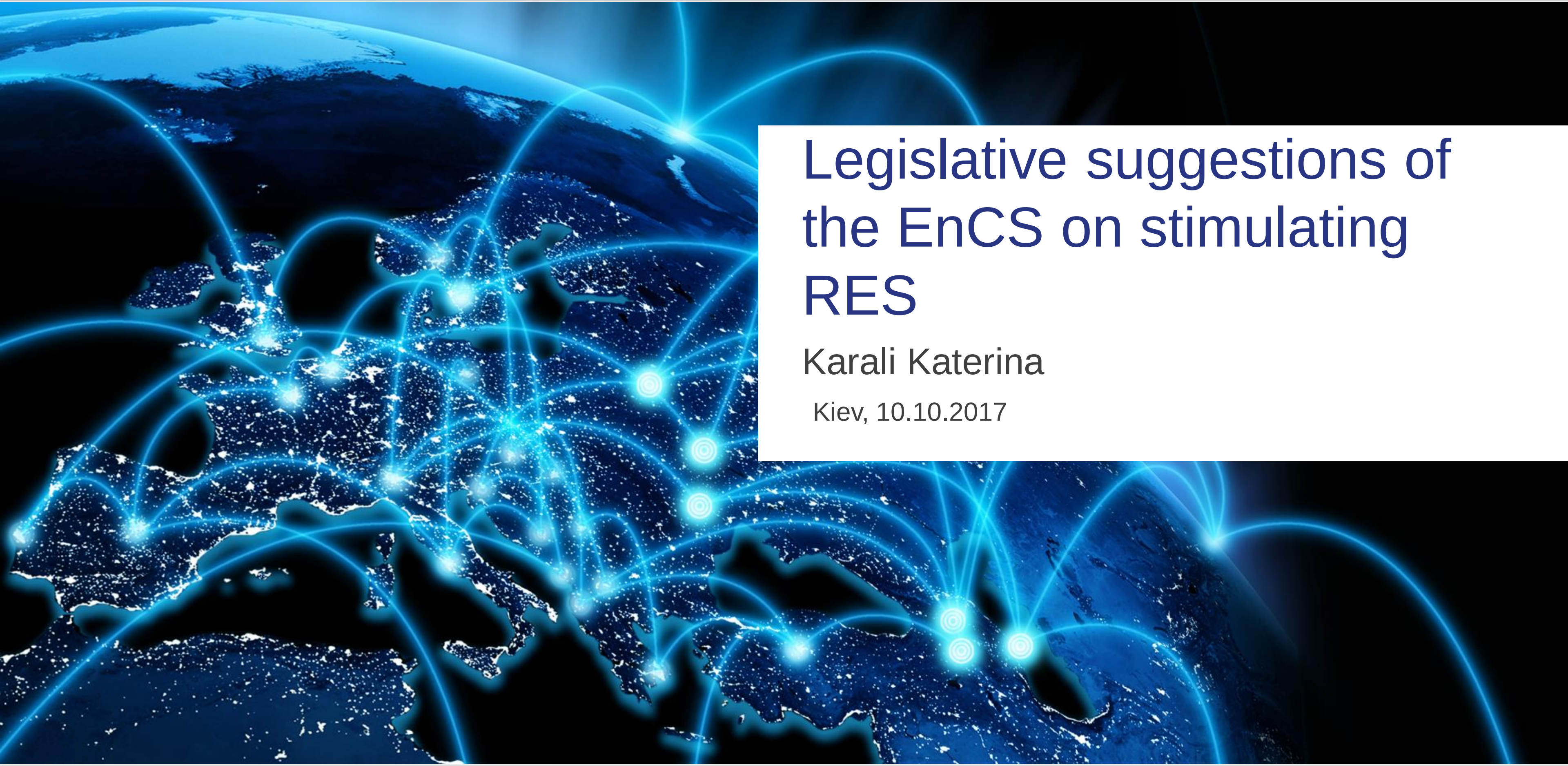
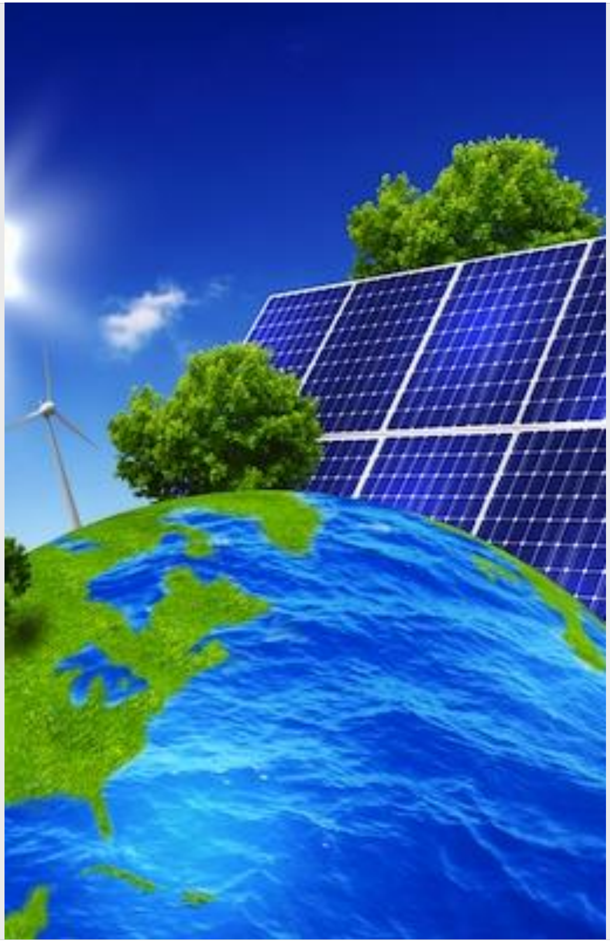


