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European Market Integration – Current status & way-forward

IENE – 23rd National Energy Conference

Energy and Development 2018: Strategic Planning and Energy Markets Development

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Ioannis Retsoulis – Senior Advisor Wholesale Markets & Network Codes

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Eurelectric - Who we are

200,000,000
Customers

€200 billion
Annual industry turnover

800,000
Employees

2,400
Distribution Companies

3,500
Companies

59%
Carbon free electricity

1,100 GW
Capacity

100,000
Electric Vehicle charging stations

34%
Renewables Production Rate

22%
Electrification Rate

3,500 TWh
Generation annually

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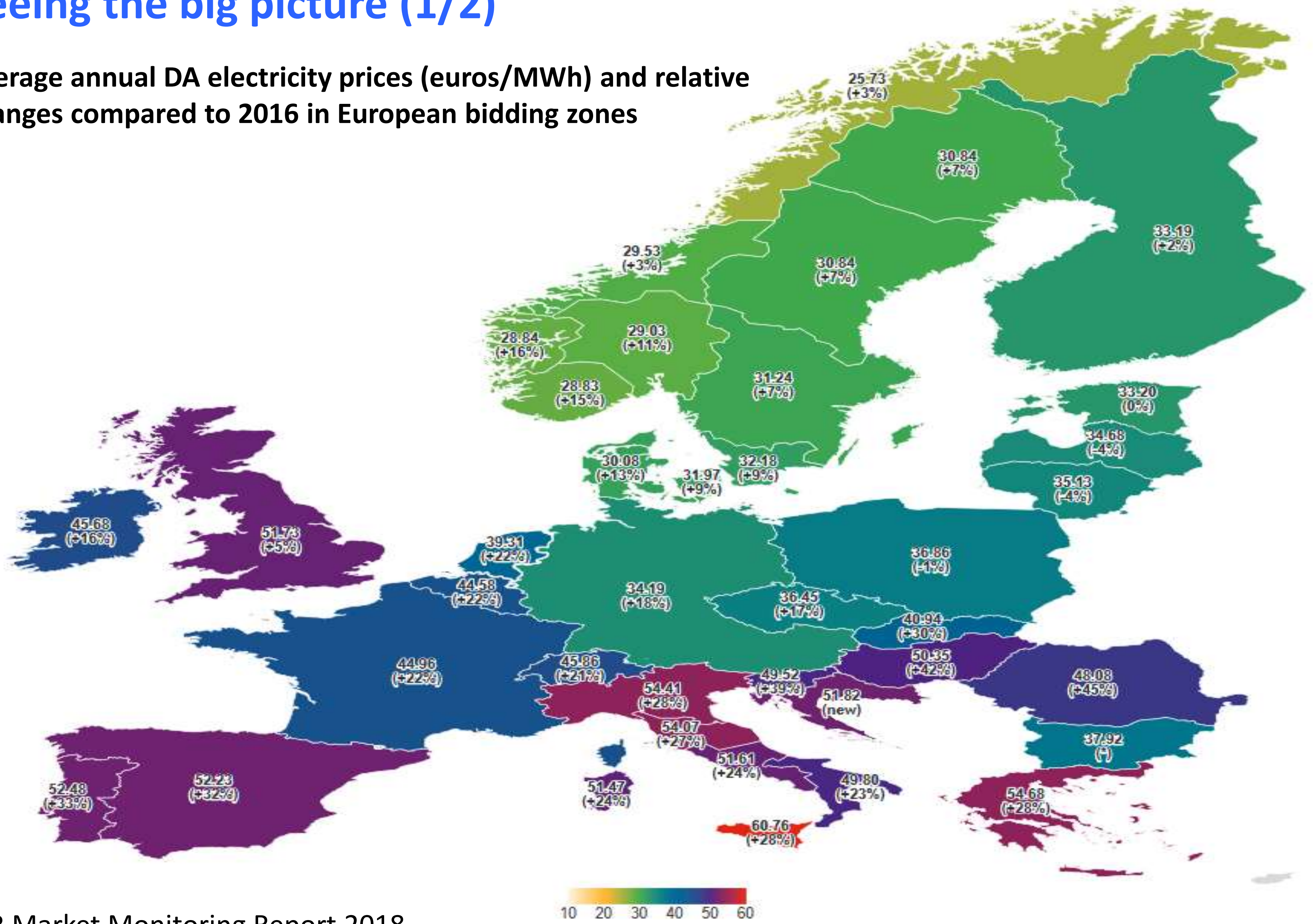
Seeing the big picture (1/2)

