

# Annex: Capacity mechanisms in key EU Member States

### Questions:

- Does the Member State have/ does it plan to introduce some form of capacity mechanism?
- If yes, does/will the capacity mechanism take the form of either (a) a targeted mechanism in the form of a strategic reserve (i.e. centrally procured capacity removed from the energy market and only used in certain extreme circumstances) or (b) a market-wide mechanism where all providers are willing to offer reliable capacity and are provided with incentives to do so?
- Is the capacity mechanism open to all technology types?
- Is the capacity mechanism open to generation from outside the Member State?
- Who operates and administers the capacity mechanism?
- Is there a capacity agreement? Is it public or private? How long does it last?
- Is there any change in law protection for generators?
- Short description of the capacity mechanism.

### Glossary:

- EC:** European Commission  
**EU:** European Union  
**MS:** Member State  
**NRA:** National Regulatory Authority  
**TSO:** (electricity) Transmission System Operator

Note: The Communication of the EC on public intervention in the electricity markets can be found here: [http://ec.europa.eu/energy/gas\\_electricity/doc/com\\_2013\\_public\\_intervention\\_en.pdf](http://ec.europa.eu/energy/gas_electricity/doc/com_2013_public_intervention_en.pdf).

Click here to view the new State aid Guidelines. [http://ec.europa.eu/competition/sectors/energy/eeag\\_en.pdf](http://ec.europa.eu/competition/sectors/energy/eeag_en.pdf)

### Icons:

- Nuclear
- Fossil fuels
- Wind
- Hydro
- Solar, geothermal and other RES

## Capacity mechanisms (electricity) in the EU: Implementation in key Member States

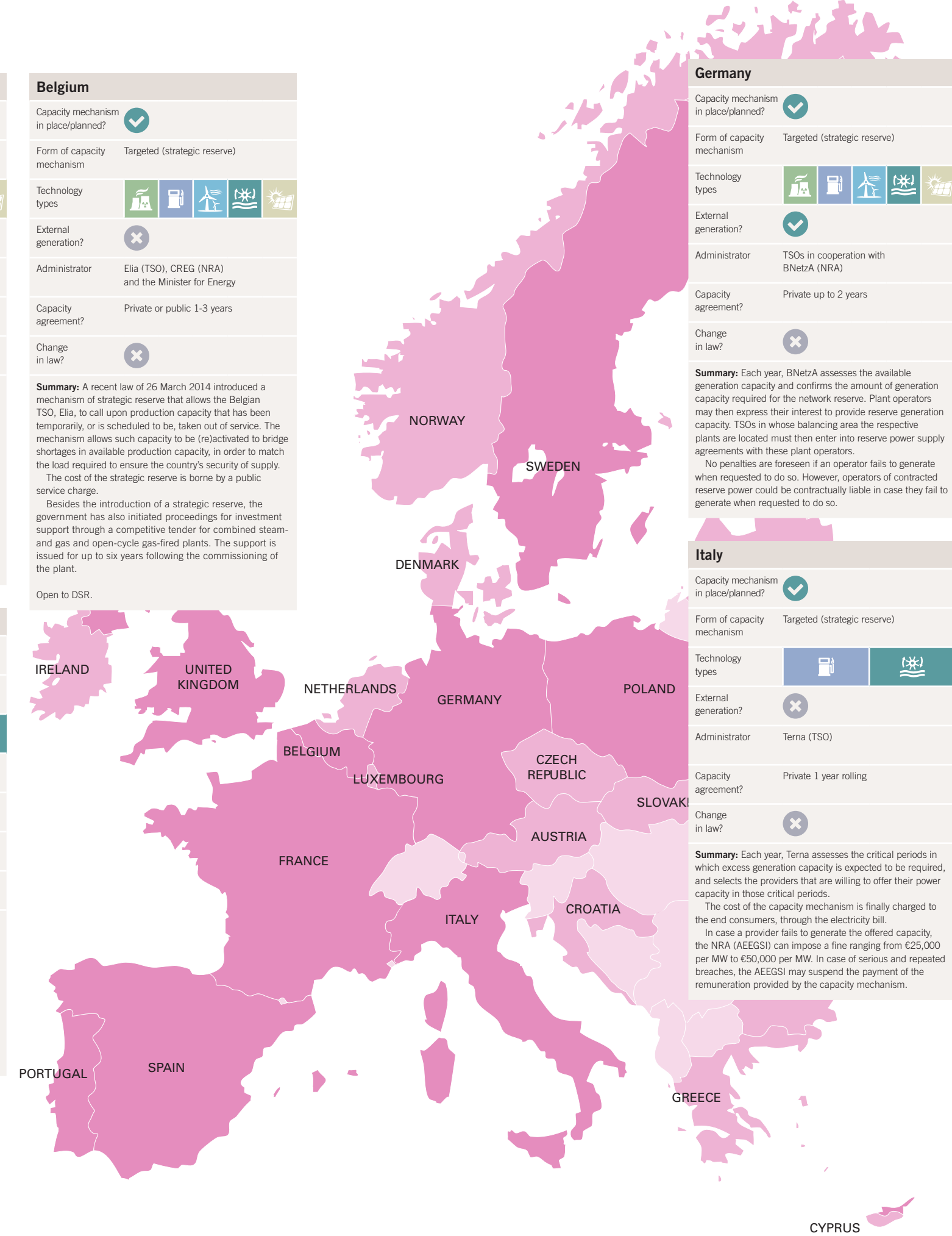
UK	
Capacity mechanism in place/planned?	<input checked="" type="checkbox"/>
Form of capacity mechanism	Market-wide
Technology types	
External generation?	<input checked="" type="checkbox"/>
Administrator	National Grid (TSO)
Capacity agreement?	Public 1 year or up to 15 years
Change in law?	Some
<b>Summary:</b> The Government decides the amount of capacity it is seeking, based on analysis from the British TSO, National Grid and an enduring reliability standard. Pre-qualified capacity will enter competitive central pay-as-clear auctions run by National Grid. Successful bidders will be awarded "capacity agreements", which provide a steady payment for capacity in return for a commitment to deliver energy when required in the delivery year, or face a penalty linked to the value of lost load. The costs of capacity agreements will be met by suppliers based on their market share. Open to DSR.	

