

Given forms of capacity mechanisms and the EU electricity market

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*Capacity mechanisms in Europe:
The fundamental issues behind the ongoing sector inquiry
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**Massachusetts
Institute of
Technology**

CRMs and the EU Electricity Market

CAVEAT

**Do not take me wrong,
what follows are innocent questions and
comments from a “Euro enthusiastic”
(though a little bit cynic and skeptic)**

The (wo)men in the mirror

- **Do environmental policies match with energy markets?**
 - The shrinking EU market
- **Is autarky back? Did it ever leave?**
 - EU or MS energy security?
- **Will Member States ever quit aiding?**
 - Should they?

Do we need a (more realistic) forth package?

The question asked

- **Energy-only market or a given form of capacity mechanism?**

The original sin: the market failure
Some light from the classic economic philosophers

**“I’ve abandoned free market principles
to save the free market system”**



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A comparative analysis of existing CRM models What lessons can be learned? _ C. Batlle
Future electricity markets with or without capacity mechanisms: What does Europe say?
Eurelectric, Brussels, December 12, 2013



CRMs and the EU Electricity Market _ C. Batlle

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Energy-only what?

- We have heard a lot about them, but has anybody ever seen one?



The forms of CRMs are already given

- CRMs are here to stay, so it is a waste of time to argue if yes or no, we'd better quickly focus on
 - preventing flawed designs and barriers
 - guaranteeing minimum design requirements
- If properly designed, CRMs could even help to advance in the integration and efficiency of the Internal Energy Market

The forms of CRMs are already given (ii)

- If properly designed, CRMs could even help to advance in the integration and efficiency of the Internal Energy Market
 - Is it possible to design them properly?

The forms of CRMs are already given (iii)

- But in the humble opinion of this “long-term” observer, the current trend is heading towards the worst of the scenarios
 - New non-market oriented patches
 - Perpetuation of the current market agents’ structure (national, vertical and horizontal)
 - Long-term market cross-border segregation
 - The Internal Electricity Market for Leftovers
 - Missed (maybe last in many years) opportunity for demand response

Level of the EU market integration

- Apparently, the objective of the EU Commission is to go all the way
- But to what extent the Governments of the Member States really want to go?
- Could not we be cheating ourselves in Solitaire?



Thank you very much and excuses