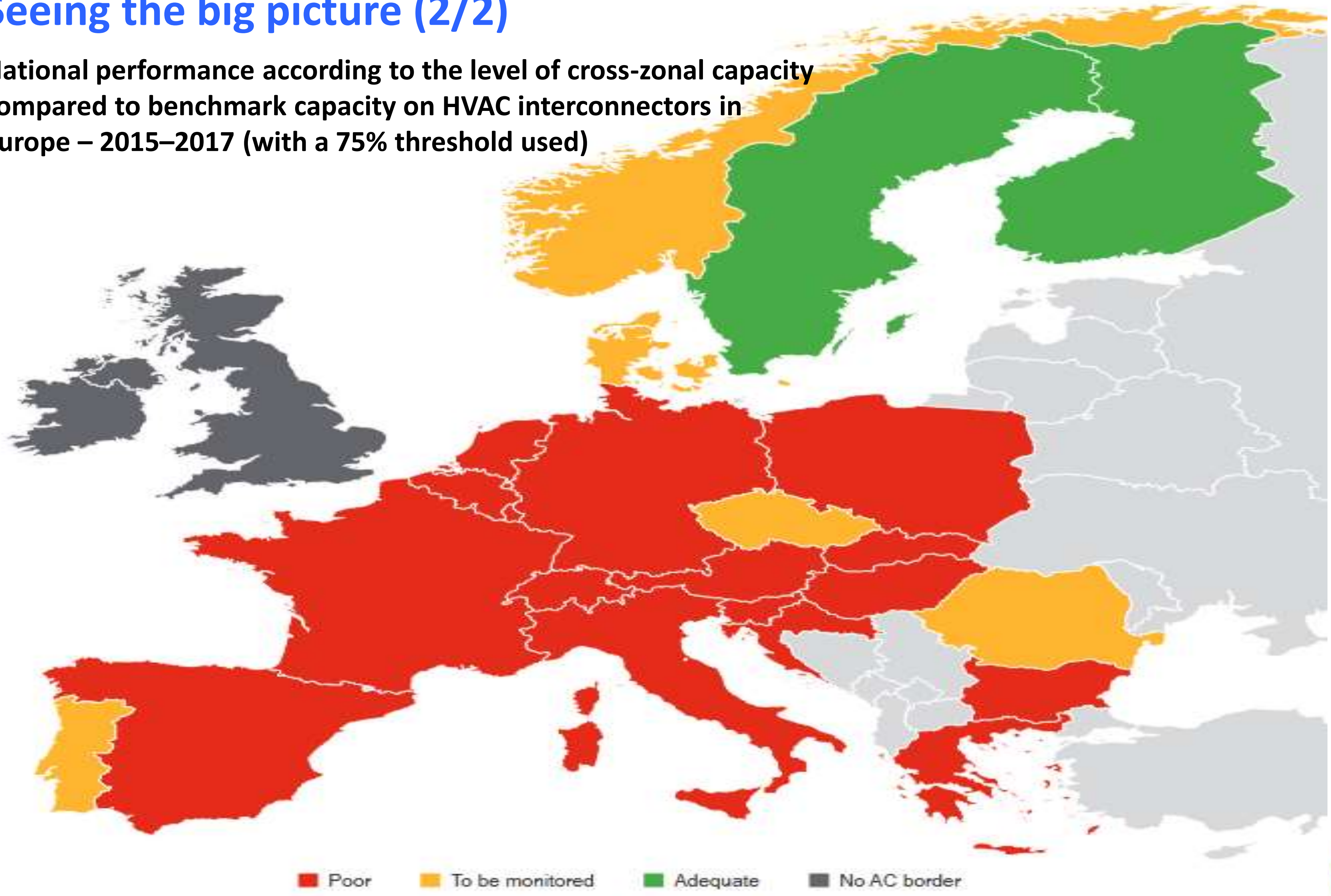
Average annual DA electricity prices (euros/MWh) and relative changes compared to 2016 in European bidding zones



