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This response was prepared by Citizens Advice. Citizens Advice has statutory responsibilities to represent the interests of energy consumers in Great Britain and welcomes the opportunity to respond to the European Commission's consultation on a 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?

See response to Question 2.

and

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?

Citizens Advice supports efforts to move to market structures that more accurately reflect scarcity. This is an important way of conveying price signals reflecting the genuine value of consumption and production, at different times and in different locations. Incorporating price signals in this way alleviates the need for governments and system operators to forecast generation capacity and demand for years far ahead, a process which is inherently uncertain and in which the incentives acting on the forecasters will most likely lead to conservative estimates and to excessive investment in generation plant at consumers' expense. To achieve this beneficial outcome for consumers, a number of challenges must be overcome.

Capacity mechanisms

We are concerned that efforts to move in the direction of scarcity-reflective prices have been impeded by the adoption of capacity payment systems in a growing number of Member States, including Great Britain. Even Member States which have not adopted capacity mechanisms are likely to be influenced by them if interconnected neighbours initiate them.

However, in thinking about these issues it is important to recognise that, while capacity payment mechanisms may be undesirable elements of market design which the Commission has previously resisted,

they nonetheless exist. Therefore, policy design in this area should focus as much on the ability of the Commission and Member States to harmlessly unwind existing capacity mechanisms as it does on a system that works without them.

In the short term this may mean constraining capacity mechanisms, to ensure they extract best value and avoid becoming permanent features of the market. Ensuring Member States have a plan in place so that supposedly temporary capacity mechanisms can be withdrawn once they have done their job would be a useful requirement.

Differentiation between consumer groups

The cost benefit impact assessments for initiatives to promote scarcity-reflective prices must draw out which consumer groups may be negatively affected by this shift, and what actions will therefore need to be taken to ensure inclusive markets and affordable energy. This distinction is not only between large and small business customers but also across the diverse domestic groups resulting from factors such as housing type, tenure, family size, geography, age and income etc.

Questions raised in this context extend from whether existing business models for large customers translate to the domestic level, to more detailed issues such as the overall impact on consumers bills: e.g. whether the costs saved by the efficiency gain from a more flexible and responsive demand side would be 'used up' on incentives for active load--shifting participants (probably initially a small group of engaged early adopters) or whether enough efficiency would be gained from the actions of this group to provide lower bills for all.

We assume that time- of -use tariffs would be voluntary for domestic consumers. Even so, many could lose out. One recent trial found that 40% of consumers using smart meters and appliances (having self-selected to take part) paid more on a time of use tariff than they would have done otherwise, in some cases by several hundred pounds over the course of the trial¹.

This is reinforced by recent experience of existing time -of -use tariffs in GB: Economy 7. Past research by Consumer Focus (our predecessor organisation, "From devotees to the disengaged"²) suggested that a surprisingly large proportion of people on these tariffs could actually be paying more, not less. Its 2012 study suggested that 38% of time- of -use customers did not have storage heating and/or did not use regularly use appliances at off peak times and were unlikely to be benefitting.

It further suggested that around half of time- of -use tariff users did not deliberately run appliances off peak to save money. So whilst an incentive effect existed for some users, the indications are that a significant

¹ <https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/capturing-the-findings-on-consumer-impacts-from-low-carbon-networks-fund-projects>

² <http://webarchive.nationalarchives.gov.uk/20140108134512/http://www.consumerfutures.org.uk/reports/from-devotees-to-the-disengaged-time-of-use-tariffs>

tranche of consumers on time of use tariffs may be relatively passive and their behaviour will not be influenced by a within day price signal.

In the current system, where most consumers are on single rate tariffs, consumers with mostly on -peak demand are effectively cross -subsidised by those with mostly off- peak demand. This will be to the benefit of some, and the detriment of others. It is quite likely that there will be vulnerable customers in both pots - some winning, some losing, from the cross subsidy. Consumers' individual circumstances will affect their ability to shift usage. Medical care demands, mobility constraints (such as being housebound), or work patterns may mean that some households cannot shift demand. In addition, consumers that have always been on single rate metering may not have a strong understanding of their consumption pattern - because they have never received information on this.

There is good reason to believe that the main beneficiaries of time of -use tariffs would be more affluent and engaged consumers, while vulnerable consumers may lose out. For example, the experience from US trials has been that low -income consumers are less able to vary their energy usage in response to price signals³, and a recent large -scale UK trial has found a strong correlation between affluence and responsiveness to some types of price signal (though not others). Ongoing research indicates that the challenge for low – income householders may be how they are engaged (i.e. how tailored and accessible is the advice provided). Since this group are typically paying close attention to their budget

In future, flexibility in energy usage may be greatly increased by ownership of new technology such as electric vehicles or automated smart appliances, but this technology may be expensive, posing a further barrier to participation in time- of -use tariffs by low- income consumers. (See further in response to question 10)

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

No response to this question.

