Case No COMP/HT.4624 - Capacity mechanisms - Sector Inquiry on Capacity Mechanisms / Market Participants

Deadline: 28/09/2015

Case No COMP/HT.4624 - Capacity mechanisms - Sector Inquiry on Capacity Mechanisms / Market Participants

Deadline: 10/06/2015

Sector Inquiry on Capacity Mechanisms

The European Commission has found growing concerns among Member States about their security of electricity supplies. Several Member States have reacted to the perceived risk of insufficient generation capacity by introducing measures designed to support investment in additional capacity. For the purposes of this document, an electricity capacity mechanism ('capacity mechanism') must be understood to include any measure used to achieve a level of generation adequacy which involves rewards to capacity providers in addition to or instead of the income which those capacity providers can normally obtain by selling electricity and by providing ancillary and balancing services.

When introduced in an uncoordinated manner capacity mechanisms risk being inefficient, hampering cross-border trade and distorting competition between capacity providers. They also may include State aid within the meaning of Article 107(3) TFEU. According to Article 20a of Council Regulation (EU) No No 659/1999[1], the Commission may decide to conduct an inquiry across Member States into a sector of the economy where it has a reasonable suspicion that State aid measures in a particular sector or based on a particular aid instrument may materially restrict or distort competition within the internal market.

For this reason the Commission has launched a Sector Inquiry into the existence and functioning of capacity mechanisms. The inquiry will shed light on the different types of capacity mechanisms which either already exist or are planned, including tender mechanisms, reserve mechanisms, targeted capacity mechanisms, central buyer mechanisms, de-central obligation mechanisms and capacity payment mechanisms. The Commission will in particular seek information from the relevant public authorities and from stakeholders.

The Commission will publish the preliminary findings from the Sector Inquiry for public consultation before adopting a final report in the course of 2016.

More information on the Sector Inquiry can be found on our dedicated webpage.

For any questions or correspondence please contact us at the following email address: COMP-CAPACITY-INQUIRY@ec.europa.eu

This questionnaire is addressed to market participants. The deadline for replies is 10 June 2015.

Please note that all responses will be treated as non-confidential unless you explicitly indicate otherwise. This means they may be published on the Europa website and your responses and opinions cited in the Commission's sector inquiry report. If you do not agree to your responses (or specific parts of them) being used in this way, please identify any confidential material in the dedicated box at the end of the questionnaire.

[1] No 659/1999 laying down detailed rules for the application of Article 93 of the EC Treaty (now Article 108 of the Treaty on the Functioning of the European Union) (OJ L 83 of 27.3.1999, p. 1).

Questionnaire signed by:

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I. QUALIFICATION

1 Please indicate the Member State for which you are responding ('the Member State of reference').

All replies you will provide must refer to the Member State you specify here. If your organisation has subsidiaries or branches in other Member States and you wish to provide information on them as well, please complete a separate questionnaire and indicate the Member State of reference in your answer to this question.

Reply:

- ○ Austria
- ○ Belgium
- ○ Bulgaria
- ○ Croatia
- ○ Cyprus
- ○ Czech Republic
- ○ Denmark
- ○ Estonia
- ○ Finland
- ○ France
- ○ Germany
- ○ Greece
- ○ Hungary
- ◉ Ireland
- ○ Italy
- ○ Latvia
- ○ Lithuania
- ○ Luxembourg
- ○ Malta
- ○ Netherlands
- ○ Poland
- ○ Portugal
- ○ Romania

- Slovakia
- Slovenia
- Spain
- Sweden
- United Kingdom

2 Which of the following electricity related activities does your organisation perform in the Member State of reference (multiple answers possible)?

Reply:

- [ ] Generation
- [ ] Trading
- [ ] Supply (retailing to both residential and business customers)
- [ ] Demand response (i.e. the delivery, or potential delivery, of electricity by reducing demand from an established baseline)
- [ ] Storage
- [ ] Interconnector
- [x] Trade association
- [ ] Other

2.1 If you have selected 'Other', please explain your answer.

Reply:

We were asked to complete this questionnaire in advance of a meeting we requested with DG Competition. The relatively short timeframe for completing this survey meant we could not answer all questions.

