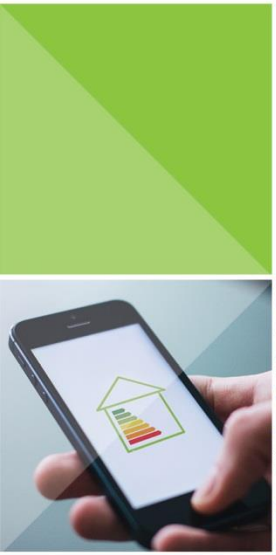


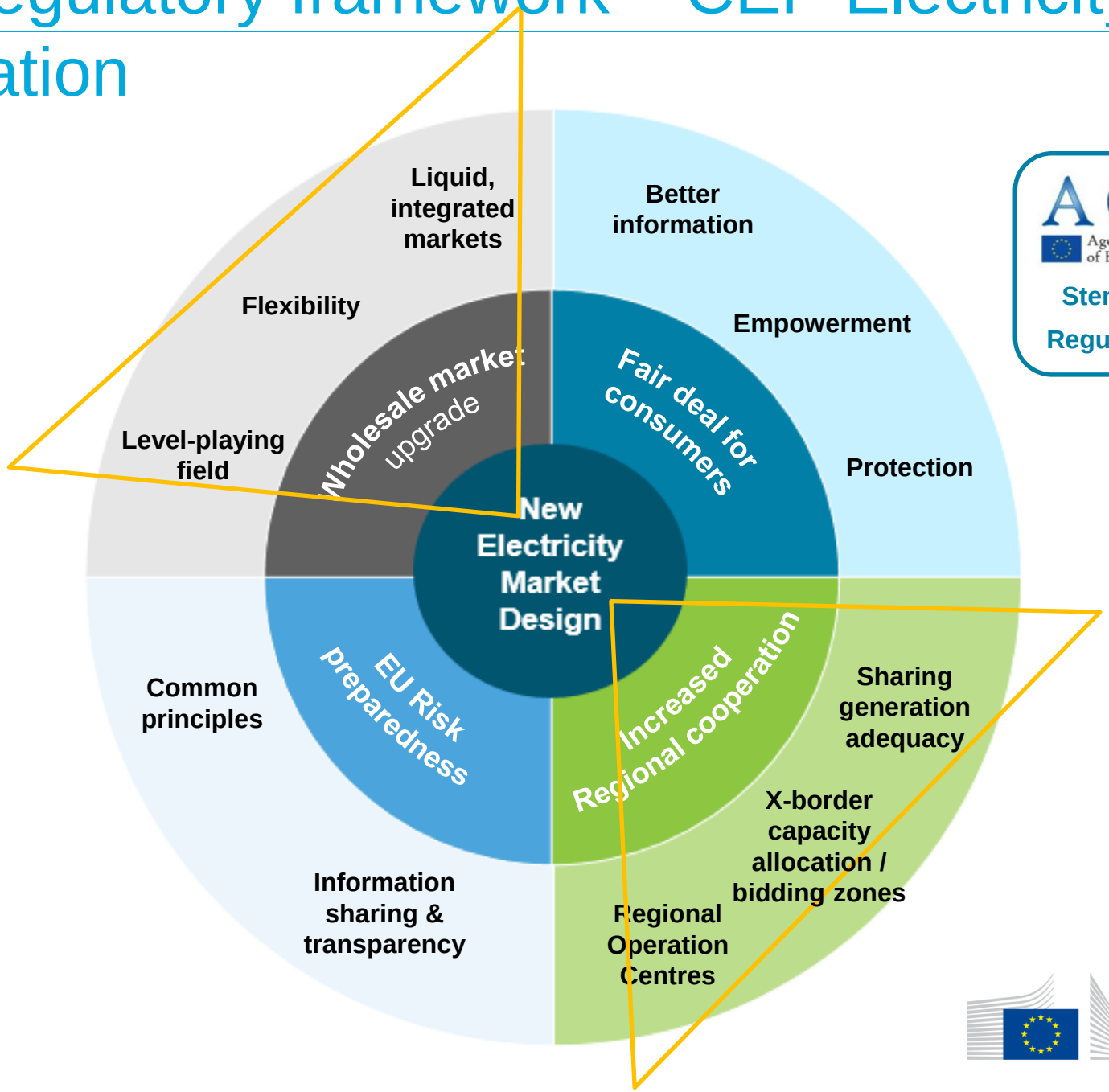



New market design (CEP) and Offshore Hybrid Assets

Henriette Nesheim 2 April 2019

WindEurope conference & exhibition, Bilbao

The regulatory framework – CEP Electricity regulation



ACER
Agency for the Cooperation of Energy Regulators

Stenghthened role

Regulatory oversight

European Commission

Making the market fit for Renewables

New in the regulation

- Full market access for Renewables and Demand Response
- Shorter term markets:
  - Gate Closure Time <= 1 hour before real time
  - Imbalance settlement period of 15 min

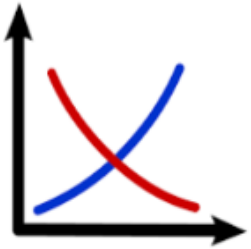
Benefits

- Increased market flexibility and access, enabling renewables to become the backbone of our electricity system

Making Renewables fit for the market

Old:"produce and forget"

