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# Regionalisation of European electricity markets needs a more regional approach

#### **RAP** Webinar

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#### **Philip Baker**

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## **Market regionalisation moving** apace oodboo 85% PRICE COUPLING OF REGIONS **OTE**<sup>4</sup> EPEXSPOT UROPEAN POWER EXCHANGE omie

### **Supporting European electricity grid**

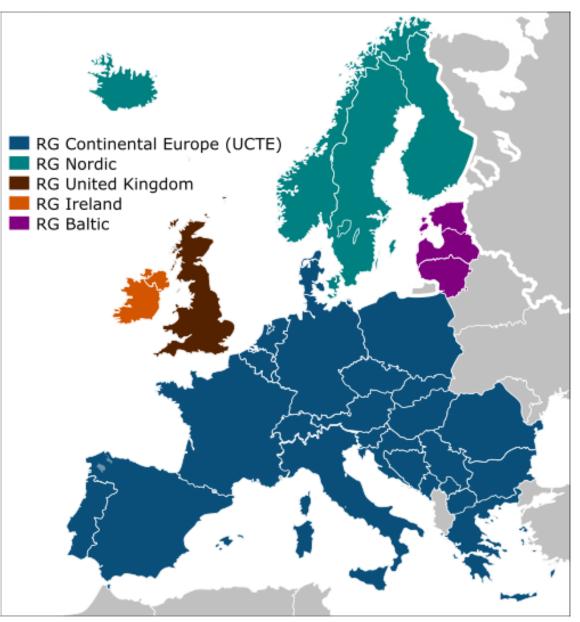


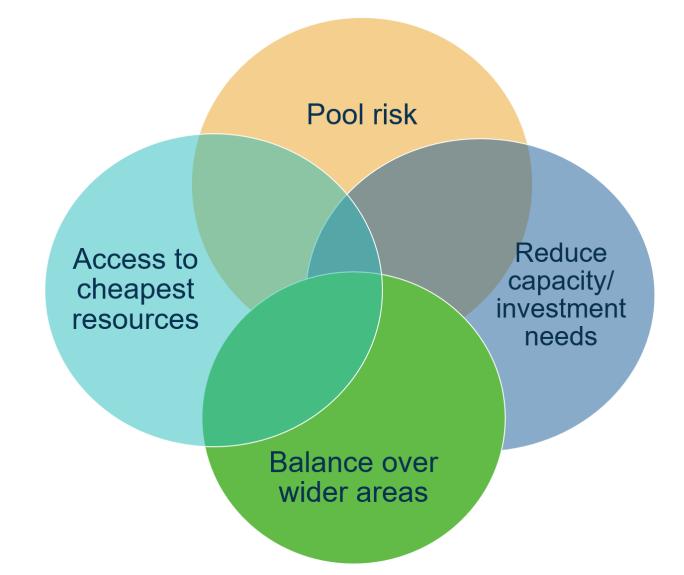
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## 1 Regionalisation brings benefits



### **Benefits of regionalisation**



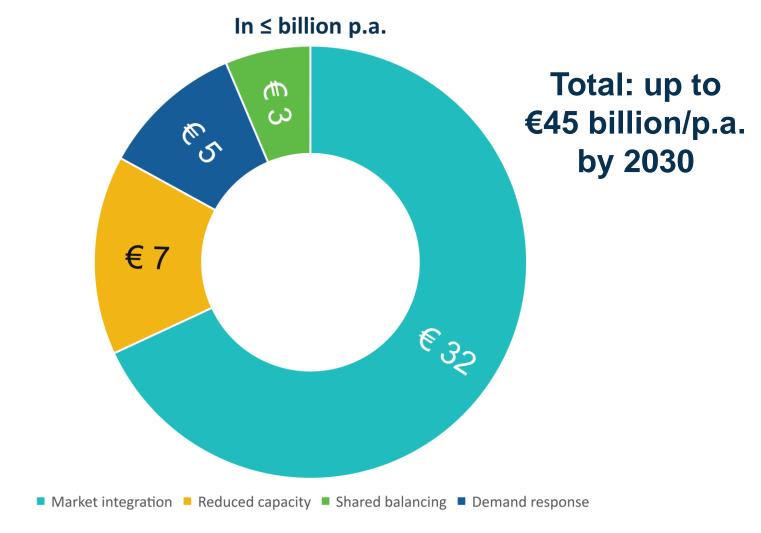
#### Pool risk

Access to cheapest resources Integrate renewables Reduce capacity/ investment needs