France	
Capacity mechanism in place/planned?	<input checked="" type="checkbox"/>
Form of capacity mechanism	Market-wide
Technology types	
External generation?	<input checked="" type="checkbox"/>
Administrator	RTE (TSO)
Capacity agreement?	<input type="checkbox"/>
Change in law?	<input checked="" type="checkbox"/>
<b>Summary:</b> Each supplier of electricity is under an obligation to hold a certain amount of capacity guarantees, calculated each year, based on the peak consumption of its clients. The capacity guarantees are granted by RTE to the operators of generation facilities or of "erasure" capacities, based on their ability and contractual commitment to help meet peak demand. The capacity guarantees can then be traded until a certain date to be set each year by RTE. Electricity suppliers failing to justify that they hold sufficient capacity guarantees can be subject to a penalty to the cost of building a new capacity. Operators of the certified capacities will be subject to a penalty to the cost of building a new capacity. Open to DSR.	

Belgium	
Capacity mechanism in place/planned?	<input checked="" type="checkbox"/>
Form of capacity mechanism	Targeted (strategic reserve)
Technology types	
External generation?	<input checked="" type="checkbox"/>
Administrator	Elia (TSO), CREG (NRA) and the Minister for Energy
Capacity agreement?	Private or public 1-3 years
Change in law?	<input checked="" type="checkbox"/>
<b>Summary:</b> A recent law of 26 March 2014 introduced a mechanism of strategic reserve that allows the Belgian TSO, Elia, to call upon production capacity that has been temporarily, or is scheduled to be, taken out of service. The mechanism allows such capacity to be (re)activated to bridge shortages in available production capacity, in order to match the load required to ensure the country's security of supply. The cost of the strategic reserve is borne by a public service charge. Besides the introduction of a strategic reserve, the government has also initiated proceedings for investment support through a competitive tender for combined steam-and gas and open-cycle gas-fired plants. The support is issued for up to six years following the commissioning of the plant. Open to DSR.	

Portugal	
Capacity mechanism in place/planned?	<input type="checkbox"/>
Form of capacity mechanism	Targeted (availability and investment incentives)
Technology types	
External generation?	<input checked="" type="checkbox"/>
Administrator	The Ministry in charge of the Energy sector, ERSE (NRA) and REN (TSO)
Capacity agreement?	N/A
Change in law?	<input checked="" type="checkbox"/>
<b>Summary:</b> No proper capacity mechanisms are in place, but there are mechanisms that can be interpreted as elements of a capacity mechanism. Two types of incentives result from the law: (i) availability incentives to support thermo-electric power plants' continuous operation; and (ii) investment incentives to support new investments in hydroelectric generation technology, awarded during the first years of operation. Eligible power plants can only benefit from these incentives if they comply with a minimum coefficient of final availability ("Cdf"). The Cdf also determines the annual incentive amount to be awarded. If a power plant subject to availability tests fails to reach a certain value of hourly average power, a penalty is applied, depending on the degree of the failure in relation to the Cdf. A 5 MW margin of tolerance applies.	