New: Market orientation



New in the regulation

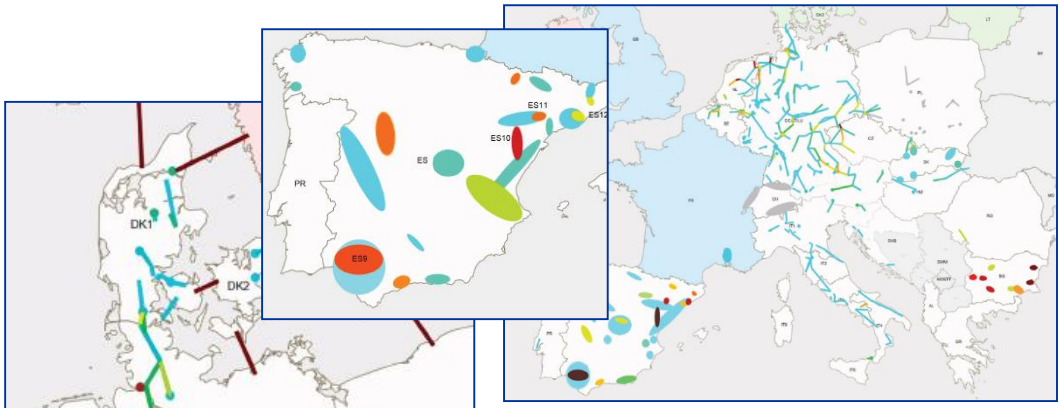
- Phase out priority dispatch
- Phase in balancing responsibility

**Derogations for existing installations and new small RES*

Benefits

- Eliminating market distortions for mature technologies…
- …whilst ensuring feasibility of smaller RES installations

Bidding zones and structural congestion



Source: EntsoE Technical Report 2018

New in the regulation

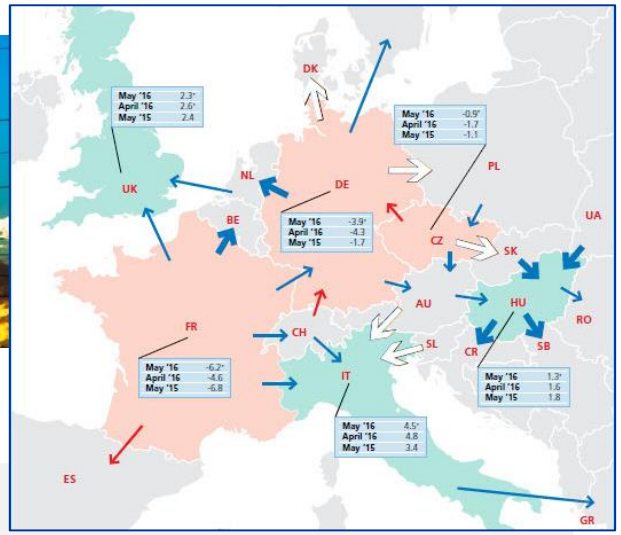
- Addressing structural congestion a key priority. MS can choose:
  - an Action Plan with network investments until 2025, or
  - a bidding zone reconfiguration
- Bidding zone review: no agreement by MS → EC decides

Benefits

A market better aligned to the physical grid which increases trade &:

- reduces the need for costly after-market remedial actions
- decreases the impact of congestion in one zone on the neighbours
- enhances security of supply by ensuring that electricity can be traded to where it is most needed.

Cross border electricity trading (capacity allocation)



New in the regulation

- Key principles:
  - Maximisation of trade across borders
  - No discrimination of cross-zonal vs internal trades
- Deductions by TSOs for loop flows and reliability margins capped
- New min. threshold of 70% of cross-zonal capacity for trade

Benefits

- Increased trade provides reliable access to electricity imports for:
  - Increased security of supply
  - Reduced need for new investments, thereby

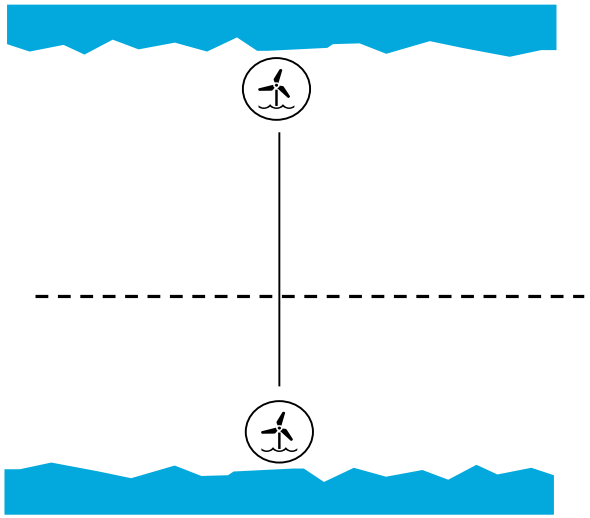
    …reducing the cost of electricity for final consumers

***Source: ICIS Electricity cross border flows 2016**

Main market uncertainties for Hybrid Assets from CEP:

- Which bidding zone applies to offshore HA?
- Remuneration for OWF
- Congestion rents TSOs?
- Grid access for OWF / “evacuation”?
- Direction of electricity flow?
- Level playing field with regular generation
- Unbundling and 3rd party access? (New recital)

Combined Grid solution



Open questions:

1. Are the barriers identified by the studies the right ones and are they justified?

2. Can HA be developed and operated under the current regime?

3. Should hybrid assets be supported beyond the general support for RES and interconnectors?


Thank you for your attention!