2.2 Please briefly describe the overall activities of your organisation and its role in relation to the electricity market.

Reply:
Ibec is the largest business representative organisation in Ireland: we speak for over 7000 member companies across a range of industrial, commercial and non-profit sectors. Ibec represents Irish business; home grown, multinational, big and small, spanning every sector of the economy. Our Energy Policy Committee includes all major stakeholders in the Irish energy sector including generators, suppliers, network operators and consumers. Through our Energy Policy Committee (and its working groups) we assess legislative/regulatory proposals (national, all-island and EU) that will affect the environment our members operate in, and strive for consensus positions that reflect secure, sustainable and competitive supply of energy, including electricity.

II. GENERATORS

This section concerns key indicators of generation capacity (current and future) owned / operated by your organisation. If your organisation is not involved in the generation of electricity, please skip this Section and proceed to the next one.

3 Please specify the installed generation capacity (in MW) owned / operated by your organisation in the Member State of reference. Please provide data by generation technology and an overall total for the given years.

Reply:
(Not provided)

3.1 If you have selected 'Other', please explain your answer.

Reply:
(Not provided)

4 Please specify whether your organisation plans to close any of the installed generation capacity (in MW) owned / operated in the Member State of reference in any of the given years. Please also provide an overall total of capacity closures planned by your organisation for the given years.

Reply:
(Not provided)

4.1 If you have selected 'Other', please explain your answer.

Reply:
(Not provided)

5 Please specify whether your organisation plans to open any new generation capacity (in MW) in the Member State of reference in any of the given years. Please also provide an overall total of generation capacity increases planned by your organisation for the given years.

Reply:
(Not provided)

5.1 If you have selected 'Other', please explain your answer.

Reply:
(Not provided)

III. OTHER CAPACITY

This section concerns key indicators of capacity (current and future) other than generation capacity ('non-generation capacity') owned / operated by your organisation. If your organisation does not own / operate capacity other than generation capacity, please skip this Section and proceed to the next one.

6 Please specify the amount of non-generation capacity (in MW) owned / operated / aggregated / managed by your organisation in the Member State of reference. Please provide data by type of capacity and an overall total for the given years.

Reply:
(Not provided)

6.1 If you have selected 'Other', please explain your answer.

Reply:
(Not provided)

7 Please specify whether your organisation plans to close / reduce any of the capacity (in MW) owned / operated / aggregated / managed in the Member State of reference in any of the given years. Please also provide an overall total of non-generation capacity closures / reductions planned by your organisation for the given years.

Reply:
(Not provided)

7.1 If you have selected 'Other', please explain your answer.

Reply:
(Not provided)

8 Please specify whether your organisation plans to increase the amount of non-generation capacity (in MW) owned / operated / aggregated / managed in the Member State of reference in any of the given years. Please also provide an overall total of non-generation capacity increases planned by your organisation for the given years.

Reply:
(Not provided)

8.1 If you have selected 'Other', please explain your answer.

Reply:
(Not provided)

IV. CAPACITY MECHANISMS

NB: this Section is subdivided into two Subsections. Subsection A should only be completed if one or more capacity mechanisms is currently operational in the Member State of reference. Subsection B should be completed if the introduction of a new mechanism is planned by the government or another public body.

There are various ways of describing and categorising capacity mechanisms. For the purposes of this exercise, six high level designs of such mechanisms are identified:

1) Tender
This is a 'targeted' mechanism because it provides support to the additional capacity expected to be required on top of what the market provides, rather than providing support to the market as a whole.
It is a 'volume-based' mechanism because the volume required is determined at the outset.
Typically, the beneficiary of such a tender receives public financing for the construction of a power plant and once the new capacity is operational, he operates in the wholesale market as any other market participant (without a guarantee that the electricity will be sold). However, a long term power purchase agreement to finance new capacity, concluded with the involvement of a public authority, might also fall within this category. However, a long term power purchase agreement to finance new capacity, concluded with the involvement of a public authority, might also fall within this category.

