

Providing security of supply using market mechanisms: The decentralised capacity market

26.05.2014

Dr. Stephan Krieger

Director International Relations, BDEW

Decentralised capacity market (DCM)

General principles

- As much market as possible - no more regulation than is necessary
- The DCM exclusively serves the provision of security of supply
- As a market-wide mechanism, the DCM preserves competition
 - No subsidies
 - Customers require guaranteed capacity and determine the volume
 - Can be offered by anybody
 - Low administrative expenses
- BDEW's target: To develop a simple, robust and sustainable functional principle of a decentralised capacity market

Preliminary discussion !!!

The right question? How much guaranteed capacity do customers need?

Electricity supply is for customers

How much guaranteed capacity do customers need?

Preliminary discussion !!!

Incentives are needed if the right answer is to be found

- **Suppliers/balancing group managers have the closest contact to customers**
- **Therefore, it is they who should be asked how much guaranteed capacity they require for a secure provision of electricity to their customers.**
- **There must be a financial incentive to provide the most accurate prognosis possible.**

A decentralised approach can be easily integrated into the German balancing group system.



Pilot: Germany - France?

- Many similarities between the BDEW proposal and the planned, French capacity market model
- Coupling the two systems could serve as a pilot for the region

Points to be agreed between France and Germany

- How to deal with different supply safety standards and how to deal with shortage situations
- Close, cross-border network operator co-operations necessary
- Requirements for entitlement to participate in foreign capacity markets
- Prohibition of marketing capacities in multiple markets
- Determination of sufficient capacity at border connections

Preliminary discussion !!!

The capacity mechanism is a European and not purely a German matter

A purely national introduction of a capacity mechanism ...

- will be expensive because capacity available abroad is not used,
- does not guarantee *per se* definite security of supply as the markets are connected to one another ("copycat effect"),
- is contrary to the idea of a European internal market.

→ **Regionally harmonised concept required!**

Preliminary discussion !!!

