



The French capacity market: on-going consultation on explicit XB participation

Chloé Latour
Markets Department

The French capacity market in a nutshell

A market-based solution

SUPPLIERS
- Demand for Certificates
- Based on effective consumption of customers



CAPACITIES OPERATORS
- Offer for certificates
- All capacities are participating on a level playing field



- Transparency platforms provided by RTE
- Market surveillance by CRE



Increased EU integration of the French capacity market

- › The French capacity market already takes into account the participation of the interconnected system to the security of supply in France (around 7 GW): **statistic approach.**
- › **In 2014, RTE has described one possible scenario for XB participation and its technical prerequisites:**
 - › Ability to guarantee the effective contribution of capacities to security of supply
 - › Definition of control process
 - › Political and operational rules to be defined in case of simultaneous shortage situations
- › **Since 2014, several contributions have also contributed to define other solution for XB participation:**
 - › Eurelectric: proposition of capacity markets' coupling
 - › UK: proposition of explicit valuation of interconnectors

RTE has been mandated by the French Minister on the European integration of the capacity market

Increased European integration of the capacity market

- › Identification and analysis of possible evolutions
- › Proposition of evolutions of the French capacity market which can be differentiated by borders
- › Impact assessment of the benefits in terms of security of supply and of the social welfare linked to those evolutions

Input for a regional approach

- › Identification of prerequisites linked to the definition of a regional target model
- › Identification of market design issues linked to XB participation
- › Identification of the technical and legal conditions required to elaborate a coordinated regional solution for capacity markets (incl. emergency situations)

Quelle prise en compte de l'interconnexion au système européen dans le mécanisme de capacité français ?

« Il s'agit, dans un premier temps, d'identifier les pré-requis techniques, réglementaires et institutionnels à une telle ouverture, au regard de la contribution effective des capacités situées à l'étranger à la sécurité d'approvisionnement en France métropolitaine continentale, et dans le respect des prérogatives des Etats membres en la matière. Cette étude pourra proposer des solutions adaptées à chaque frontière qui permettent une telle participation. Enfin, elle évaluera l'impact économique de ces solutions pour la collectivité, notamment pour les consommateurs et pour les acteurs de marché »

(Extrait du mandat défini par la Ministre de l'énergie)

- **Main scenarios:**

- **Valuation of interconnections (implicit or statistic)**

- **Valuation of XB capacities**

- **Valuation of XB capacities + interconnections**

- **Objective of the on-going consultation: definition of the rationale behind each scenario and assessment of those scenarios in order to choose the scenario that “values” properly XB assets**

- **Main question: where is the value? What should be valued in XB CRMs? Interconnections or XB capacities ?**

What has been done?

- **Description of the main scenarios and debate with stakeholders**
 - **Valuation of interconnections (statistic / implicit)**
 - **Valuation of XB capacities**
 - **Valuation of XB capacities + interconnections**

- **Definition of the “assessment framework”**

- **Next steps:**
 - **Public consultation on the assessment of XB scenarios (July-August)**
 - **Definition and proposition of a target by RTE based on the public consultation**
 - **Proposition of a roadmap towards this target (incl. regulatory evolutions) – Dec.**

- **Added-value in terms of security of supply compared to the existing implicit solution**
- **Ensuring that XB certificates go to the parties that are effectively providing added-value to security of supply**
- Ensuring security of supply at the lowest cost possible
- Limited costs, especially for consumers
- **Consistency with the internal energy market (incl. regulatory framework)**
- Triggering long-term investment signals
- **Ensuring competition**
- Definition of a framework that:
 - Can be easily understood by stakeholders
 - Is consistent with the objectives
- **Ensuring that stakeholders are responsible for the risks they are bearing (as in the energy market)**
- Effective control of commitments
- Principle of reciprocity

An important range of studies will be conducted by RTE in order to properly assess the impact of XB solutions

- **A first set of studies has already been delivered in 2013-2014** showing that:
 - **the impact on consumers of the French capacity market is moderate**, especially if consumers choose to participate in the market through demand-response programmes.
 - **the French capacity market should not distort the signals of the internal energy market.**
- This assessment needs to be completed, especially in the context of the European integration of the French capacity market.
- **RTE will published a 2nd set of studies in order to be able to assess the impact of XB solutions for social welfare and on French consumers. These studies will also deepen the effects on the internal energy market.**
- **They will play a major role in order to define the possible way forward regarding the European integration of the French capacity market.**