2) Reserve
Another targeted, volume-based mechanism is the 'reserve' model. In this model the capacity contracted is held in reserve outside the market and is only activated to produce electricity when necessary (for example when there is no more capacity available in the market).

3) Targeted Capacity Payment
A third variant of the targeted approach is the 'targeted capacity payment' model. This is a 'price-based'

mechanism because the price of capacity is set by a central body, not by the market. This price is then paid to a subset of capacity operating in the market, for example only to a particular technology type, or only to capacity providers that meet specific criteria.

4) Central Buyer
This is a 'market-wide' mechanism because it provides support to all or at least the majority providers of capacity in the market (since there may still be some restrictions on eligibility – for example because some market participants receive alternative support).
The volume of capacity required is set at the outset and the market determines the price at which this volume can be provided through a central bidding process.

5) De-Central Obligation
This is another market-wide, volume-based mechanism. The difference compared to the central buyer model is that in a de-central obligation model there is no central bidding process to establish the price for the required capacity volumes.
Instead, an obligation is placed on market participants (for example electricity suppliers/retailers) to contract sufficient capacity to cover the demand of their customers. They must then make their own arrangements to contract the capacity they require to meet their obligation.

6) Capacity Payment
This is a market-wide, price-based model, in which the price for capacity expected to achieve sufficient investment in the market is fixed, and then the market reacts to the price so that the volume brought forward may vary.

A. CURRENT MECHANISM(S)

Please answer the questions in Subsection A only if there is currently one or more capacity mechanism operational in your Member State. Otherwise, please skip this Subsection A and proceed directly with Subsection B on planned capacity mechanisms.

9 Is any of the following types of capacity mechanisms currently operational in your Member State (multiple answers possible)?

Reply:

- [x] Tender mechanism
- [ ] Reserve mechanism
- [ ] Targeted capacity payment
- [x] Central buyer mechanism
- [ ] De-central obligation mechanism
- [ ] Capacity payment mechanism
- [ ] Other

For each type of capacity mechanism selected in the question above, please provide the data and information requested below. Please separate your answer with subheadings for each capcity mecanisms where appropriate.

10 Please briefly describe the functioning of the selected capacity mechanism(s): for example the objectives of the mechanism(s), type of capacity eligible, form and duration of support available, method of allocating support, and method of financing support.

Reply:

For the purposes of this questionnaire, we thought it useful to provide some context and a very brief overview of the Capacity Payments Mechanism (CPM) introduced in 2007 as an integral element of the Single Electricity Market (SEM). Generators cannot bid their fixed costs in the all-island SEM - these are somewhat covered by the CPM. All eligible generators available for dispatch receive a share of the allocated funds for remunerating available capacity. The CPM is a fixed revenue system whereby generators are paid regulated quantities of money for providing available generation capacity to the market. The money is sourced by capacity charges levied on all suppliers that purchase energy from the pool. The core of the CPM takes the form of a fixed annual sum of money, called the Annual Capacity Payments Sum which is re-calculated each year based on forecast peak demand. Calculation is based on the total generating capacity required and the annualized fixed costs of a best new- entrant peaking plant. The amount to be shared among those who qualify for this payment is decided by the Regulatory Authorities on an annual basis.

Bidding in the wholesale electricity market is regulated by a bidding code of practice (BCOP), which states that generators must sell electricity to the pool at the marginal cost of producing each unit of electricity (€/MWhr). The BCOP precludes participants from bidding their fixed costs – these costs are therefore covered by capacity payments. One of the main reasons for introducing the BCOP was to bring increased levels of competition in the new market structure.

Capacity payments in the SEM are of a fundamentally different nature from those contemplated in the State aid Guidelines and this questionnaire. Short run marginal cost bids and capacity payments taken together should reflect the long run marginal cost of generation.

11 Are any of the following true for the mechanism(s) currently in place in the Member State of reference (multiple answers possible)?

