Le réseau de l'intelligence électrique

THE FRENCH CAPACITY MECHANISM – MARKET ASPECTS

EPEX-RTE Workshop – 20.10.2016

1. BACKGROUND INFORMATION AND NEXT STEPS OF THE IMPLEMENTATION OF THE FRENCH CAPACITY MARKET

2. FOCUS ON THE MARKET ASPECTS OF THE FRENCH CAPACITY MECHANISM

   a. Main design elements of the capacity market

   b. Changes proposed in the new project of rules, in accordance with the negotiations with the EC

1 BACKGROUND INFORMATION AND NEXT STEPS OF THE IMPLEMENTATION OF THE FRENCH CAPACITY MARKET

THE BEGINNINGS OF THE FRENCH CAPACITY MECHANISM AND THE IN-DEPTH INQUIRY OF THE EC

- **22 January 2015: Adoption by the French Minister in charge of Energy of the rules of the French capacity mechanism (ministerial order).**
- **1 April 2015: Publication of the capacity mechanism's contracts and launching of the certification process for delivery years 2017, 2018 and 2019.**
- **15 June 2015: First EPEX-RTE workshop on the capacity market to announce the creation by EPEX SPOT of an organized market for French capacity guarantees.**
- **13 November 2015: Launching by the DG COMP of an in-depth inquiry on the French capacity mechanism (with a focus on competition issues and cross-border participation).**
- **April-September 2016: Negotiations between the DG COMP and the French authorities at a steady pace.**

2016 LAST SEMESTER: FEEDBACK AND NEXT STEPS

- **Concertation/consultation on the competition related modifications of the French capacity mechanism as negotiated with the Commission.**
- **Specific consultation on the organized market's aspects.**

***7 October 2016*: « CAM » meeting with the announcement by the French authorities that an agreement on principles has been found with the DG COMP.**

***10 November 2016*: Referral to the French regulator (CRE) and the French Minister for Energy.**

Decision of the French Minister.

Work on the review of the 2012 decree.



***10 October 2016 – 10 November 2016*: Public consultation on the new project of market rules for the capacity mechanism.**

Opinion/decision of the CRE.

1 January 2017 : Beginning of the 1st delivery year.

2 FOCUS ON THE MARKET ASPECTS OF THE FRENCH CAPACITY MECHANISM

2/a FOCUS ON THE MARKET ASPECTS OF THE FRENCH CAPACITY MECHANISM

Main design elements of the capacity market

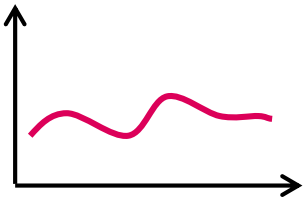
THE FRENCH CAPACITY MARKET IN A NUTSHELL

CAPACITIES OPERATORS (generation & DR)

OFFER FOR CAPACITY CERTIFICATES

DEMAND FOR CAPACITY CERTIFICATES

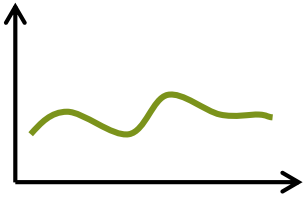
OBLIGATED PARTIES (mainly suppliers)



Declared availability during peak periods

CAPACITY MARKET (market-based, capacity-wide)