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

No response to this question.

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?

³ See 'Time-Varying and Dynamic Rate Design', RAP/The Brattle Group, 2012. <http://tinyurl.com/okscsf2> Figure 5 on p.30 shows that in 7 out of the 10 trials reviewed, response from low-income consumers was lower than average, and it was no more than average in the other 3 trials.

Where new investments could not be brought forward without long term certainty on revenues then a contract may be required. This contract could either be explicit, for example a contract for difference between a generator and a government body that guarantees the generator a certain price for its output, or implicit, for example providing tradeable certificates for some forms of generation that ‘top up’ the revenue they would otherwise receive from the market. The most likely scenario justifying such price support would be the need to stimulate new low carbon generation that would not otherwise come forward because it is not yet able to compete without subsidy. Reform of the EU ETS to deliver a more credible carbon price and the progress of some forms of low carbon generation to a point at which they can function without subsidy could provide the conditions to remove the need for these contracts with government. We are more sceptical that such contracts are required to assure capacity margins as we think that the value of flexibility could be signalled through a market price, for example through fully marginal imbalance pricing, and may not need long term contracts from government to support it.

In any area where long term contracting is mandated by government there needs to be a recognition that this results in the transferral of risks (and, by association, costs) to consumers. These could include (and may not be restricted to):

- wholesale and carbon price - that wholesale and/or carbon prices may be lower than were expected at the time the contract was entered into, leaving consumers paying higher than expected top-ups where generator returns are guaranteed.
- technology - that the expected savings from future projects resulting from learning from doing from current ones may not arise, fully or at all. Consumers may be left paying for stranded assets.
- market distortion - this could take different forms. Geographically, the adoption of different support mechanisms by different Member States may distort cross border trade. Technologically, given finite available funding, stimulus for one technology may crowd out or adversely affect the prospects of others.
- forecasting - the future is always uncertain, but particularly so at a time when the pattern and nature of generation and consumption is changing so rapidly. In the UK, there is a tension between the expectation that electricity demand will boom in the coming years as we electrify heat and transportation and our practical experience of sharply decreasing demand in recent years resulting from energy efficiency. The difficulties in future forecasting create real risk that long term contracting could result in material over or under procurement.

We are starting to see the emergence of extremely long term contracting in Member States attempts to stimulate new generation. For example, the UK government is offering EdF a 35 year CfD for a new power station at Hinkley Point C in Somerset. This is not expected to commence generation until the mid 2020s - which will mean that consumers will remain exposed to potential costs in relation to that contract until around 2060. The world of 2060 may well be very different to today’s world and there should be a presumption against ultra long term contracting of this sort where shorter term alternatives are available.

It is most likely because of those risks associated with long term contracting that markets have not delivered long term hedging tools on their own: we think it would be hard to find many markets where (eg) commodity costs can be fully hedged out to 2060. The risks of incorrect pricing are too great, and the timeframe - beyond the remaining life expectancy of a median age adult - is too long, to attract most investors.

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?

While it is our impression that the materiality of this issue to British consumers is low, we do note that it has been raised in the context of interconnection. Compared to the carbon price prevailing in Europe, the UK's carbon price floor has been considered by some to have 'distorting' effects that might, with sufficient interconnection capacity, lead to otherwise uneconomic decisions on locating generation plant, purely to benefit from arbitrage between the two carbon price areas. While it seems unlikely to us that this would have a significant effect on prices with the market as currently constructed, if such arguments are deployed in lobbying to impede the development of greater interconnection, over time it could serve to deprive UK consumers of the benefits that interconnection provides. We would encourage the Commission to keep a watching brief to determine whether these issues become more pressing in the future.

Where Member States have been providing stimulus for low carbon transition through bill funded levies, some have started to provide exemptions from their costs to energy intensive users in response to lobbying that this is adversely affecting their position in global markets. It is our understanding that such exemptions currently exist in Belgium (Flanders), Denmark, Germany, the Republic of Ireland, Sweden and the UK (in the EU), plus Norway (in the EEA). These exemptions have evolved in a piecemeal fashion.