Reply:

- [x] Includes a competitive bidding process (auction or tender)
- [x] Open to all types of generation capacity (using different types of input-fuels)
- [x] Both existing and new generation capacity can participate
- [x] Foreign capacity and/or interconnectors can participate
- [x] Final consumers can participate through demand response
- [x] Storage providers can participate

12 Do you believe that the existing capacity mechanism(s) is(are) necessary for security of supply?

Reply:

- (•) Yes
- ( ) No

12.1 Please explain why you think the capacity mechanism(s) are or are not necessary, especially regarding incentives to invest, remuneration of investments, or market and regulatory failures.

Reply:
The SEM, in operation since 2007, is the end result of a transparent consultation process that originally considered a range of design options for the mandatory Pool, including the possibility of an energy-only bidding regime. The regulatory authorities' rationale for including a CPM within the SEM is well documented. It was designed to ensure security of supply, sufficient levels of investment, to take volatility out of the energy market, to bring about increased levels of competition in the new market structure and to allow for price transparency.

The intention, and effect, of the market design has been to provide a stable regime for a small, relatively isolated island system with certain inbuilt safeguards both for consumers and investors. The existing CPM in the all-island electricity market in not an 'add on' to address market failure (perceived or otherwise) but rather an inherent and deliberate component incorporated into the market design. It is therefore not a support but a fundamental element of the market design; it could be said that capacity payments in the SEM are of a different nature from those contemplated in the State aid Guidelines and this questionnaire.

Certain characteristics of the wholesale electricity market on the island of Ireland are almost unique within the EU. The large scale deployment of variable renewables has some important consequences for conventional thermal generation in the market. While there is unlikely to be much need for additional large conventional fossil plant for some years to come, the significant and growing penetration of non-synchronous onshore wind capacity on the island may however necessitate additional thermal capacity investment. Some thermal plants are not making as much revenue as expected from electricity generation; increased levels of variable generation on the system has had the effect of pushing plants down the merit order.

13 Has(have) the existing mechanism(s) enabled investment by your organisation in any of the following types of capacity beyond what would have been possible without the capacity mechanism(s) (multiple answers possible)?

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- ☐ Generation capacity
- ☐ Storage capacity
- ☐ Demand response
- ☐ Interconnection capacity

14 Do you believe that the existing capacity mechanism(s) delivers value for money for consumers?

Reply:

- ◉ Yes
- ○ No

14 Please explain your answer.

Reply:
In Ibec (an organisation representing the broad business spectrum including consumers and providers), we assert that the intention, and effect, of the market design has been to provide a stable regime for a small, relatively isolated island system with certain inbuilt safeguards both for consumers and investors.

15 Do you believe that the eligibility criteria for participation to the existing capacity mechanism(s) are fair and non-discriminatory?

Reply:

- ◉ Yes

- No

15.1 Please explain your answer.

Reply:
Interconnector users and demand side participants (large energy users) can also avail of the scheme.

16 Do you believe that sufficient competition is ensured in the existing capacity mechanism(s), e.g. through the inclusion of different types of capacity providers in any competitive bidding process or market for capacity?

Reply:

- (•) Yes
- ( ) No

16.1 Please explain your answer.

Reply:
All providers of eligible capacity (including DSUs and interconnectors) are included in the mechanism. Times of system stress and tighter capacity margins results in more efficient outcomes through weighted capacity payments.

17 Do you believe that the contractual obligations (e.g. availability / delivery at times of system stress, period of availability etc.) for capacity providers under the mechanism(s) are reasonable?

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- ( ) Yes
- ( ) No

17.1 Please explain your answer.

Reply:
(Not provided)

18 Do you believe that the duration of contracts for capacity providers under the mechanism(s) strikes the right balance between enabling investment decisions and providing value for money to consumers?

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- Yes
- No

18.1 Please explain your answer.

Reply:
(Not provided)

19 Do you believe that the remuneration offered to capacity providers participating to the capacity mechanism(s) is appropriate, including the mechanism for determining the remuneration?

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- Yes
- No

19.1 Please explain your answer.

Reply:
(Not provided)

20 Do you believe that the lead time (period between conclusion of the contractual obligation / relationship and the actual delivery / availability period) under the capacity mechanism(s) is appropriate?

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- Yes
- No

20.1 Please explain your answer.

Reply:
(Not provided)

21 Do you believe that the existing capacity mechanism(s) has(have) led to distortions of competition between market participants?

