



EU4ENERGY



# Legislative suggestions of the EnCS on stimulating RES

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# The Winter Package (1 out of 2)



- ✓ ***EnCS considers the Winter Package the sustainable solution/ way out for RES integration into the electricity markets***
- ✓ ***Winter Package targets:***
  - ❑ ***increase investor certainty***
  - ❑ ***working towards sustainable climate and energy targets***
- ✓ ***RES support schemes to be granted in a competitive manner (auctioning)***
- ✓ ***Guidelines on state aid for environmental protection and energy need to be properly observed when establishing new RES support schemes***

## *The Winter Package (2 out of 2)*



- ✓ *One stop shop for permitting and licensing procedures*
- ✓ *Simplified procedures for connection to DSO networks especially for the small scale RES*
- ✓ *RES prosumers treated differently than suppliers*
- ✓ *Market-orientated and cost-effective RES*
  - ✓ *How to introduce RES into the market design without creating non-bearable risks to investors*

# *Auctioning – the EnCS approach*



- ✓ *Different types/ multiple options*
- ✓ *The auctioning design is a science in its self*
- ✓ *Revealing the most cost efficient price for the support scheme*
- ✓ *Pay as bid is the preferred pricing method*
- ✓ *Selection and financial criteria*
- ✓ *Auctions have the maximum added value when they are performed later in time i.e when the process is already mature enough*
- ✓ *EnCS aims at proposing a common regulatory framework (guidelines) in the EnC area targeting the RES auctoning process*

# State Aid Guidelines and associated risks



- ✓ **Support schemes should progressively phase out**
- ✓ **Where Intra-day markets exist, even those RES enjoying priority dispatch and support, should start bearing imbalance costs**
  - ✓ Undertake the cost that forecast errors bring into the systems
  - ✓ Utilise Intra-Day Market to hedge the exposure related to forecast errors
- ✓ **Can investors deal with that risk?**
  - ✓ In mature markets, definitely yes
  - ✓ In markets where no history exists on imbalance volumes and corresponding price exposure the risk should be progressively addressed –training phase
- ✓ **The new Electricity Market Law in Ukraine fully respects the above State Aid provisions**

# Market oriented and cost effective RES



- ✓ **Priority Dispatch to stay until 15% penetration on installed capacity is achieved**
- ✓ **Then priority dispatch should be eliminated (it remains for existing projects and the small ones)**
- ✓ **RES should bid into the spot markets and be dispatched if competitive**
- ✓ **Price takers combined with simple FiP support scheme**
  - ✓ The distortion is not resolved
  - ✓ The prices in the spot market will be driven to lower levels
  - ✓ If support is granted on top of the market price then RES have no incentive to stop this distorting process
- ✓ **RES to be integrated in a way that will incentivise them to set the market price**

# Support not directly connected to energy markets



- ✓ **Capacity mechanisms /markets**
  - ✓ Winter Package –coal is ruled out
    - ✓ generation capacity existing or in construction only if its emissions are below 550 grams of CO2 per k
- ✓ **Is capacity mechanisms/markets the way out for RES?**
  - ✓ RES could be part of this support (still way to go but technology is progressing)
  - ✓ Capacity mechanisms, if not well designed, are distorting the energy spot markets
  - ✓ But, if the problem is created, will not be technology specific

# How RES are integrated in the New Market Rules for Ukraine



- ✓ *Existing RES enjoy priority support under the FiT*
- ✓ *Existing RES will not face imbalance costs*
- ✓ *New RES under support schemes will face imbalance costs from the day the IDM starts operating and this will be progressively and smoothly allocated to them*
- ✓ *The New Market Rules were drafted to fully integrate RES projects into the wholesale level for whenever there will be a decision to phase out support connected to the energy market*
- ✓ *The software to be procured should foresee their future merchant participation*



# Integration can be achieved-bankability?



- ✓ **Integration can be achieved**
- ✓ **Would investors then be willing to take the risk?**
- ✓ **Would the projects be bankable?**
- ✓ **There is no risk free business in the modern economy**
- ✓ **Bankers will go ahead if the risk can be assessed**
  - ✓ Risk free business (guaranteed long term PPAs) could eventually become boomerang
- ✓ **The associated market is a well designed market:**
  - ✓ true, non distorted, prices are revealed
  - ✓ well monitored and guarded by the regulator
  - ✓ its statistics create confidence

A satellite-style image of the Earth at night, showing city lights. Overlaid on the map is a complex network of glowing blue lines and nodes, representing an energy or communication network.

*Thank you  
for your attention!*

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