Estimated demand during peak periods

CERTIFICATION

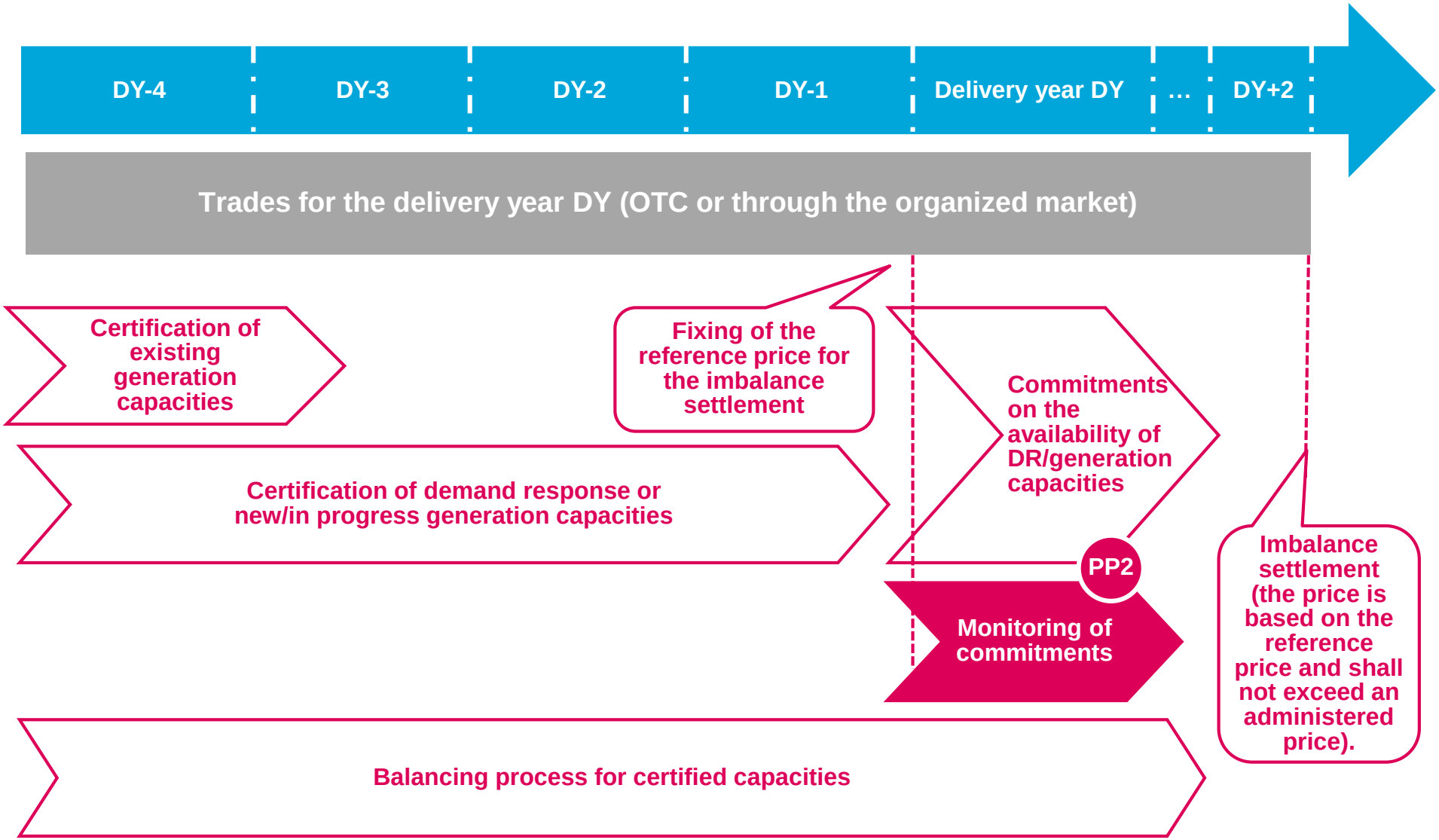
RTE issues capacity certificates to capacity operators based on the declared availability of their capacities during winter peak periods. (Possibility to rebalance.)

