

EUROPEAN COMMISSION PUBLIC CONSULTATION ON A NEW ENERGY MARKET DESIGN

Answer Paper
By the ROMANIAN ENERGY CENTER

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This document has been prepared by the members of the professional association Romanian Energy Center (REC), through the main state owned organisations: *COMPLEXUL ENERGETIC OLTENIA, CONPET S.A, ELECTRICA S.A., ROMGAZ, TRANSELECTRICA, TRANSGAZ*, together with private companies active in the electricity, coal, oil and gas sectors in Romania: *ADREM INVEST, CEZ Group România, E.ON România, ECRO, ENERGOBIT, EXIMPROD, Institutul de Studii și Proiectări Energetice (ISPE), NOVA INDUSTRIAL, NRGSG Tehnik, RETRASIB, TRACTEBEL ENGINEERING, ȚUCA ZBÂRCEA & ASOCIAȚII.*

Romanian Energy Center is organising the Annual Event
Romania ENERGY DAY 2016
on Wednesday 25 May 2016 in Bruxelles (tbc).

The Romanian Energy Center is a professional organization for Romanian energy companies. It is managed and financed by its member companies, mainly the electricity, coal, oil and gas companies at the present, and works to secure for them the freest and most favourable conditions for competition and progress in order to ensure development, growth and well-being in Romania.

INTRODUCTION

The electricity system in Europe is facing several changes with visible consequences on the power market, with a direct impact on stakeholders, mainly on system operators' (TSOs) which have the responsibility to ensure a reliable and well-functioning power system and facilitate the market. The power system is under continuous evolution. In consequence, the market design requires systematic updates in line with the needs of the power system but there is also the need to ensure appropriate and timely grid investments.

In this framework, Romanian Energy Center (CRE) welcomes the opportunity to respond to the European Commission's public consultation on New Energy Market Design.

1) Would prices which reflect actual scarcity (in terms of time and location) be an important ingredient to the future market design? Would this also include the need for prices to reflect scarcity of available transmission capacity?

Yes. Member of CRE consider that prices which correctly reflect actual scarcity (in terms of time and location) and transmission to be important for future market design in order to encourage efficient investments.

2) Which challenges and opportunities could arise from prices which reflect actual scarcity? How can the challenges be addressed? Could these prices make capacity mechanisms redundant?

Generally speaking, on the short term, CRE considers that the level of energy prices and the volatility of this level are the elements of a market development and also an incentive for investments. This is an opportunity for a future energy market.

Capacity mechanisms will be an element of the energy market design.

3) Progress in aligning the fragmented balancing markets remains slow; should the EU try to accelerate the process, if need be through legal measures?

CRE and its members consider that there is NO need for other legal measures to be implemented in order to speed up the alignment of all the member states to the similar model of balancing markets.

4) What can be done to provide for the smooth implementation of the agreed EU wide intraday platform?

As we know, the cross-border intraday project has not progressed. In extent to which, all NRAs will support this project, the agreed EU wide intraday platform will have a smooth implementation.

5) Are long-term contracts between generators and consumers required to provide investment certainty for new generation capacity? What barriers, if any, prevent such long-term hedging products from emerging? Is there any role for the public sector in enabling markets for long term contracts?

CRE considers that long-term contracts between generators and consumers can provide investment certainty for new generation capacity, but there are other measures, as well (integration of RES).

The national legislation could be a barrier Ex.: according to Romanian Energy Law, the bilateral direct agreed contracts are forbidden.

6) To what extent do you think that the divergence of taxes and charges levied on electricity in different Member States creates distortions in terms of directing investments efficiently or hamper the free flow of energy?

Different taxes, charges levied on electricity and different subsidies for green energy in Member States may create distortions which may affect consumers and economy in the first place and probably investments.

CRE considers all taxes and charges should be defined based on the same mechanism.

7) What needs to be done to allow investment in renewables to be increasingly driven by market signals?

Members of CRE consider the increasing price of CO₂ emissions could be the driver for future investments in RES. RES support schemes (mechanism) have to be revised, searching the most suitable formula to be implemented.

8) Which obstacles, if any, would you see to fully integrating renewable energy generators into the market, including into the balancing and intraday markets, as well as regarding dispatch based on the merit order?

CRE consider that the main barriers (obstacles) to fully integrating RES into the markets could be regulations and market rules. For some member states, the balancing energy could be the most important obstacle.

9) Should there be a more coordinated approach across Member States for renewables support schemes? What are the main barriers to regional support schemes and how could these barriers be removed (e.g. through legislation)?

The CRE Members consider that the renewables support schemes of the EU States should be more coordinate.

The differences in the secondary legislation (taxes and charges) and national approach to energy security coming from the geographical position could be barriers in harmonization of RES support.

10) Where do you see the main obstacles that should be tackled to kick-start demand- response (e.g. insufficient flexible prices, (regulatory) barriers for aggregators / customers, lack of access to smart home technologies, no obligation to offer the possibility for end customers to participate in the balancing market through a demand response scheme, etc.)?

The main obstacles which need attention are the following:

- **Infrastructure:** smart metering infrastructure, data systems;
- **Regulatory framework and lack of harmonization in regulations:** lack of flexible prices, price incentive and feasible, transparent and coherent programs to determine demand response scheme in the market;
- **Harmonization of the data management processes needs to be transparent and efficient.**

11) While electricity markets are coupled within the EU and linked to its neighbours, system operation is still carried out by national Transmission System Operators (TSOs). Regional Security Coordination Initiatives ("RSCIs") such as CORESO or TSC have a purely advisory role today. Should the RSCIs be gradually strengthened also including decision making responsibilities when necessary? Is the current national responsibility for system security an obstacle to cross-border cooperation? Would a regional responsibility for system security be better suited to the realities of the integrated market?

