

Check on Energy & Climate Policies – a “new deal” also for industrial consumers?

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A new deal for Energy Consumers ?

EC Communication COM(2015) 339:

“Recognising that **citizens** must be at the core of the Energy Union, the Commission presents a Communication on delivering a new deal for **energy consumers**, based on a three-pillar strategy:

1. helping consumers save money and energy through better information;
2. giving consumers a wider choice of action when choosing their participation in energy markets and
3. maintaining the highest level of consumer protection.

Impact on Industrial Energy Consumers ?

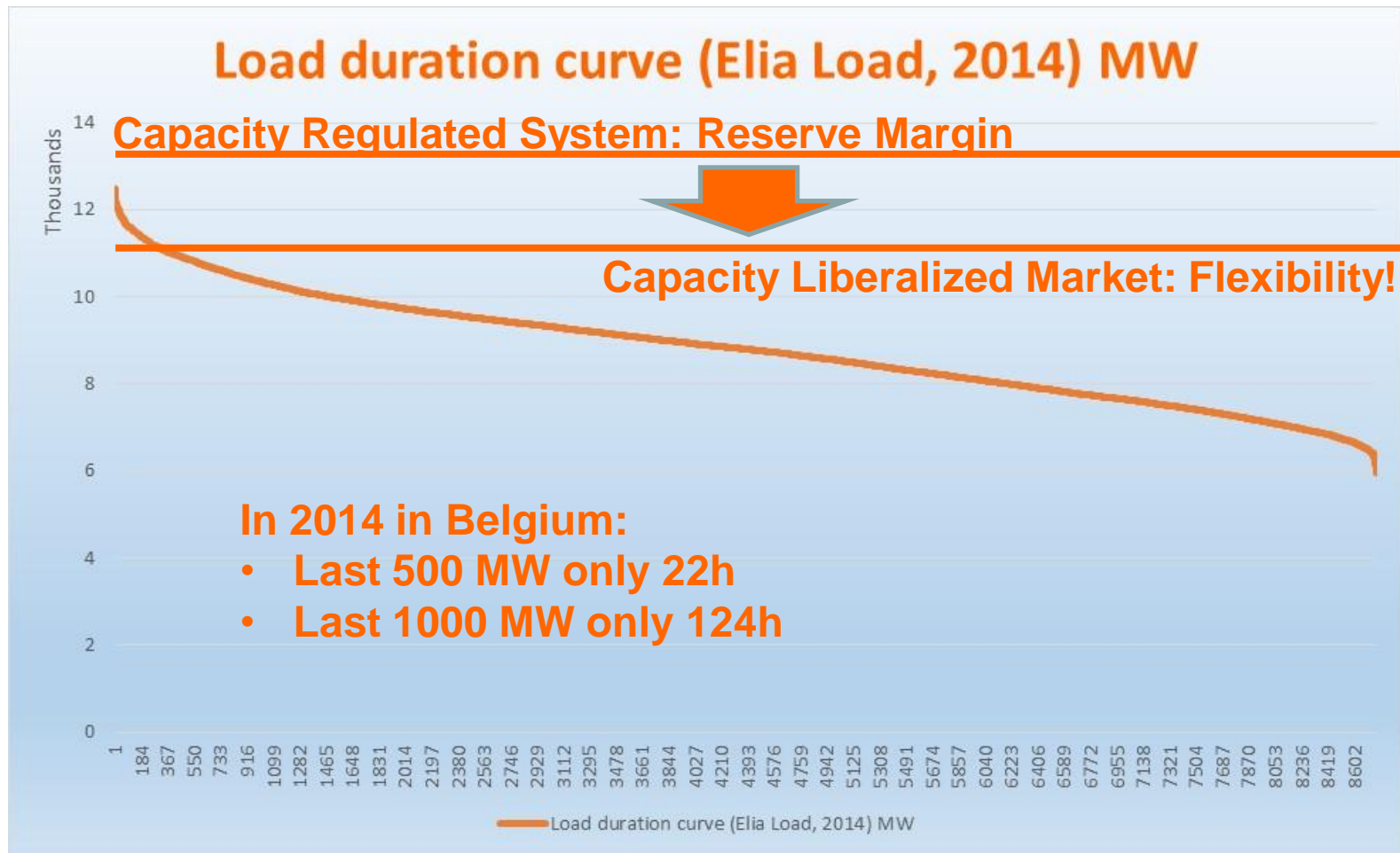
- **Citizens versus industrial consumers ?**
- **Retail versus wholesale markets ?**
- **Industrial consumers also need**
 1. better information;
 2. a wider choice of action when choosing their participation in energy markets and
 3. the highest level of consumer protection.

Electricity market: get the design right ...!

- full implementation of the **3rd energy package**
- **electricity target** model (grid codes, markets integration, ...)
- increase **interconnector** capacity and allocate capacity to stimulate cross-border trade
- making **transparency** regulations fully operational
- framing further introduction of **RES in a comprehensive energy policy**, including impact on competitiveness & SoS:
 - **subsidies to be phased out fast**
 - **Long term visibility on hardship regimes for EII**
 - **RES to be fully integrated** (balancing, back-up...)