Spain	
Capacity mechanism in place/planned?	<input checked="" type="checkbox"/>
Form of capacity mechanism	Capacity payments
Technology types	
External generation?	<input checked="" type="checkbox"/>
Administrator	REE (TSO) supervised by the Ministry of Industry, Energy and Tourism
Capacity agreement?	N/A
Change in law?	<input checked="" type="checkbox"/>
<b>Summary:</b> No proper capacity mechanisms are in place, but there are incentive mechanisms associated with the availability of capacity. Two kinds of incentives are handed by the government: (i) compensation for investments in new capacity; and (ii) remuneration to existing plants in accordance with their installed capacity and level of availability. The relevant plant operators must request eligibility from the Ministry of Industry, Energy and Tourism, which decides the capacity to receive the applicable remuneration. The remuneration is determined by the Spanish TSO, REE, and paid to each plant owner.	



Germany	
Capacity mechanism in place/planned?	<input checked="" type="checkbox"/>
Form of capacity mechanism	Targeted (strategic reserve)
Technology types	
External generation?	<input checked="" type="checkbox"/>
Administrator	TSOs in cooperation with BNetzA (NRA)
Capacity agreement?	Private up to 2 years
Change in law?	<input checked="" type="checkbox"/>
<b>Summary:</b> Each year, BNetzA assesses the available generation capacity and confirms the amount of generation capacity required for the network reserve. Plant operators may then express their interest to provide reserve generation capacity. TSOs in whose balancing area the respective plants are located must then enter into reserve power supply agreements with these plant operators. No penalties are foreseen if an operator fails to generate when requested to do so. However, operators of contracted reserve power could be contractually liable in case they fail to generate when requested to do so.	

Italy	
Capacity mechanism in place/planned?	<input checked="" type="checkbox"/>
Form of capacity mechanism	Targeted (strategic reserve)
Technology types	
External generation?	<input checked="" type="checkbox"/>
Administrator	Terna (TSO)
Capacity agreement?	Private 1 year rolling
Change in law?	<input checked="" type="checkbox"/>
<b>Summary:</b> Each year, Terna assesses the critical periods in which excess generation capacity is expected to be required, and selects the providers that are willing to offer their power capacity in those critical periods. The cost of the capacity mechanism is finally charged to the end consumers, through the electricity bill. In case a provider fails to generate the offered capacity, the NRA (AEEGSI) can impose a fine ranging from €25,000 per MW to €50,000 per MW. In case of serious and repeated breaches, the AEEGSI may suspend the payment of the remuneration provided by the capacity mechanism.	

Sweden	
Capacity mechanism in place/planned?	<input checked="" type="checkbox"/> (due to be phased out in 2020)
Form of capacity mechanism	Targeted (strategic reserve)
Technology types	
External generation?	<input checked="" type="checkbox"/>
Administrator	SVK (TSO)
Capacity agreement?	Public 1 year
Change in law?	<input checked="" type="checkbox"/>
<b>Summary:</b> The strategic reserve is procured through a competitive tendering mechanism (under public procurement rules), which is carried out on an annual basis to cover peak demand in the winter season. The companies that participate in the competitive tendering process offer a fixed fee for maintaining availability and a variable fee if the capacity is activated. The legislation does not foresee penalties, but the contracts awarded do provide for contractual penalties.	

Poland	
Capacity mechanism in place/planned?	<input type="checkbox"/>
Form of capacity mechanism	Targeted (strategic reserve)
Technology types	
External generation?	<input checked="" type="checkbox"/>
Administrator	PSE (TSO)
Capacity agreement?	<input type="checkbox"/>
Change in law?	<input checked="" type="checkbox"/>
<b>Summary:</b> Currently, ancillary system services are carried out, the subject of which is: (i) to maintain the contractor's generating units on standby in order to startup and produce electricity; and (ii) to use the capacities of the contractor's generating units to feed power into the grid upon PSE's instruction, both in exchange for a remuneration paid by PSE. Draft legislation, or at least proposals for principles of a full-fledged targeted capacity mechanism (capacity reserve), are expected to be published by the Polish government and the NRA (ERA) in the second half of 2014.	