CRE members consider that the coordination among TSOs should increase national system security. National responsibility for system security should not be an obstacle to cross border cooperation.

12) Fragmented national regulatory oversight seems to be inefficient for harmonised parts of the electricity system (e.g. market coupling). Would you see benefits in strengthening ACER's role?

CRE considers that a certain level of harmonization across Member States is necessary in order to achieve EU vision of The European Market. ACER's role should be increased in this direction.

13) Would you see benefits in strengthening the role of the ENTSOs? How could this best be achieved? What regulatory oversight is needed?

CRE considers the ENTSOE's role in coordination of TSOs is highly important.

14) What should be the future role and governance rules for distribution system operators? How should access to metering data be adapted (data handling and ensuring data privacy etc.) in light of market and technological developments? Are additional provisions on management of and access by the relevant parties (end- customers, distribution system operators, transmission system operators, suppliers, third party service providers and regulators) to the metering data required?

CRE's Members consider the increasing penetration of distributed generation, DSOs will play a more active role in the management of the distribution grid. In these conditions the existence of the single representative of DSOs will be necessary and also efficient.

15) Shall there be a European approach to distribution tariffs? If yes, what aspects should be covered; for example tariff structure and/or, tariff components (fixed, capacity vs. energy, timely or locational differentiation) and treatment of self-generation?

The regulatory framework should ensure fair allocation of grid costs among different users, encouraging them towards efficient use of the grid. It also should allow DSOs full timely and cost recovery of efficient investments as well as operational costs.

Members of CRE consider that the distribution tariffs should remain a question of national regulation considering the own specific nature of energy infrastructure and market. In the same time, the guidelines could be useful.

16) As power exchanges are an integral part of market coupling – should governance rules for power exchanges be considered?

Members of the association CRE are in favour of considering governance rules for power exchanges.

17) Is there a need for a harmonised methodology to assess power system adequacy?

CRE considers a necessity to have a harmonised methodology to assess power system adequacy. The ENTSO-E's adequacy methodology could be used as methodology of best practices.

18) What would be the appropriate geographic scope of a harmonised adequacy methodology and assessment (e.g. EU-wide, regional or national as well as neighbouring countries)?

CRE considers that the methodology has to be harmonised at the EU level and also that the implementation could be done at a regional level.

19) Would an alignment of the currently different system adequacy standards across the EU be useful to build an efficient single market?

CRE considers an alignment of the currently different system adequacy standards across the EU is necessary including the harmonisation of the indicators.

20) Would there be a benefit in a common European framework for cross-border participation in capacity mechanisms? If yes, what should be the elements of such a framework? Would there be benefit in providing reference models for capacity mechanisms? If so, what should they look like?

Members of CRE consider a common European framework for cross-border participation in capacity mechanisms to be necessary in accordance with the principles of transparency and non-discriminations.

21) Should the decision to introduce capacity mechanisms be based on a harmonised methodology to assess power system adequacy?

Members of CRE consider that the Member states of EU have a different perception regarding the power system adequacy and their situation is quite different.

Member States are developing their capacity markets depending on their particular situation.

The methodology has to allow the implementation in different time schedules.

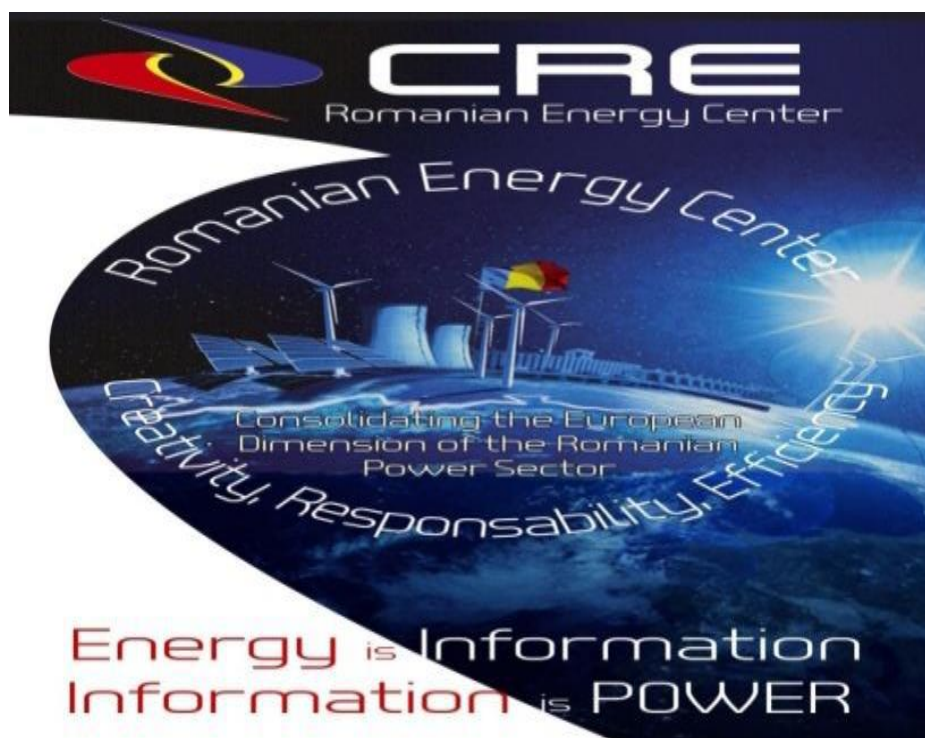
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