1 RES certificate = 1 therm. certificate = 1 DR certificate

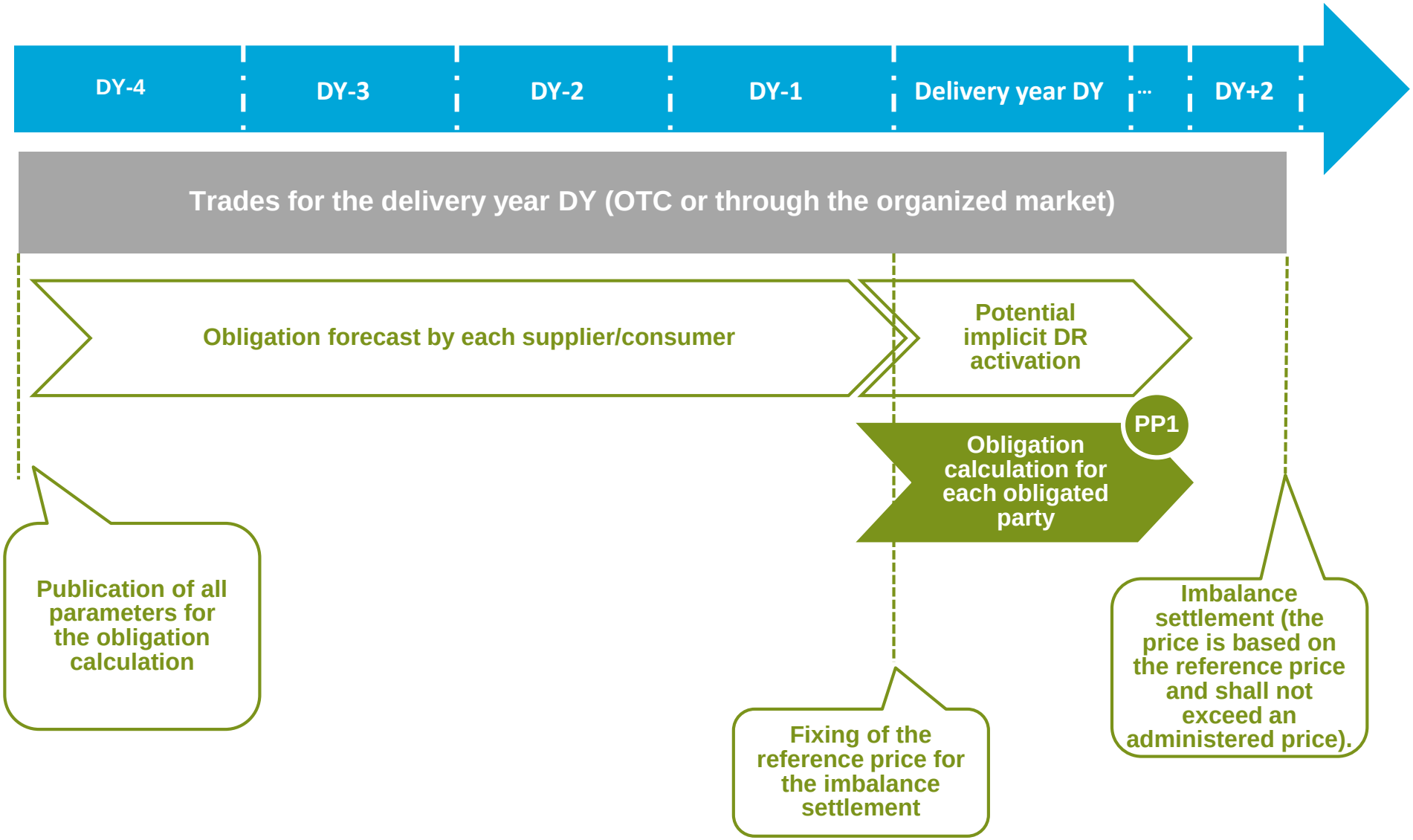
OBLIGATION

Electricity suppliers have to prove for each DY their ability to cover their customers'demand during winter peak periods. To fulfill this obligation, they have to acquire capacity certificates.

THE CAPACITY MECHANISM FROM A CAPACITY PROVIDER POINT OF VIEW



THE CAPACITY MECHANISM FROM A SUPPLIER'S POINT OF VIEW



IMBALANCE SETTLEMENT

IMBALANCE SETTLEMENT FOR EACH DELIVERY YEAR



Generation or DR operators

RTE calculates the imbalance between the amount of deserved certificates and the amount of issued certificates at the end of the delivery year.



Obligated parties

(suppliers)

RTE calculates the imbalance between the effective reference power and the amount of capacity certificates owned at the end of the trading period.

FOCUS ON THE TRADES OF CAPACITY CERTIFICATES



The capacity market, independent from the wholesale energy market, has been implemented since 1 April 2015 with the first certifications of capacities, and consequently the first possible exchanges of certificates.

Market surveillance by the French NRA (CRE)

Certificates can be traded via:



OTC TRADES



A PUBLIC PLATFORM

(EPEX SPOT)

Two types of trades:
- ***Transactions*** **with a price associated.**
- ***Transfers*** **with no price associated.**

(Detailed in the new projet of rules currently in consultation)

FOCUS ON THE TRADES OF CAPACITY CERTIFICATES



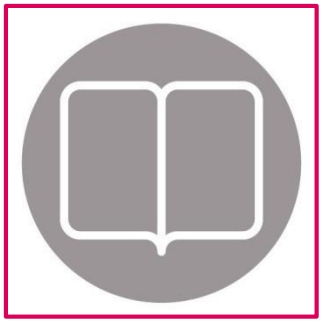
The capacity market, independent from the wholesale energy market, has been implemented since 1 April 2015 with the first certifications of capacities, and consequently the first possible exchanges of certificates.

Market surveillance by the French NRA (CRE)

Three registers :



REGISTRY OF CERTIFIED CAPACITIES
(public information on the offer of capacity certificates)



REGISTRY OF CAPACITY CERTIFICATES' TRANSACTIONS
(information on the exchanges of certificates : confidential under the current rules)



REGISTRY OF CONSUMPTION CONTROL MEASURES
(public information on implicit demand response)

2/b FOCUS ON THE MARKET ASPECTS OF THE FRENCH CAPACITY MECHANISM

Changes proposed in the new project of rules, in accordance with the negotiations with the EC

GLOBAL PACKAGE OF EVOLUTIONS NEGOTIATED WITH THE EUROPEAN COMMISSION

a. **Regulating the certification of capacities with the implementation of the « certification tunnel ».**

b. **Revising the balancing process for certified capacities.**

c. **Strengthening the incentive aspect of imbalance settlement.**

d. **Following the capacity obligation of obligated parties.**

e. **Increasing the transparency obligations for integrated operators.**

f. **Market aspects: increasing the transparency of OTC trading, the liquidity of the organised market and the incentives scheme.**

These evolutions have been included in the new project of rules submitted for consultation on the 10th of October.