Source: ACER Market Monitoring Report 2018

Seeing the big picture (2/2)

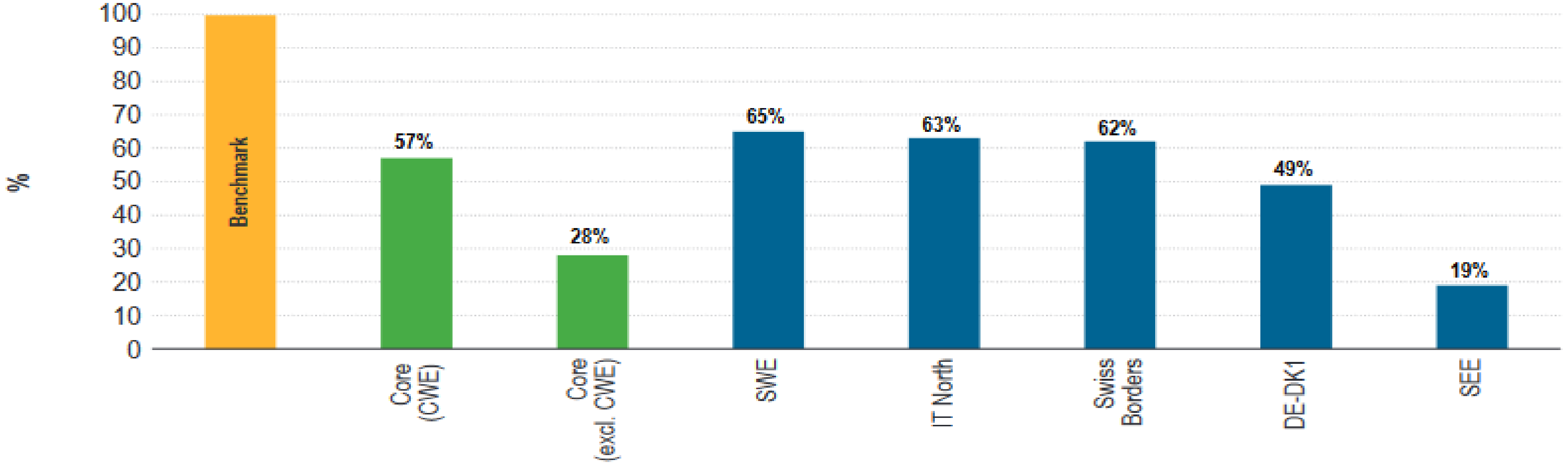
National performance according to the level of cross-zonal capacity compared to benchmark capacity on HVAC interconnectors in Europe – 2015–2017 (with a 75% threshold used)