# Legislative suggestions of the EnCS on stimulating RES

Karali Katerina

Kiev, 10.10.2017

# The Winter Package (1 out of 2)



- ✓ ***EnCS considers the Winter Package the sustainable solution/ way out for RES integration into the electricity markets***
- ✓ ***Winter Package targets:***
  - ❑ ***increase investor certainty***
  - ❑ ***working towards sustainable climate and energy targets***
- ✓ ***RES support schemes to be granted in a competitive manner (auctioning)***
- ✓ ***Guidelines on state aid for environmental protection and energy need to be properly observed when establishing new RES support schemes***

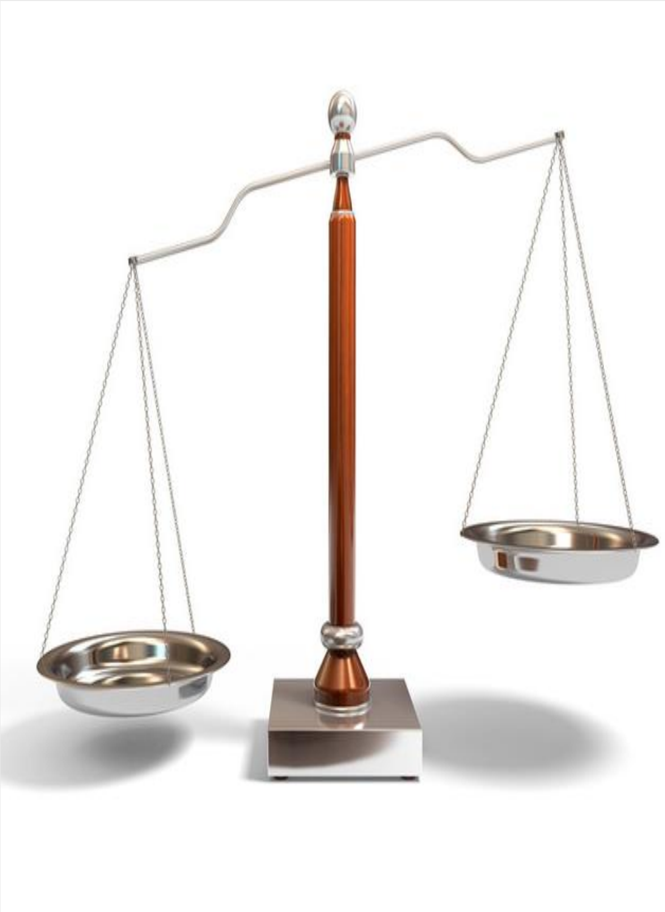
# The Winter Package (2 out of 2)

- ✓ One stop shop for permitting and licensing procedures
- ✓ Simplified procedures for connection to DSO networks especially for the small scale RES
- ✓ RES prosumers treated differently than suppliers
- ✓ Market-orientated and cost-effective RES
    - ✓ How to introduce RES into the market design without creating non-bearable risks to investors