Balance over wider areas

€ 12 – 45 billion per year by 2030

### **Market integration – potential savings**

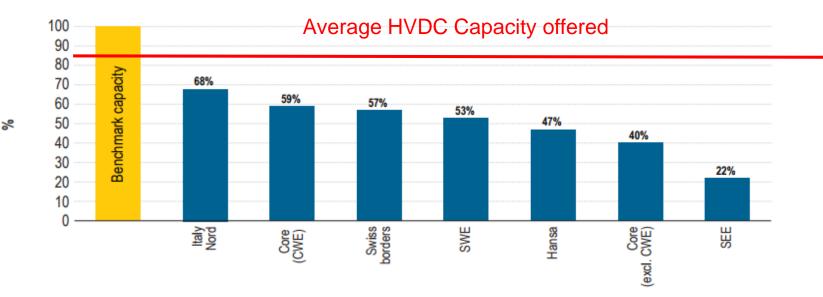


## 2 Regionalisation brings challenges as well



## Need to maximize market efficiency

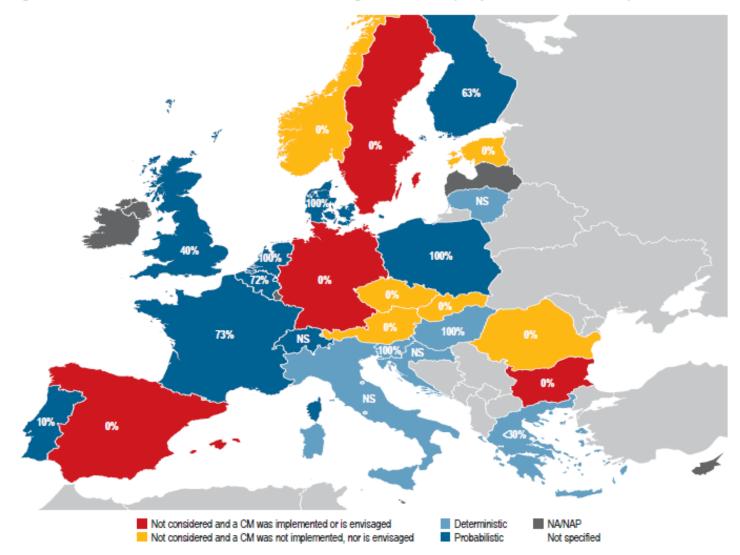
Figure i: Ratio between available cross-border capacity and the benchmark capacity of HVAC interconnectors per region – 2016 (%)



Source: ACER calculations based on data provided by NRAs through the Electricity Wholesale (EW) template (2017), ENTSO-E and Nordpool Spot.

### **Security of supply**

Figure iii: Treatment of interconnectors in national generation adequacy assessments, in Europe – 2016

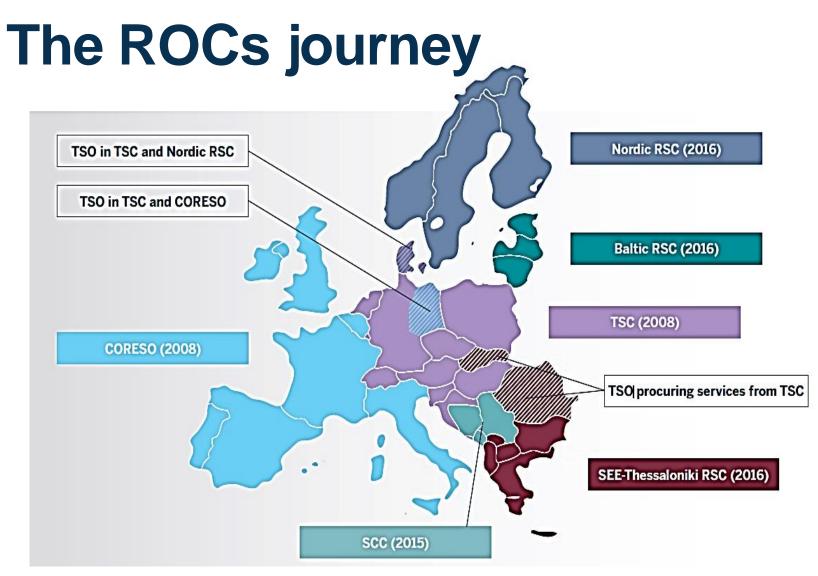


## These tensions apparent in the ROC debate

- Commission has proposed the creation of ROCs to carry out near-real time tasks of regional relevance, with decision-making authority
- Most MS, TSOs & NRAs want to retain their existing competencies and manage regionalisation through increased "cooperation"







Source: Options for the future of Power System Regional Coordination, ENTSO-E





## Comparison of RSCI/RSC/ROC activities

RSCIs (Voluntary)

- Regional security coordination services
- Overview of power flows at regional level

RSCs (Network Codes)

#### **RSCI functions +**

- Short-term adequacy analyses
- Outage coordination
- Common grid model
- Coordinated capacity calculation
- Defence & restoration plan consistency assessment

#### RSC functions +

 Regional sizing of balancing reserves, plus procurement platforms

(Recast Elec. Reg.)