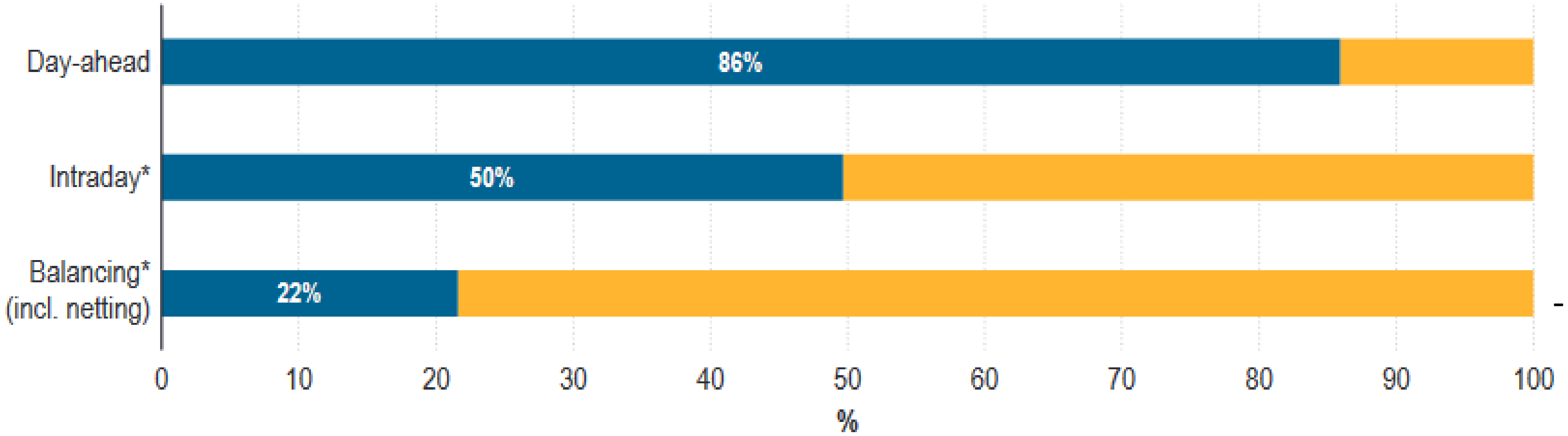
Source: ACER Market Monitoring Report 2018

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

Ratio of available tradable capacity to benchmark capacity on HVAC borders per CCR – 2017 (%)
Green – FB; Blue – CNTC



Level of efficiency in the use of interconnectors in Europe in the different timeframes (% use of available commercial capacity in the 'right economic direction') – 2017



- In Europe on average **85% of HVDC and only 49% 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 basis if economically efficient**; The role of NRAs is crucial to this end.
- **CCMs are the key**; They don't yet meet stakeholders' expectations, they lack ambition & transparency;

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Sources: ACER Market Monitoring Report 2017, 2018

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

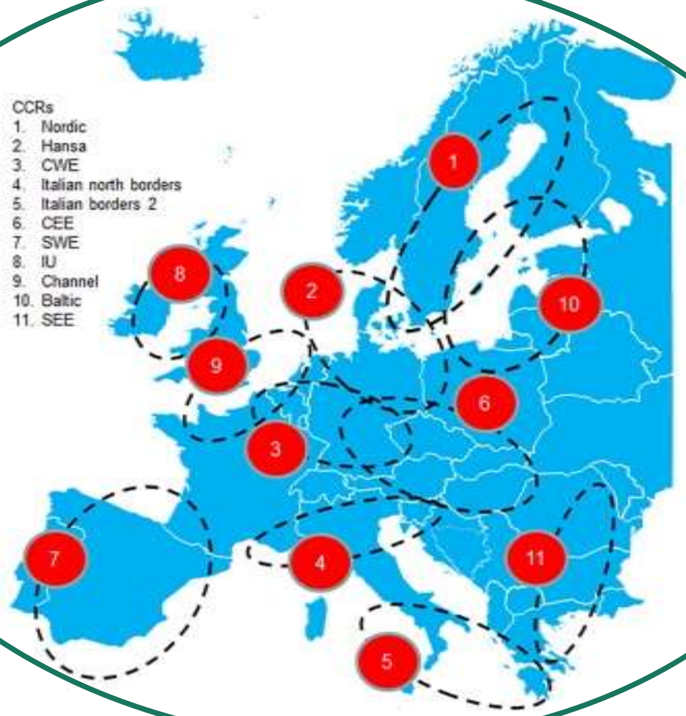
"Before considering new interconnectors, what we need in most regions is a better use of existing capacities. ACER's last monitoring report was sadly clear: on average only 47% of existing interconnection capacities are made available to the market by TSOs. This must change!"