Electricity market: ... and get the right design !

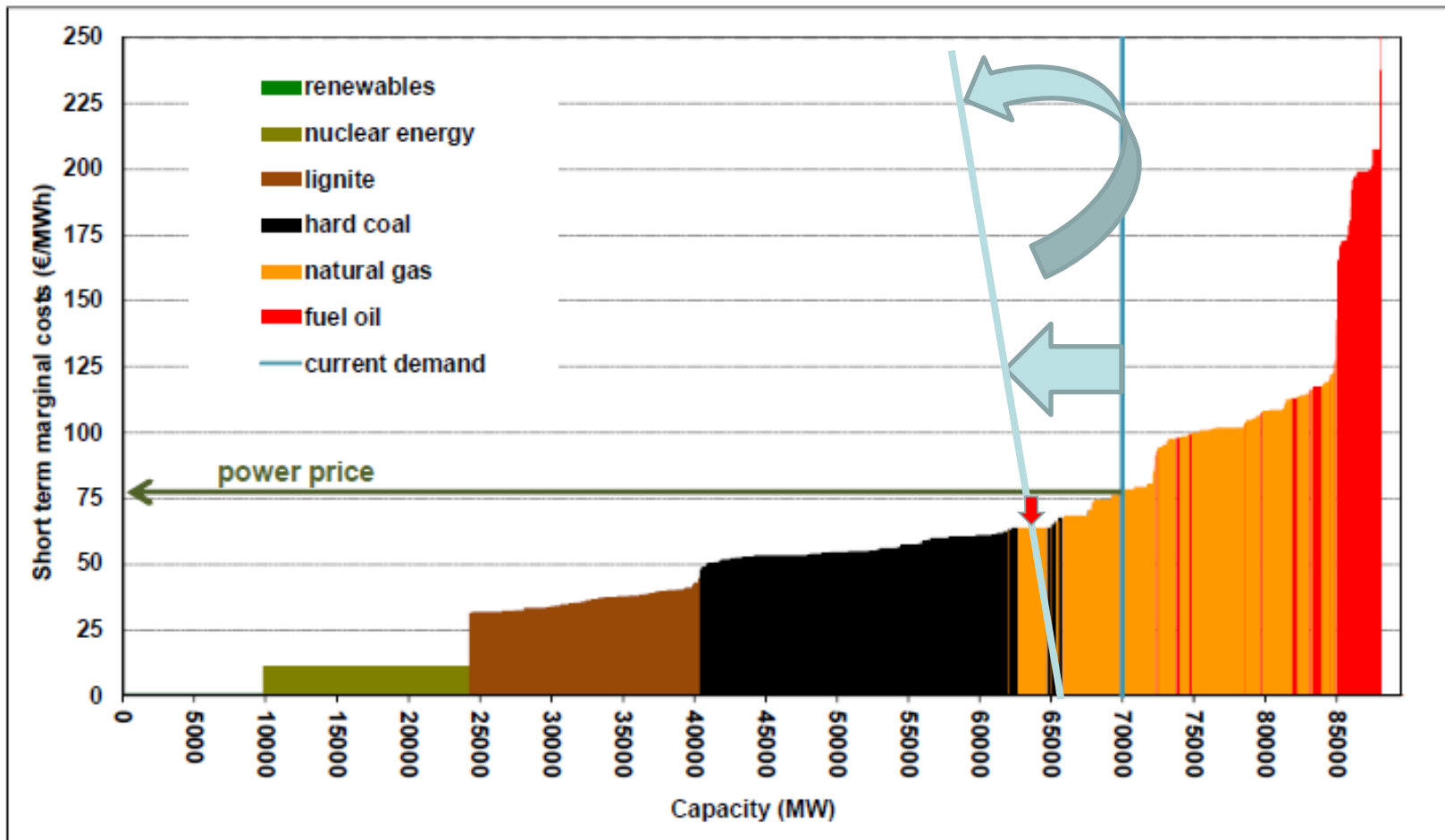
Is SoS threatened ?



Electricity market: ... and get the right design !

What can demand response achieve?