1) INCREASING THE TRANSPARENCY OF OTC TRADES

FUNDAMENTAL PRINCIPLES NEGOTIATED WITH THE EC

- This topic has been **discussed a lot with the Commission**. A **specific consultation** has been launched in mid-summer by RTE on the specific role of the organized market in the French capacity mechanism,
- The possibility to **suppress OTC trading** has been evoked by the Commission but has **not been retained**.
- Specific attention to **internal trades** for integrated parties.

PRINCIPLES ADOPTED AFTER THE CONCERTATION

- **OTC trading will be maintained**, along with the organization of capacity certificates' auctions (as is the case under the current rules).
- **Full transparency on trading**: publication of all information related to each transaction individually, including the price (apart from the identity of parties).
- A **price** must be declared **for internal trades**.

Extract of the register

Cession number	Type of operation	Date	Debit	Account	Credit	Compte	Quantity (MW)	Price (k€/ MW)	DY	Statute
TRC-0001	Transaction	15/11/2016	ANONYMOUS	ANONYMOUS	ANONYMOUS	ANONYMOUS	100	10	2017	Recorded

2) STRENGTHENING THE INCENTIVES TO USE THE ORGANIZED MARKET SO AS TO INCREASE ITS LIQUIDITY

FUNDAMENTAL PRINCIPLES NEGOTIATED WITH THE EC

- **Need to increase the liquidity of the organized market by imposing proportionate constraints on the offer for capacity certificates from large capacity operators.**
- **These constraints have to be partly expressed as a percentage of the certified capacity (and not only as a percentage of the unsold capacity certificates).**

PRINCIPLES ADOPTED AFTER THE CONCERTATION

- **No constraints on obligated parties: no obligation to buy capacity certificates on the organised market before the beginning of the delivery year.**
- **Regarding capacity providers with a significant volume of certificates (above a specific threshold of 3 GW of capacity certificates per Capacity Portfolio Manager [CPM]), constraints will be applied on their offer for capacity certificates so as to improve the liquidity of the organized market.**
- **Constraints both on the level of certified capacity (LCC) and on the level of unsold capacity certificates per CPM:**

DY-4	DY-3	DY-2	DY-1
25% of the level of certified capacity (LCC)	Maximum (25% of LCC; 25% of unsold certificates)	Maximum (25% of LCC ; 50% of unsold certificates)	Maximum (25% of LCC ; 100% of unsold certificates)

3) INCITING MARKET PARTIES NOT TO WAIT FOR THE IMBALANCE SETTLEMENT AND TO PREFER THE MARKET

→ **Need to change the formula for imbalance settlement (CPM and obligated parties) to increase incentives not to wait for the imbalance settlement (increasing incentives in particular above a 1 GW imbalance threshold).**

→ **Gradual increase in the administered price for imbalance settlement, so that it is more consistent with the CONE. For the first delivery year, the price will however be limited to ensure a good start for the French capacity mechanism:**

2017	2018 and 2019	2020	From 2021
20k€	40k€	60k€	Annual update of Padm to the level of the CONE

THANK YOU FOR YOUR ATTENTION

ANNEXES

TRANSFERS/TRANSACTIONS

8.1.6.3.2 Transfert de Garanties [CRE]

Une Cession de Garanties entre un RPC et un Titulaire d'une EDC rattachée à son Périmètre est un transfert de Garanties.

Une Cession de Garanties entre un RPC et RTE dans le cadre d'un rééquilibrage à la hausse ou la baisse est un transfert de Garanties :

RTE
RTE invite les acteurs de marché à faire part de leurs propositions s'agissant des autres cessions de garanties de capacité qui pourraient être qualifiées de transferts de garanties de capacité.

- dans le cas d'un rééquilibrage à la baisse, le RPC restitue des Garanties de Capacité à hauteur du rééquilibrage à la baisse sur le compte de restitution géré par RTE par le Transfert de Garantie du montant adéquat ;
- dans le cas d'un rééquilibrage à la hausse, RTE délivre des Garanties par Transfert, à hauteur du rééquilibrage à la hausse sur le compte du RPC, au plus tard 5 Jours après signature du nouveau Contrat de Certification.

Plus généralement, une Cession de Garanties dont l'un des deux titulaires de compte parti à la Cession est RTE, en tant que Gestionnaire de Réseau, est un transfert de Garanties de Capacité.

8.1.6.3.3 Transaction de Garanties [CRE]

Toute Cession de Garanties de Capacité qui n'est pas un Transfert de Garanties de Capacité est une transaction de Garanties de Capacité.