While industries in EU Member states are in competition with nations outside the EU, they are also in competition with each other and there is a risk that unilateral action by individual Member States to exempt their own heavy industries from costs could result in a disorganised 'race to the bottom' where other Member states follow suit in adopting protectionist measures. There is at least some evidence that this is happening in practice - for example, the UK cited the existence of schemes elsewhere in the EU as part of its justification for bringing in its own scheme. More broadly, these kinds of exemptions do not make the costs go away - they simply fall on other consumers instead. If heavy polluters are able to escape their costs such that they fall on light polluters instead, this makes a mockery of the principle of 'polluter pays'. A truly market driven approach to decarbonising would be cost reflective - and that means that those who pollute should bear the cost of pollution.

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

In the long term, we would like to see renewables, and indeed all zero-carbon generation, competing openly with carbon-priced conventional generation. Up to now, the need to push down costs has necessitated a

subsidised approach to bringing forward immature technologies. As renewables mature, though, these policies will have to be phased out.

The biggest hurdle to market-driven investment in renewable energy is the continued weakness of European carbon pricing policy. This is not just a matter of excessive ETS allowances being released in the period to 2020, but that has certainly had a detrimental effect, especially because there was no ability in the system to adapt to economic circumstances in the wake of the financial crisis. The ETS is a weaker and shorter-term commitment than targeted support mechanisms in individual member states. Member states frequently provide 15 or 20-year guarantees for subsidies under feed in tariff or similar support mechanisms. Yet the longest the ETS cap has been known is just 11 years (from being set in 2009 to the end of the third phase in 2020) and with an average of just 7 ½ years. If a new 8 year cap were agreed next year, that would still give just 12 years of foresight (from a decision in 2016 to the end of the cap phase in 2028). Wind turbines have expected lifespans shorter than most other generation infrastructure, and are still expected to last 20 years. Nuclear power stations are built for 40 years or More. The ETS has never provided that length of signal. If it is to provide a durable enough signal to underpin major electricity generation infrastructure investments, a longer-term commitment to carbon pricing beyond 2030 would be valuable.

Finally, the 2020 Renewable Energy Target encouraged Member States to create non-market policies that reduced the need for market-driven deployment of renewables. As a minimum, we will probably need to see a reformed, strengthened, longer-term carbon price, further reductions in technology cost, and a willingness to give the market space to function if genuine market-driven deployment is to occur.

If they do not all come about, auctioning for renewable energy subsidy payments (as has been done in the UK and elsewhere in Europe) is a way of bringing through some of the benefits of competition, without totally exposing renewables to competition from all generation types.

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?

No response to this question.

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)?

Because of the UK's limited amount of interconnection, this has not yet been a major issue. Some proposed projects for 'overseas' renewables - windfarms located in Ireland but connected directly to the GB grid, or shared GB-Dutch offshore wind farms - have been mooted, but none has progressed far towards development.

In principle, we would back a geographically neutral approach to support schemes - we should aim to save carbon at least cost, regardless of where that carbon is saved. But finding a solution that works, especially in an environment where specific support schemes are beginning to be scaled back (see Q7) will be difficult, and it is unclear how many, if any projects exist at the margin of viability, that such a policy change would bring into viability while being cost-effective.

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 need for further analysis of domestic demand side response

Of all the impacts smart grids may have on energy consumers, demand-side response (DSR) has the potential to be the most direct. Encouraging consumers to change when they use electricity could deliver major benefits to decarbonisation and affordability in future, if it can be made accessible, safe and fair. There are questions about how and when this resource will be commercially viable. In the UK, distribution system operators are trialling a number of different uses paid for via the Low Carbon Networks Fund (LCNF), which we assessed in a recent publication (Capturing the findings on consumer impacts from Low Carbon Networks Fund projects⁴). The work of several LCNF trials gives good insight into the opportunities DSR may offer.

It is now well understood that time-of-use tariffs may create winners and losers. The research shows that trials have produced different results, but all find a large group end up paying more than with a flat tariff. There are many ways consumers' financial liability could be limited, but the impact this would have on both consumer response and commercial outcomes needs to be explored.

The dataset on DSR still needs to be expanded. Despite very useful emergent findings we do not have a full picture of the influence of demographics, price signal parameters - including price differentials between bands, duration, time of day and pricing patterns - or smart appliance use on DSR responsiveness. What data has been or is being collected is not always easily comparable. It would be a useful time to refresh past summary papers, and to share experiences from around Europe and potentially even further afield (e.g. Element Energy for DECC and DEFRA. (2014) Further Analysis of Data from the Household Electricity Usage Study: Electricity Price Signals and Demand Response).

Responses to domestic demand-side response still need more systematic testing, including the influence of demographics, price signals parameters and use of household automation. There should also be investigation of how 'safety nets' for limiting participants' financial liability can be made viable as business as usual, rather than an unrealistic feature of trials (see below). Future projects should aim to test these variables, and there should be provision for a detailed cross-referencing of the data already available.

