

EFET Statement on market integration of renewable energy sources

European Federation of Energy Traders

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European Federation of Energy Traders (EFET)



Represents over 100 companies

Promotes the development of a sustainable and liquid
European wholesale market

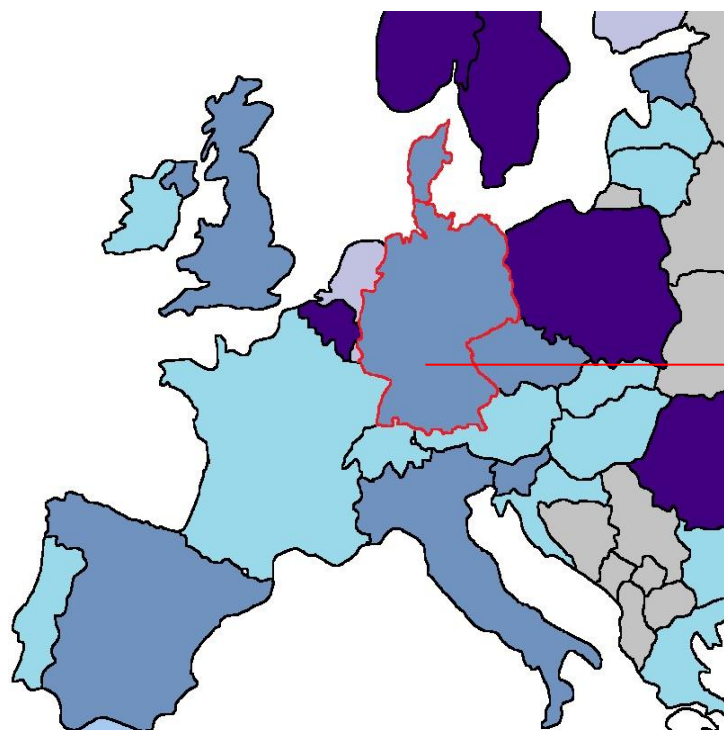
Substantial activities:

- enhancing transparency and fostering liberalization
- improving the conditions of energy trading
- developing progressive standard contracts and IT- Solutions

EFET Members



European overview of current promotion policies



27 divergent national support schemes do not allow economically effective and environmentally sound RES integration

Renewable energy is a major market force: 18% RES-E (EU27)

Current 6% intermittent RES-E to reach 24% by 2035

Pioneer market player with 20% RES-E (8% iRES-E)

Divergent support schemes are not compatible with the vision of a common energy market and the 20/20/20 goals

Intermittency reaches critical level in certain regions

Effective market and system integration requires an EU-wide harmonized market mechanism



In the Communication adopted on 6th June 2012 the Commission is calling for a more coordinated European approach in the establishment and reform of support schemes and an increased use of renewable energy trading among Member States.

Renewable energy should be gradually integrated into the market with reduced or no support, and should over time contribute to the stability and security of the grid on a level footing with conventional electricity generators and competitive electricity prices.

The Commission aims to promote the increased use of the cooperation mechanisms, allowing Member States to achieve their national binding targets by trading renewable energy and...

...to improve the regulatory framework for energy cooperation in the Mediterranean.

Increased RES-E generation and use is a “no regret” option. It requires early policy clarity and enhanced trading within Europe.

Implementing “Transformation of our energy system” of September 2010 and the related accelerating decisions from 2011 require the energy system to be fundamentally restructured.