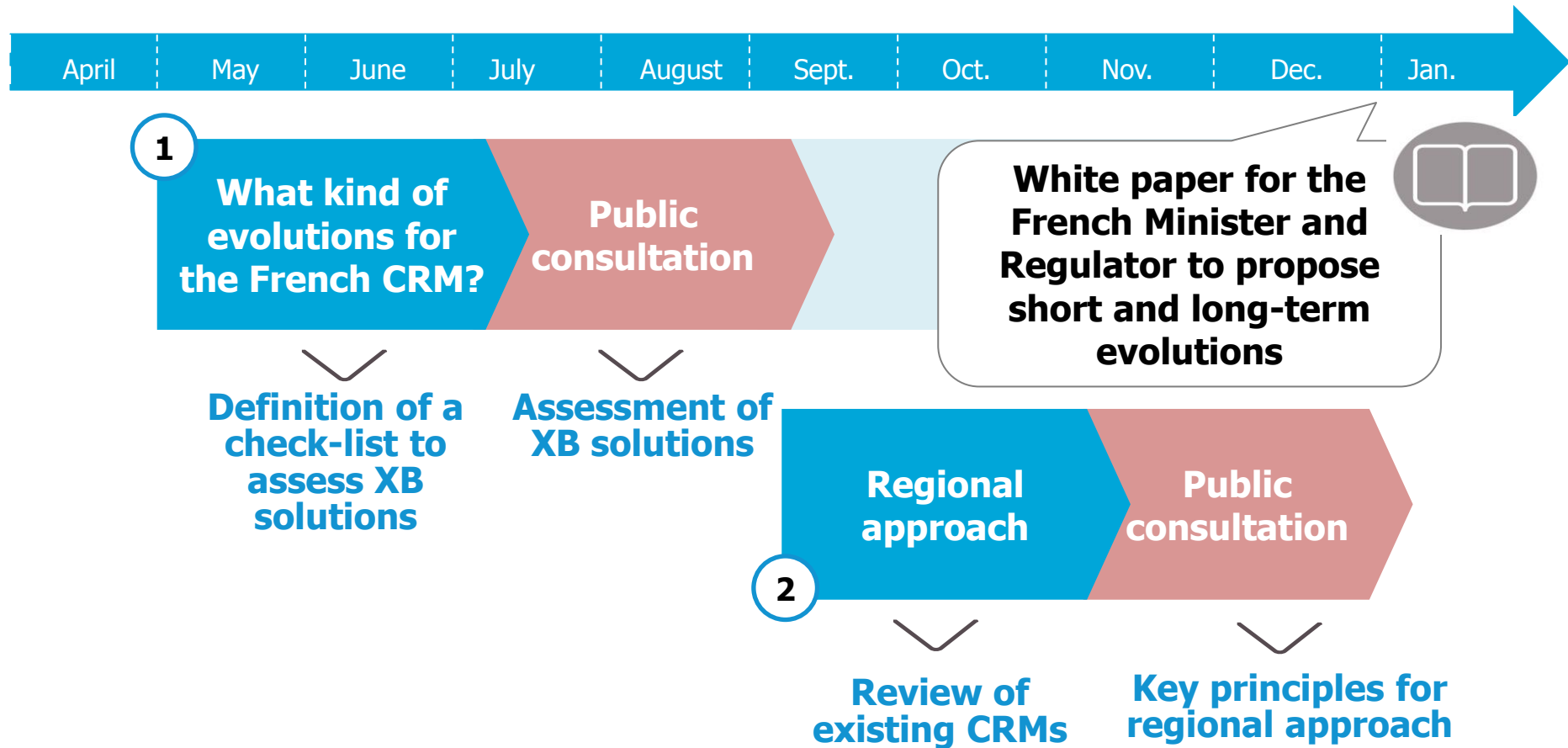
Quelle cible pour les mécanismes de capacité en Europe ?

« Dans un deuxième temps, cette concertation pourrait définir les modalités de construction d'un dispositif régional de capacité. Elle étudiera en particulier l'ensemble des conditions techniques et de coordination interétatique nécessaires, notamment en terme de définition commune des critères de sécurité d'approvisionnement et de partage équitable de la défaillance entre les Etats »

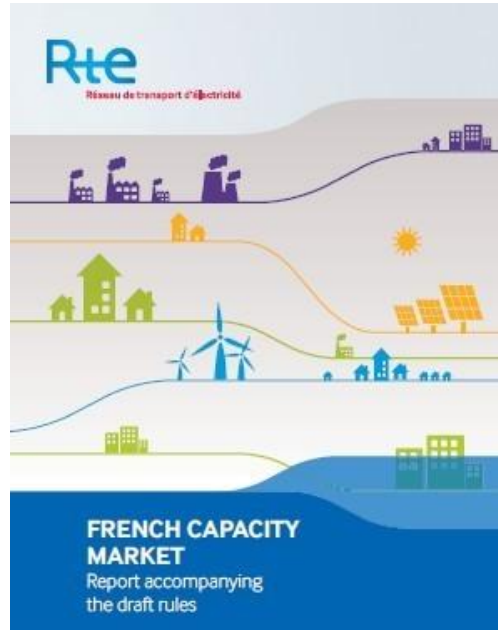
(Extrait du mandat défini par la Ministre de l'énergie)

- › **Need to have a better understanding of existing and planned schemes :**
 - › **E.g. participation of demand-response**
 - › **RTE is contributing to this work in the PLEF**
- › **In-depth analysis of existing models on capacity mechanisms and XB effects**
- › **Institutional and regulatory issues:**
 - › **E.g. emergency situations**
- › **This part of the consultation will be held from September onwards and will lead to a report for the French government in order to provide inputs for the European debate on these issues.**

An extended consultation process from April to Dec. 2015



Thank you for your attention



- [in French](#)
- [in English](#)