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

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

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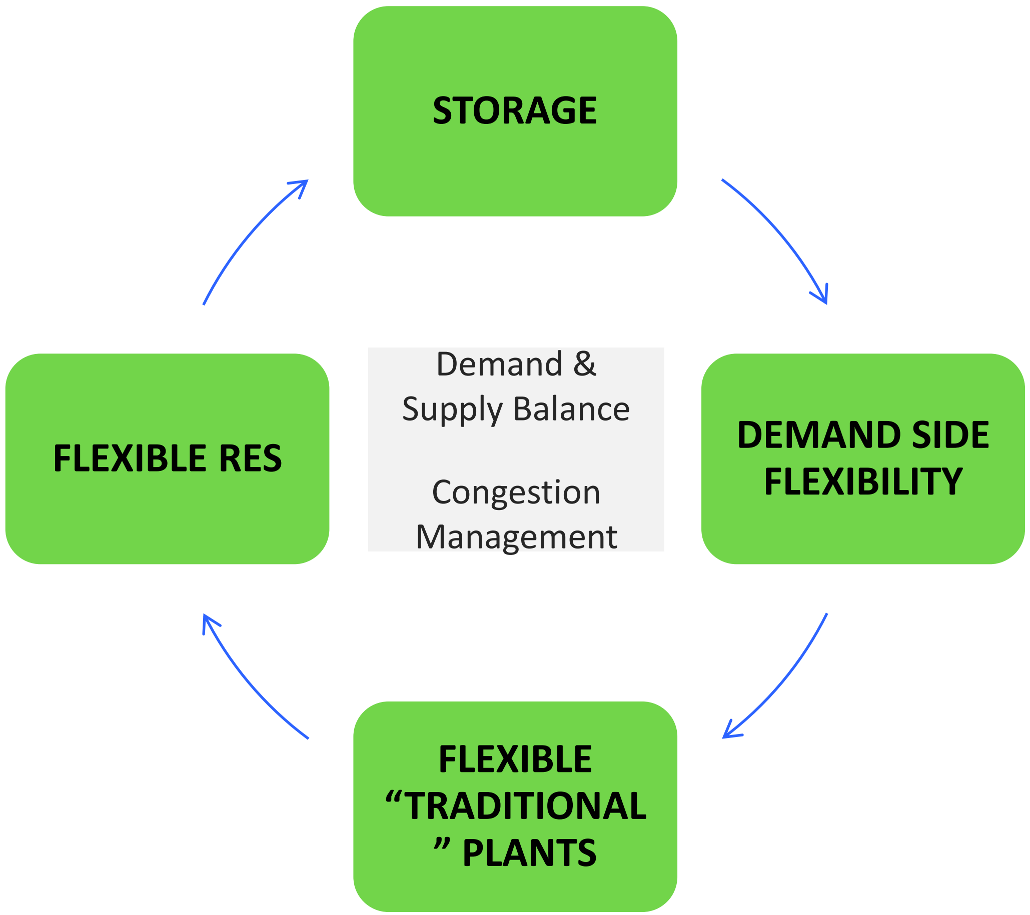
Wholesale markets upgrade: need to unlock flexibility resources

Liquid and well-functioning wholesale markets where **prices reflect the actual system situation** will sustain RES integration, decentralised generation and empower consumers.