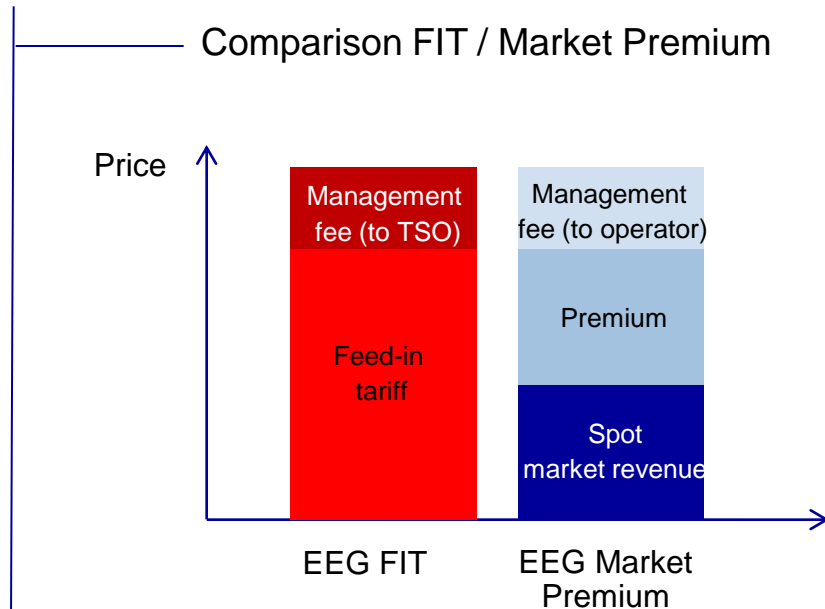
The basic principles of the EEG are retained, meanwhile the amendments of the Renewable Energy Sources Act seek to improve tariffs that are currently inadequate, (offshore wind power, hydropower) and to restrict excessive support and windfall profits.

The nuclear phase out decision leads to faster RES expansion and requires better integration of renewable and conventional power generation units in order to provide a reliable, economically viable and environmentally sound energy supply system. Conventional capacity replacing nuclear generation is likely to be gas fired.

The parliament’s decision to cut solar feed-in tariffs lead to boom in new solar capacities in the first quarter of 2012 with a capacity of 1,900 MW installed (513 MW in Q1 2011). Cuts will probably put an end to high annual growth rates.

In 2012 an optional market premium was introduced marking an important move towards the market integration of RES-E. More than 20GW generation capacity opted for the premium over the FIT by April 2012.

Market Integration – Premium Model (§33b Ziff. 1 EEG2012)



Positive effects of the MP Model:

- Decreased RES-E penetration at times of negative prices
- Leaving the risk free FIT can result in higher revenues, especially for flexible generation.
- Internationally tradable Guarantees of Origin certificates allow product distinction
- Redispatchable RES-E generation concentrated to high- price periods increases system security
- Maintenance during low- price, low- demand periods enhancing demand based generation
- Complements Green Electricity Privilege

Electricity is sold according market conditions.

Premium is determined monthly ex-post (on the basis of German spot prices).

EFET has been traditionally in favor of the market premium model and welcomes the new support option.

System Integration- Balancing Groups

Integration of RES-E generation units into “normal” balancing groups



Source: German Mission to South Africa and Lesotho

Demand based generation as RES-E generator reacts to market price signals

Incentivizes RES-E generator to increase compliance with net schedule

Enhanced forecast accuracy and system flexibility

Effective shift from promoting immature RES technologies towards establishing the new energy supply system

Off-peak Spread serves as an incentive for storage capacity development

Problematic role of TSOs is reduced

Reduced need for regulation

Need for capacity market is being discussed

A demand based and cost efficient regime requires market and system integration of RES-E

EFET Vision

Transition into a new promotion system:

Leave already existing renewable power plants in the old scheme so they cannot affect market price for certificates nor benefit from them. For newly built renewable power plants, sites and the technology will be chosen in the most economically efficient way.

Support for immature technologies

By research grants or tenders. A clear separation of promotion schemes with respect to their different degrees of technological and economic maturity will help to avoid a large scale roll-out of generation assets in a too early state, leading to either stranded assets or high follow-up costs.

Next Steps

Short-term need: Harmonise grid access arrangements.

Medium term challenge: Develop a European quota and certificates market.

EFET seeks to launch a European debate:

How renewable generation sector can be supported efficiently in Germany and across the EU ?

How to design the feasible transition paths from the current situation ?

**Thank you for
your attention!**

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