

Market design of the future

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How much central planning does
transformation require?
and who should be the planner?

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How much central planning does transformation require?

- The regional imbalance in generation and load will put stress on the high voltage grid
- A co-ordination that accounts for regional aspects becomes increasingly important (Hoeffler)
- At the European level? At a regional level?
Certainly not at a Member-State level

How much central planning does transformation require?
Which type of decisions?

- Without zonal pricing, locational incentives for redispatch facilities become important (Hoeffler)
- Is it rational to maintain priority for energy from renewables in dispatching? As the share of energy from renewables grows, priority greatly reduces the meaning of economic dispatching
- And perhaps priority is not needed since energy from renewables has very low marginal cost anyway

**How much central planning does transformation require?
Which type of decisions?**

- Planned increase in RES without a change in regional patterns for conventional leads to an imbalance (Hoeffler)
- Compensatory investment in conventional generation is one response
- Other possible responses are:
 - reinforcement of the grid
 - electricity storage sites (pumped hydro, compressed air, batteries)
- At the end, some imbalance may be the least expensive choice

Who should be the planner?

- In GB, Ofgem proposes that the regulator takes the lead in managing major policy changes
 - through a more transparent, consultative and coordinated process than currently exists, which would result in speedier changes. Such a move will reduce duplication that exists under the current arrangements
- Is this proposal receiving attention in GB? And in other EU MSs?
- Do the other regulators agree? And are they ready to take the lead?