Flexibility services are at the core of Active System Management (ASM) of smart and digital grids, **aiming at optimisation of grid infrastructure**



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

October 2017

ClientEarth EFET European Federation of Energy Traders eurelectric powering people 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 an opportunity to strengthen regional cooperation for the benefit of all Europeans

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

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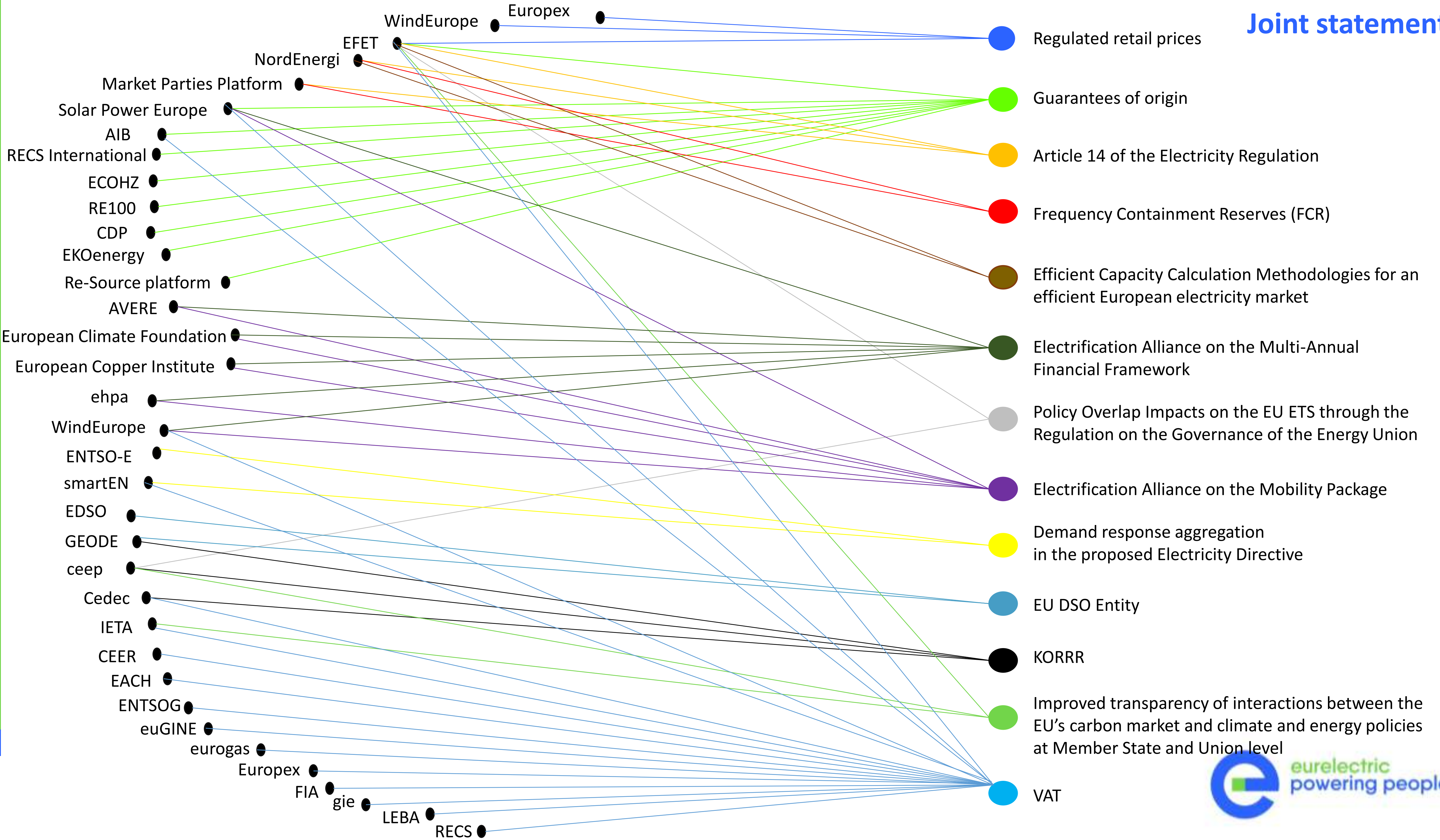
Joint statements



Conclusion: challenges and opportunities from a strategic standpoint

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;

Challenges are real

- A changing market;
- In a changing market environment;
- Adding complexity;
- With a heavy and fast-paced implementation track;

Thank you!

Ioannis Retsoulis
iretsoulis@eurelectric.org

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