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WORKING FOR YOU – WHEREVER YOU NEED ENERGY.



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Contribution to the Discussion
on
Laurens De Vries
Christian v. Hirschhausen

- Major building blocks of Laurens's presentation:
 - Less electricity consumption
 - Increased importance of intermittent renewables
 - Lower duration curves more extreme spikes in prices but less frequent
- Would anybody invest in such a „Spot-System“?

Contribution

- Are there really energy-only markets in the EU (see balancing energy with at least short term capacity elements)
- Some simple theoretical question:
 - **What about hedging mechanisms for supplier's asymmetric price risks?** appr. 80% is forward traded
 - **What about investment cycles?** Would anybody apart from some electricity islands invest in a market who expects producing for 1000 hrs?

- Some factual questions
 - **Do we see increasing volatility?** – it increased in 2008 when capacity was tight and decreased thereafter
 - **Do we see lack of available capacity in non price-capped markets in the EU?** many new projects in 2007/2008
- A regulator's question
 - **Is it likely that the EU will agree on a specific option of an artificial capacity market?** Wouldn't we be running into severe concerns in terms of competition and state aid policy?

- Southern Germany as concrete example of a load pocket
- Need for secondary reserve
- Potential problems withholding network capacity for integration of these markets

Contribution

- **Why a capacity instrument as primary solution?** Target model foresees the possibility of price zones; are these politically unacceptable for seeming too inactive?
- If these mechanisms are a „political“ tool, isn't there the danger of „political“ activation (high prices etc.)

- **Is redispatch a capacity mechanism?**
- **Load pockets are no market design issue but a temporal phenomenon** → the specific solution has to be economically well founded, but must not lead to general conclusions



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