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?

In 2014 in Belgium:
- Last 500 MW only 22h
- Last 1000 MW only 124h
Electricity market: … and get the right design!

What can demand response achieve?

Figure 2: Stylized German merit order curve

- renewables
- nuclear energy
- lignite
- hard coal
- natural gas
- fuel oil
- current demand

Source: Öko-Institut 2013
Market design

• Based on responsibility and trust

Injections

Balancing Responsible Party

Offtakes

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.
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