and the objective of an industrial plant is to produce its products.
- Predictable and short permitting procedures.
- Power plant maintenance periods to be defined with TSO.

2. QUESTION 2:

Do you observe any barriers for investing in new generation capacity? If yes, please list and explain them.

- No clear energy policy.
- National restrictions on efficient generation technologies.
- Uncertain and lengthy permitting procedures.

3. QUESTION 3:

In case of additional measures for ensuring generation adequacy, what would be the key issues to take into account?

For the survey of European industry, it's crucial to avoid any durable shortage leading into huge prices or mandatory consumption reductions.

To reach this objective,

- At both European and national levels, a bi-annual study, based on load evolution forecast, grid evolution and planned power plants building and closing, must clearly define and publish the needs of new base, semi-base and peak production units required, each year of the next 15 ones, to warrant the generation-load adequacy.
- Market must be improved to fulfil the criteria of our §1.
- Long-term bilateral contracts, negotiated and conclude between consumers end generators, should be promoted because they guarantee the security of investments in new power plants.
- Some member states should promote more efficiently cogeneration, mainly powerful cogeneration units, with adequate incentives.
- If market dysfunction leads to a lack of generation capacity, a "last resort mechanism" may be used to promote the erection of these power plants.
- But we think this last resort mechanism should be neither the "call for tender by Member State" the directive foresees, nor the creation of a "capacity market". GABE is able to propose a much better mechanism.