- Role in assessing external generation contribution to CMs
- If delegated, identifying regional crisis scenarios
- Coordination in crisis situations
- Training and certification

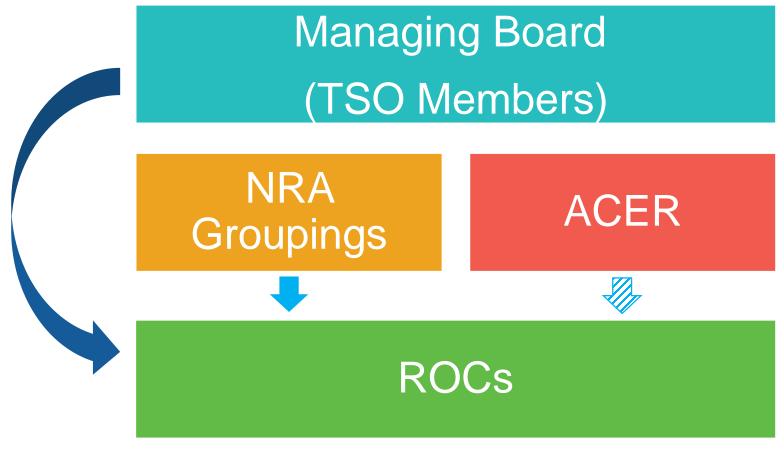
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Source: European Commission DG ENER

## Commission's proposal – ROCs' powers

- Adopting recommendations
- Issuing decisions concerning a limited number of tasks:
  - Decisions will be binding on TSOs
  - TSOs could only decline to implement ROC decisions if system "safety" would be compromised

## Commission's proposal – governance



## 5 Improving the Commission's proposal



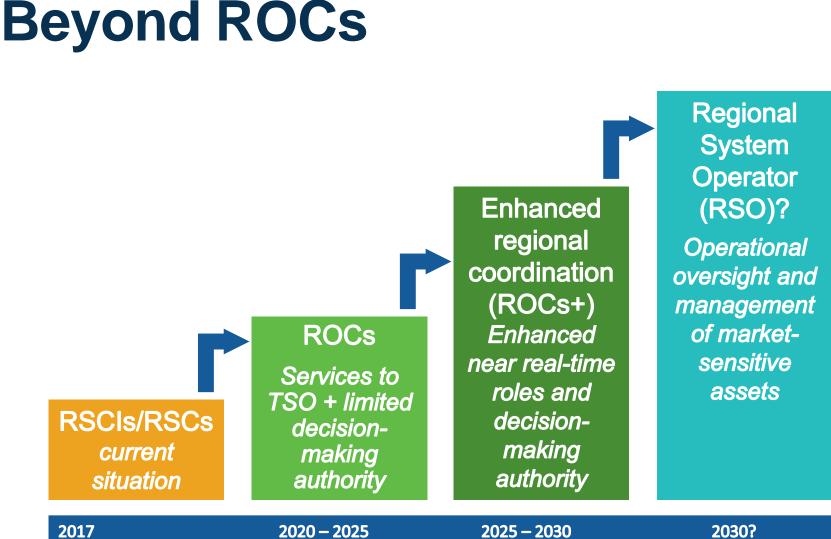
## Improving the Commission's proposal – technical tasks

balancing reserves external generation scenarios to domestic capacity markets	capacity markets
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Role in regional adequacy assessment Take on larger role and coordinate TSO responses should they occur

## Improving the Commission's proposal – Governance

- Maintaining the ROCs decision-making authority
- Ensuring systematic reporting when TSOs do not follow ROCs recommendations and decisions
- Establishing ROCS as entities independent of any national interest and with a clear regional focus
- Ensuring European oversight of the ROCs and enhancing cooperation at regulatory level through ACER



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## **Questions?**

### Please send questions through the Questions pane



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## Conclusions

- Regionalisation will bring extensive benefits for all MS.
- Regional system operation, along with transparent, strong regulation and governance, are key to successful regionalisation.
- If ROCs and regionalisation are done well, all MS and European customers reap the benefits.

## **Additional Resources**

- Regional Operational Centres: A review of the Commission's proposal and recommendations for improvement (report)
- ↗ EU must take regionalisation of electricity markets a step further (blog)
- ACER Market Monitoring Report 2016
- **Resource adequacy, regionalisation, demand response**
- If Europe wants integrated markets, it should take the leap to regional grids (blog)



### **About RAP**

The Regulatory Assistance Project (RAP)<sup>®</sup> is an independent, non-partisan, non-governmental organization dedicated to accelerating the transition to a clean, reliable, and efficient energy future.

#### Learn more about our work at raponline.org

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