Reply:

- ○ Yes
- ◉ No

21.1 If you answered "Yes", please indicate which of the following features of the capacity mechanism(s) led to the distortion of competition you have identified (multiple answers possible).

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- ☐ The criteria to select capacity providers eligible to participate
- ☐ Different treatment of new and/or existing capacity providers
- ☐ Different treatment of different technologies
- ☐ Different duration of contracts for different capacity providers
- ☐ Allocation mechanism
- ☐ Other

21.1.1 Please explain your answer.

Reply:
(Not provided)

22 Do you believe that the existing capacity mechanism(s) risk(s) negatively affecting intra-EU trade or fragmenting the Internal Market in electricity?

Reply:

- ○ Yes
- ◉ No

22.1 Please explain your answer.

Reply:
The current CPM constitutes a cross jurisdictional instrument in the all island market – it is available to all generators making capacity available in the SEM as well as interconnector users.

23 Do you believe that the existing capacity mechanism(s) should be amended / improved?

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- ○ Yes

No

23.1 Please explain your answer.

Reply:
The mechanism will expire in 2017 with the introduction of I-SEM (new all island electricity market design to comply with the Target Model).

24 Is there anything else you want to add concerning the experience you have with the capacity mechanism(s) in the Member State of reference (separate documents can be uploaded at the very end of this Questionnaire)?

Reply:
(Not provided)

B. FUTURE MECHANISM(S)

Please answer the questions in Subsection B only if there is a reasonable expectation that one or more new capacity mechanisms will be introduced in your Member State. Otherwise, please skip this Subsection B.

25 Is any of the following types of capacity mechanisms planned to be introduced in your Member State (multiple answers possible)?

Reply:

- [ ] Tender mechanism
- [ ] Reserve mechanism
- [ ] Targeted capacity mechanism
- [x] Central buyer mechanism
- [ ] De-central obligation mechanism
- [ ] Capacity payment mechanism

For each type of capacity mechanism selected in the question above, please provide the data and information requested below. Please separate your answer with subheadings for each capacity mechanism where appropriate.

26 Please briefly describe the functioning of the selected capacity mechanism(s).

Reply:
According to our interpretation of the high level design consultation paper, and in the absence of a detailed design, I-SEM will include an explicit capacity remuneration mechanism (CRM) in the form of centralised Reliability Options. This is a quantity-based CRM, in which up-front capacity payments are determined through a competitive mechanism, such as an auction. It differs from our current CRM which is a price based instrument.

All generators available for dispatch receive a share of the allocated funds for remunerating available capacity, calculated by the regulatory authorities. Contract holders will receive capacity payments in the form of a RO option fee, and will face exposure to different payments in the event that a market reference price exceeds the strike price.

All option holders will be required to make a payment equal to the difference between the market reference price

(the day-ahead market price) and the strike price when the market reference price is above this strike price in a given time.

27 Are any of the following true for the mechanism(s) planned to be introduced in the Member State of reference (multiple answers possible)?

Reply:

- [x] Includes a competitive bidding process (auction or tender)
- [x] Open to all types of generation capacity (using different types of input-fuels)
- [x] Both existing and new generation capacity can participate
- [x] Foreign capacity and/or interconnectors can participate
- [x] Final consumers can participate through demand response
- [x] Storage providers can participate

28 Do you believe that the planned capacity mechanism(s) is(are) necessary for security of supply?

Reply:

- (•) Yes
- ( ) No

28.1 Please explain why you think the planned capacity mechanism(s) are or are not necessary, especially regarding incentives to invest, remuneration of investments, or market and regulatory failures.

Reply:
Ibec has participated in the CRM consultations for I-SEM. Ibec agrees with the assertion presented by the Regulatory Authorities that evidence from Europe demonstrates that further remuneration is required to attract investment in firm generation on this relatively isolated island system. As noted in first consultation paper in the CRM detailed design, a small island system needs greater reserve margin than a larger system. EU mandated targets for 2020 has resulted in policies targeting high levels of intermittent generation. An energy-only market could result in a threat to security of supply and as well as price levels/spikes.