# Auctioning – the EnCS approach

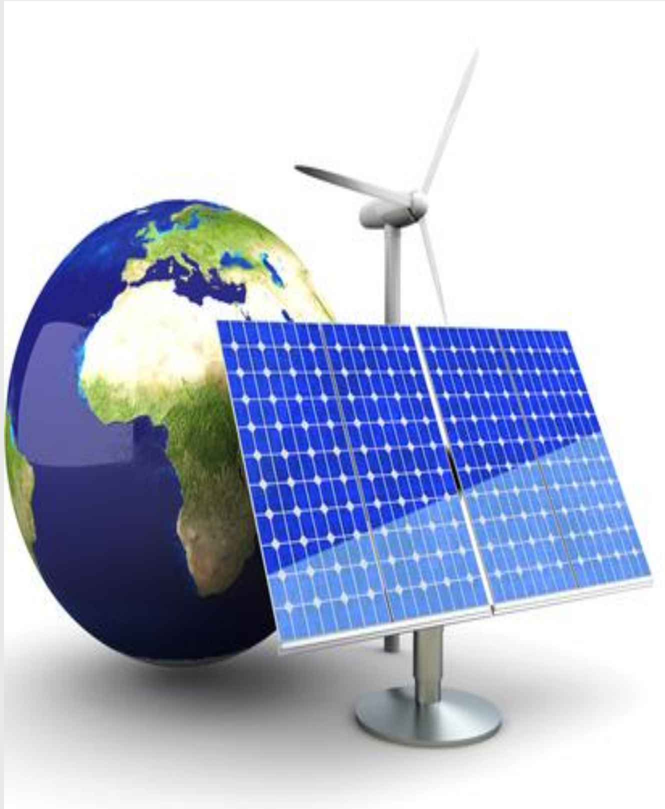
- ***Different types/ multiple options***
- ***The auctioning design is a science in its self***
- ***Revealing the most cost efficient price for the support scheme***
- ***Pay as bid is the preffered pricing method***
- ***Selection and financial criteria***
- ***Auctions have the maximum added value when they are performed later in time i.e when the process is already mature enough***
- ***EnCS aims at proposing a common regulatory framework (guidelines) in the EnC area targeting the RES auctoning process***

# State Aid Guidelines and accosiated risks



- ✓ ***Support schemes should progressively phase out***
- ✓ ***Where Intra-day markets exist, even those RES enjoying priority dispatch and support, should start bearing imbalance costs***
  - ✓ Undertake the cost that forecast errors bring into the systems
  - ✓ Utilise Intra-Day Market to hedge the exposure related to forecast errors
- ✓ ***Can investors deal with that risk?***
  - ✓ In mature markets, definately yes
  - ✓ In markets where no history exists on imbalance volumes and corresponding price exposure the risk should be progressively addressed –training phase
- ✓ ***The new Electricity Market Law in Ukraine fully rerspects the above State Aid provisions***

# *Market oriented and cost effective RES*



- ***Priority Dispatch to stay until 15% penetration on installed capacity is achieved***
- ***Then priority dispatch should be eliminated (it remains for existing projects and the small ones)***
- ***RES should bid into the spot markets and be dispatched if competitive***
- ***Price takers combined with simple FiP support scheme***
  - The distortion is not resolved
  - The prices in the spot market will be driven to lower levels
  - If support is granted on top of the market price then RES have no incentive to stop this destorting process
- ***RES to be integrated in a way that will incentivise them to set the market price***

# *Support not directly connected to energy markets*

- ***Capacity mechanisms /markets***
  - Winter Package –coal is ruled out
    - generation capacity existing or in construction only if its emissions are below 550 grams of $CO_2$ per k
- ***Is capacity mechanisms/markets the way out for RES?***
  - RES could be part of this support (still way to go but technology is progressing)
  - Capacity mechanisms, if not well designed, are destorting the energy spot markets
  - But, if the problem is created, will not be technology specific

# *How RES are integrated in the New Market Rules for Ukraine*

- ✓ ***Existing RES enjoy priority support under the FiT***
- ✓ ***Existing RES will not face imbalance costs***
- ✓ ***New RES under support schemes will face imbalance costs from the day the IDM starts operating and this will be progressively and smoothly allocated to them***
- ✓ ***The New Market Rules were drafted to fully integrate RES projects into the wholesale level for whenever there will be a decision to phase out support connected to the energy market***
- ✓ ***The software to be procured should foresee their future merchant participation***

# *Integration can be achieved-bankability?*


- ***Integration can be achieved***
- ***Would investors then be willing to take the risk?***
- ***Would the projects be bankable?***
- ***There is no risk free business in the modern economy***
- ***Bankers will go ahead if the risk can be assessed***
  - Risk free business (guaranteed long term PPAs) could eventually become boomerang
- ***The associated market is a well designed market:***
  - true, non distorted, prices are revealed
  - well monitored and guarded by the regulator
  - its statistics create confidence

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*Thank you*
*for your attention!*

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