Tools to help consumers' engage in the market

⁴ <https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/capturing-the-findings-on-consumer-impacts-from-low-carbon-networks-fund-projects>

The importance of correctly identifying the needs and behaviours of the different consumer groups (and tailoring policies accordingly) is explained in our response to questions 1 and 2 above. Following on from this, is the challenge of providing appropriate tools to enable domestic consumers to engage in the demand response market. This raises a number of issues, such as:

The risk of consumer mis-selling increases with further tariff complexity. Consumers need information and advice that is understandable, well communicated and tailored to their differing households. They will also require a clear understanding of their own consumption patterns. Potential measures to limit financial liability such as 'shadow bills' that show what you would have paid on a flat-rate tariff, or trial periods for time-of-use tariffs, or guarantees not to pay more than on a flat rate tariff for a defined period, might make engaging with these tariffs a more reliable proposition, but fundamentally they will always be more complex and riskier.

In our 2012 study (referred to in the response to question 2 above), one of the biggest concerns reported by consumers was confusion over off peak times and rates. 59% thought that additional information and advice would help them make better use of their tariff and heating system.

To aid consumers in price comparison at the time we called for greater standardisation of time-of-use tariffs as we found extremely wide variance in the proportion of consumption that would need to be off-peak before a consumer benefitted under different time-of-use tariffs.

These risks remain in place as we move into a smart meter world. It is possible that if tariffs become more complex, with a wider range available (in terms of design, not simply number) that accurate price comparison will become more difficult and/or that consumer understanding of what are, or are not, off peak times may be blurred. When comparing between flat-rate tariffs, consumers have to consider unit rate, standing charge and duration of offer. Greater complexity will be created by the need to consider their own energy behaviour and willingness to be flexible, as well as multiple different unit rates and different time bands.

Without automated appliances, unless the industry proactively matches consumers to their optimal tariff, consumers will need to develop a sophisticated understanding of their energy needs or seek independent advice and support. The potential for these services to be provided by increasingly sophisticated, regulated intermediaries could add a further layer of complexity and cost to these transactions. In this situation, preserving clarity and comparability of complex time-of-use offers, for example by standardising time bands, should be a priority.

Initiatives to promote the role of automated appliances should foster open standards that cover issues such as: cross-platform interoperability and interchangeability, plug and play architecture, and clear and credible performance measures. Labelling and design specifications will likely need review to avoid misleading claims. Consideration will also need to be given to the options for fair access for all consumers, e.g. the

possible need for support for low income consumers to replace less efficient appliances.

Contract protections and redress systems (with or without automation) will likely need to be adapted in line with the changing roles and responsibilities of market players. Furthermore, since it is the expectation that flexible consumption should drive the market, consumer needs and behaviours should provide the starting point for the review of these protections, as well as of the solutions for market entry challenges for new players (such as aggregators).

Finally, to ensure that changes to tariff and smart architectures proposed at EU level integrate smoothly with wide variations in tariff structures across Europe, the new terminology (for tariffs and smart technologies) should be harmonised and clearly defined. This is required both for the sake of transparency and simplicity for consumers and their advisors, as well as for clarity and effective enforcement of the new provisions.

Link up between (EU) policy areas to give consumers control

To enable consumers to achieve the expected level of control over their consumption, communication tools describing the energy performance of the building fabric and/or the efficiency of appliances could usefully be upgraded. Similarly the roll-out of smart meters provides an opportunity to provide tailored (to the individual household) advice on energy efficiency. Accordingly, part of the challenge for domestic consumers lies in the potential to co-ordinate the respective EU measures to support consumer behaviour change objectives.

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?

and

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?

To comment fully on this question, we would need a more detailed description of the specific regulatory gaps that a strengthened ACER might fill, in particular how transparency and accountability concerns might be addressed. That said, we see the logic in strengthening ACER to deliver more complete and consistent regulation to tackle cross-border issues that NRAs cannot address.

There is also clearly a need for it to provide greater oversight of ENTSOs and other EU bodies that might be

established as set out in the Energy Regulation: A Bridge to 2025 Conclusions Paper. At the same time however, it must be recognised that our current, pluralistic regulatory landscape, is not without its benefits. As a UK stakeholder the change process for the European network codes is less transparent to us than that of the pre-existing UK industry codes. National codes also appear more capable of rapid change if circumstances merit it (and they might - European energy systems are evolving rapidly in response to the demands of decarbonisation). There are also rights of appeal in relation to changes to national codes that do not appear to be mirrored in European codes that may mean that both investors and consumers are more confident in the accountability of the former than the latter.