EirGrid's recently published modelling study assessed generation adequacy in an energy-only electricity market. The 'Assessment of Generation Adequacy in an Energy-only Market' estimated generation capacity adequacy on an all-island basis if generators were to rely solely on energy revenues to recover their annualized fixed costs. It modeled 2017, 2020 and 2023. It showed that, without the presence of non-energy revenue streams, capacity shortages would occur in the majority of the modelled scenarios.

http://www.allislandproject.org/GetAttachment.aspx?id=cc1ca497-4737-4a84-ab0a-a54242e32f7a

It is important to note that we do not yet know whether the proposed Reliability Option will provide sufficient signals for investment in capacity; however in the absence on an instrument, and as detailed in EirGrid's report capacity could shrink, consumers could face the threat of very high price spikes or costly emergency schemes to remedy capacity shortages.

Our members are concerned about the systems costs associated with the current market re-design. While this is necessary to comply with the Target Model, there is confusion (and uncertainty) as to whether the EC Power Market Design consultation will require a further overhaul of the market and increased costs for the consumer a couple of years down the line.

29 Will the planned mechanism(s) trigger additional investment in any of the following types of capacity beyond what could be expected without the mechanism(s) (multiple answers possible)?

Reply:

- [x] Generation capacity
- [x] Storage capacity
- [x] Demand response
- [ ] Interconnection capacity

30 Do you believe that the planned capacity mechanism(s) will be cost-effective in reaching its objective, namely achieving generation adequacy?

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- ( ) Yes
- ( ) No

30.1 Please explain your answer.

Reply:
The detailed design decision is expected in November 2015.

31 Do you believe that the proposed eligibility criteria for participation to the capacity mechanism(s) are fair and non-discriminatory?

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- ( ) Yes
- ( ) No

31.1 Please explain your answer.

Reply:
The detailed design decision is expected in November 2015. In the absence of greater details on the scheme, a technology neutral auction would lead one to believe it would result in a fair and non-discriminatory outcome.

32 Do you believe that sufficient competition will be ensured in the planned capacity mechanism(s), e.g. through the inclusion of different types of capacity providers in any

competitive bidding process or market for capacity?

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- Yes
- No

32.1 Please explain your answer.

Reply:
The detailed design decision is expected in November 2015.

33 Do you believe that the proposed contractual obligations (e.g. availability / delivery at times of system stress, period of availability etc.) for capacity providers under the mechanism(s) are reasonable?

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- Yes
- No

33.1 Please explain your answer.

Reply:
The detailed design decision is expected in November 2015.

34 Do you believe that the proposed duration of contracts for capacity providers under the mechanism(s) strikes the right balance between enabling investment decisions and providing value for money to consumers?

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- Yes
- No

34.1 Please explain your answer.

Reply:

The publication of the formal Decision Paper is expected in November.

35 Do you believe that the remuneration offered to capacity providers participating to the capacity mechanism(s) will be appropriate, including the proposed mechanism for determining the remuneration?

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- Yes
- No

35.1 Please explain your answer.

Reply:
The publication of the formal Decision Paper is expected in November.

36 Do you believe that the proposed lead time (period between conclusion of the contractual obligation / relationship and the actual delivery / availability period) under the capacity mechanism(s) is appropriate?

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- Yes
- No

36.1 Please explain your answer.

Reply:
The publication of the formal Decision Paper is expected in November.

37 Do you believe that the planned capacity mechanism(s) will lead to distortions of competition between market participants?

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- Yes
- No

37.1 If you answered "Yes", please indicate which of the following features of the planned capacity mechanism(s) will lead to the distortion of competition you have identified (multiple answers possible).

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- ☐ The criteria to select capacity providers eligible to participate
- ☐ Different treatment of new and/or existing capacity providers
- ☐ Different treatment of different technologies
- ☐ Different duration of contracts for different capacity providers
- ☐ Allocation mechanism
- ☐ Other

37.1.1 Please explain your answer.

Reply:
The publication of the formal Decision Paper is expected in November.

38 Do you believe that the planned capacity mechanism(s) risk(s) negatively affecting intra-EU trade or fragmenting the Internal Market in electricity?