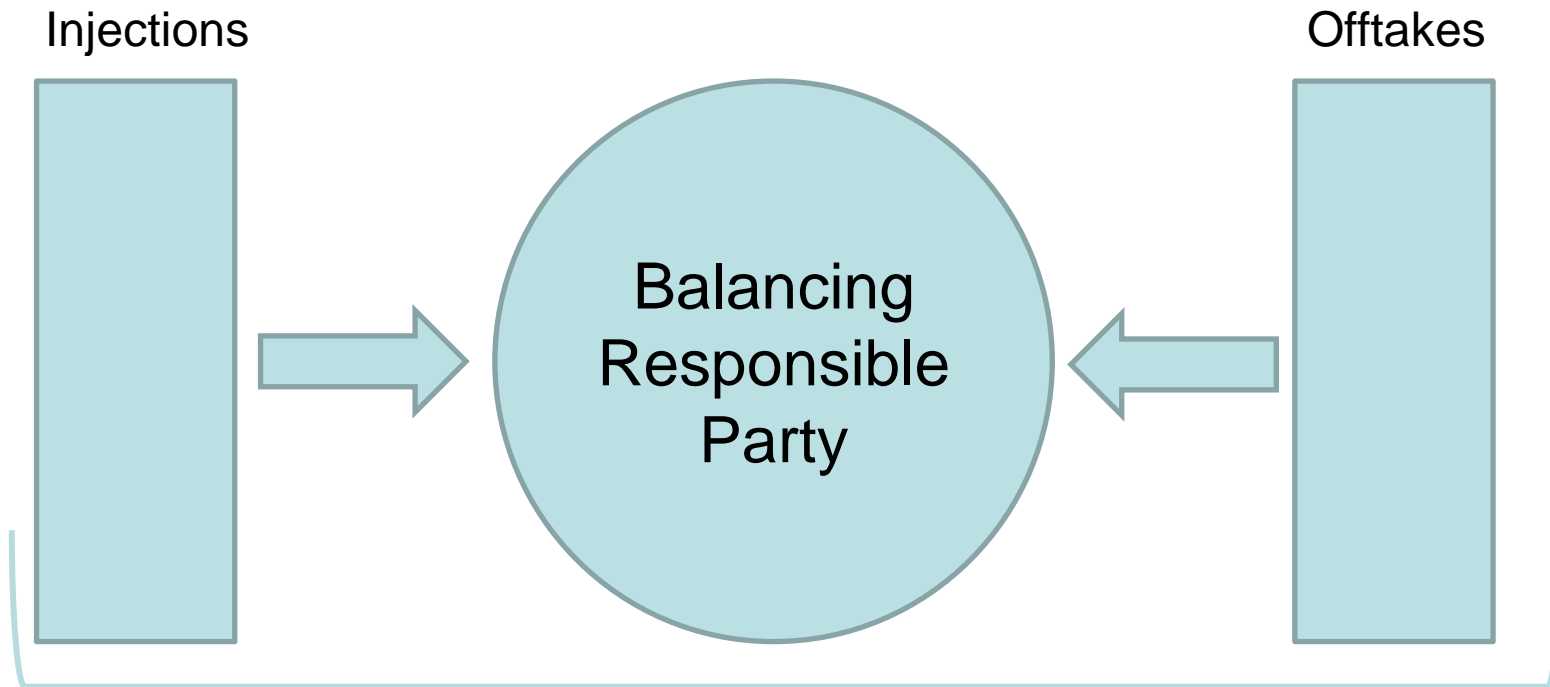
Figure 2 Stylized German merit order curve



Source: Öko-Institut 2013

Market design

- Based on responsibility and trust



TSO: residual balancing **only...**

Market design and Energy Policy

- Will the combination of current **market design** and **energy policies** lead to the desired results (competitive electricity prices and security of supply) ?
- Complexity is increasing :
 - Interferences between climate & energy policies
 - A growing RES sector benefitting from specific rules
 - Insufficient interconnection capacities
 - Diverging national policies

Market design and Energy Policy

- For IFIEC, it is premature to state that the current market design is ineffective.
- It is not clear whether the creation of a single European electricity market (or even several regional markets) remains possible with current energy policy divergences.

Market design and Demand Response

- Need for a stable framework with fair remuneration
- The first objective of industry is to produce
 - DSR not for structural capacity shortages
 - and only on a voluntary basis !
- Remove barriers: give priority to cost efficient solutions
 - Commercial constraints: Who is the owner of load flexibility?
 - System constraints : minimum size (MW) and duration are sometimes incompatible with industrial constraints
 - Grid codes and tariffs must allow for all flexibility to be able to find its way to the system
- Improve transparency : give access to essential information (usually designed for generators, not for load)with current energy policy divergences.

Market design and CRMs ?

CRMs can only be introduced as a last resort solution, if all other solutions fail to guarantee SoS.

FIRST:

- rapidly phase out subsidies for mature technologies and limit support to R&D and demonstration projects
- fully integrate all generation technologies into the market
- promote voluntary demand response in all market segments
- improve natural gas market functioning
- increase transmission and interconnection capacity and optimize allocation and congestion mechanisms
- stimulate research into economically viable methods of electricity storage

Conclusions

- The new deal for energy consumers and the Energy Union should aim at supporting ALL energy consumers
- Market design and other aspects of energy policy should converge to a single set of targets :
 - Competitive prices
 - Security of supply
 - Environmental and climate goals
- Demand response can potentially increase system flexibility at a lower system cost than additional generation capacity
- Carbon reduction will require new technological breakthroughs, let's not spend all our money on subsidies