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

While we appreciate that ENTSOs have a critical role in a facilitating a European energy market given their unique expertise and position, as a matter of principle, we have concerns about (further) privileging one part of the industry by endowing it with quasi-regulatory roles and responsibilities. There is a risk, for example, that ENTSOs may view the rise of distributed generation, demand side management, storage, and the so-called 'non-traditional' businesses that will exploit this new technology, as a threat to their commercial position. If so, this institutional power offers the opportunity to stifle pro-consumer innovation. We note for example that early drafts of the EU Emergency and Restoration Network Code, contained provisions that would have given TSOs power to impose a set of compliance obligations on domestic energy consumers that had the potential to frustrate the economic expansion of distributed generation and demand side response - a situation that demonstrated a worrying lack of awareness of the way domestic consumers participate in the energy market.

Our preference is therefore for the sorts of responsibilities that appear to be contemplated here, to be exercised by independent agencies who do not have a commercial interest in the evolution of the market in a particular direction.

At the same time, in recognition of the role assigned to the ENTSOs and the challenge the current mechanism presents for any engagement with energy consumers that lack the technical skill to input directly into the drafting process, we ask the Commission to review the options to facilitate a dialogue with all relevant market participants during the drafting of the EU network codes, and to allow greater flexibility to rapidly address operational issues where circumstances merit it (such as to avoid potential consumer detriment).

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?

Citizens Advice's views on the future role of DSOs were expressed in our response to the CEER consultation which is available here:

http://www.ceer.eu/portal/page/portal/EER_HOME/EER_CONSULT/CLOSED%20PUBLIC%20CONSULTATIONS/CROSSECTORAL/PC_The_Future_Role_of_DSOs/RR

The role of DNOs in the UK is slightly different to that for DSOs on the continent. That said many challenges for data access and security are the same and present a key challenge for the new market design.

One issue that requires clarification with the roll-out of smart meters, is the frequency of metering data, i.e. the need to distinguish between the definition of "near real-time" for the purposes of settlement and billing and "near real-time" consumption data provided to the consumer. In the UK, consumption data is fed to the IHD (in-home display) with only a few seconds delay and, for privacy and security purposes, currently does not leave the HAN.

With the step-change in consumer data brought about by smart metering as well as the increasing availability of cheaper data processing and storing options there is an accompanying increase in risks to consumer privacy and security. Consumer views on data vary widely by demography but some requirements remain consistent, these can be summarised as the need for:

- Transparency - i.e. the ability for a consumer to see who has access to their data, when, in what detail and for what purposes, and
- Control - i.e. the ability for a consumer to easily exercise control over how their data is used, by whom, and for what purposes - including the ability to change their mind in future.

Consumers are increasingly aware that their data has value and expect to see benefits in exchange for their sharing it. Ensuring that consumers, not industry actors are the gatekeepers to consumer data will help consumers to leverage this value by ensuring that they receive something of value to them in exchange for more detailed sharing - this could take the form of lower prices or additional services.

When consumers are confident in the transparency of how their data is used and their own ability to control it they are considerably more likely to engage with new data-driven services.

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?

No responses to this question.

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

No responses to this question.

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

We have no view on the methodology or harmonisation of such assessment. We are somewhat concerned by the question of who conducts the assessment. In the UK analogous assessments in respect of system capacity have been carried out by National Grid, in its role as System Operator, yet such assessments also have a commercial impact on its business. We would prefer to see any European-level exercise carried out by an independent agency - most obviously ACER - rather than by ENTSO-E whose membership has a more direct stake in the outcome. If ENTSO-E is chosen, we would like to see a formal independent scrutiny panel appointed, equivalent to the role of the Panel of Technical Experts who scrutinise National Grid's capacity assessment in the GB context.⁵

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)?

No response to this question.

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

No response to this question.

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?

As stated in responding to Q1 and Q2, we remain unconvinced of the necessity of capacity mechanisms. Nonetheless, given that they exist in several Member States, predictable and manageable arrangements need to be in place for cross-border participation, to ensure efficient payment for capacity across the continent. It has been to the detriment of market harmonisation efforts that several different capacity market models have emerged with little guidance from the EU. Now that they are here, there is a need for guidance on how they should (or even if they can) work together. Over the longer term, as stated in response to Qs 1&2, efforts should be made to prepare to disband existing capacity mechanisms.

⁵ For an example of their work, see <https://www.gov.uk/government/publications/emr-panel-of-technical-experts-final-report-on-national-grids-electricity-capacity-report>

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

No response to this question.

Yours sincerely

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