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- ○ Yes
- ○ No

38.1 Please explain your answer.

Reply:
The publication of the formal Decision Paper is expected in November.

39 Do you believe that the planned capacity mechanism(s) should be amended / improved?

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- ○ Yes
- ○ No

39.1 Please explain your answer.

Reply:
The publication of the formal Decision Paper is expected in November.

40 Is there anything else you want to add concerning the planned capacity mechanism(s) in the Member State of reference (separate documents can be uploaded at the very end of this Questionnaire)?

Reply:
(Not provided)

V. DEMAND RESPONSE AND STORAGE

41 Which of the following is true for the role of final consumer in the energy market in the Member State of reference (multiple answers possible)?

Reply:

- [x] Final consumers face short-term (i.e. day-ahead and intraday) price signals
- [ ] Final consumers participate directly in the wholesale market
- [x] Final consumers participate in the wholesale market via aggregators

41.1 Please explain your answer.

Reply:
Currently suppliers offer tariffs to certain categories of customers (those capable of recognising and managing the risk) based on short-term price signals. Aggregators are present in the current market and primarily address demand response services. Further details should be made available with the publication of the formal Decision Paper which is expected in November.

42 If possible, please provide an estimate of the maximum potential (in MW) for consumers to reduce demand flexibly in response to a short-term (e.g. 4-hour) spike in wholesale prices.

Reply:
(Not provided)

43 Are there any initiatives in the Member State of reference to promote the development of demand response other than through (a) capacity mechanism(s)?

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- ( ) Yes
- ( ) No

43.1 If yes, please briefly describe these initiatives.

Reply:
(Not provided)

44 Should the Member State of reference promote the development of demand response other than through (a) capacity mechanism(s)?

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- Yes
- No

44.1 Please explain your answer.

Reply:
(Not provided)

45 Are there any initiatives in the Member State of reference to promote the development of storage capacity other than through (a) capacity mechanism(s)?

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- Yes
- No

45.1 If yes, please briefly describe these initiatives.

Reply:
(Not provided)

46 Should the Member State of reference promote the development of storage capacity other than through (a) capacity mechanism(s)?

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

- Yes

No

46.1 Please explain your answer.

Reply:
(Not provided)

47 Is there anything else you want to add concerning demand response or storage in the Member State of reference (separate documents can be uploaded at the very end of this Questionnaire)?

Reply:
(Not provided)

VI. EU MARKET DESIGN

48 Do you believe that the EU should develop a harmonised methodology for determining generation adequacy?

Reply:

Yes

No

48.1 Please explain your answer.

Reply:
At this stage, a harmonised methodology for determining generation adequacy may be premature. It is necessary to consider the physical differences and characteristics of each electricity power system in the EU, particularly in the context of varied levels of interconnection and the fundamental differences between the separate synchronous systems. The system on the island of Ireland can be characterised as a small, relatively isolated, synchronous system adjacent to another island system which itself has limited interconnection. The application of a uniform standard at this stage could result in an increase in costs for consumers in the SEM. Our members would welcome further information on the type of methodology for measuring generation adequacy.

49 Should rules be developed at EU level to limit as much as possible any distortive impact of capacity remuneration mechanisms on cross-national integration of energy markets?

Confidential Reply:
(Not provided)

Non Confidential Reply:
(Not provided)

Yes

No

49.1 If yes, do you have any suggestions for how rules at EU level could best be developed to

address this issue?

Reply:
(Not provided)

50 Is there anything else you want to add concerning demand response or storage in the Member State of reference (separate documents can be uploaded at the very end of this Questionnaire)?

Reply:
(Not provided)

VII. CONFIDENTIALITY

51 Please note that all responses will be treated as non-confidential unless you explicitly indicate otherwise. This means they may be published on the Europa website and your responses and opinions cited in the Commission's sector inquiry report. If you do not agree to your responses (or specific parts of them) being used in this way, please identify your confidential answers in the box below and, for each question thus identified, provide a non-confidential reply that can serve the aforementioned purposes.

Reply:
(Not provided)

Attachment

(Not provided)