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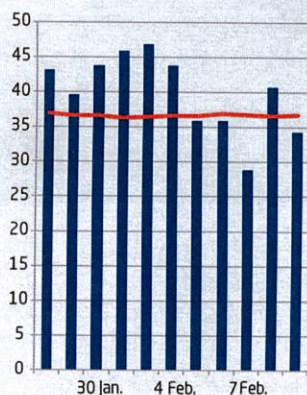
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# MONTEL

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# Newsletter

Phelix baseload, Cal 15  
(EUR/MWh)



## Strong solar sees Phelix peak 5 EUR below OTC

The Phelix auction for day-ahead peakload delivery settled EUR 5 below a last OTC trade of EUR 43/MWh on Tuesday, with one trader pointing to strong solar generation as a reason.

"We have almost 10 GW solar for tomorrow," said a Germany-based trader, adding the OTC market had likely not taken this effect into account after Phelix peak out-turned at EUR 37.97/MWh.

Data from analysts Nena showed an average peak hour solar generation of just above 5,000 MW for Wednesday, compared with 4,500 MW on Tuesday, though maximum output is expected at 9,753 MW on Wednesday in hour 12. **Nora Kamprath Buli**

# Åland case may force rapid changes to German green law

An imminent court ruling in the Ålands Vindkraft subsidy case may force Germany to immediately change its renewables law, said Jan Haizmann of Efet.

Germany's renewable energy law (EEG) could infringe the EU treaty as it only captures German renewables production, and effectively precludes non-domestic generation from benefiting from subsidies, said Haizmann, who is a member of the board at the traders' lobby group.

Should the European Court of Justice (ECJ) follow the recommendations of its advocate general on 28 January – that a clause in the EU's renewable energy directive contravenes treaty rules on the free movement of goods – Germany would immediately need to overhaul its current EEG reform, Haizmann said.

Finland-based Ålands Vindkraft launched legal action after the Swedish Energy Agency refused in 2009 to include the firm's Oskar wind farm in a national renewables subsidy scheme. A Swedish court subsequently turned to the ECJ for an interpretation of EU law.

The wind power installation is in the semi-autonomous Åland islands, a Swedish-speaking Finnish territory in the Baltic Sea between Finland and Sweden. The islands' only mainland power link is

with Sweden.

The subsidy case could have "massive consequences" for renewables support across Europe, said Henrik Bjernebye, an associate professor from the Scandinavian Institute of Maritime Law last week.

"Personally I find it hard to see how any national scheme [could continue]," Bjernebye said.

A ruling in favour of Ålands Vindkraft would mean that any discrimination between member states when it comes to the placement of renewable energy would be illegal, and would be seen as a potential infringement of the freedom to provide goods across the EU, Haizmann said.

He was unsure when the ruling would be effective, but said "there is a tradition in Luxembourg that the court follows the recommendations made by the advocate general".

"If we are lucky, this will be done this year," he added.

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# “Capacity market discussion lacks a common language”

The discussion in Germany about a capacity market is marred by a lack of shared understanding, believes Werner Brinker, CEO of German municipal utility EWE, while the focus should also be on optimising existing infrastructures, he told Montel.

“I have yet to hear a common, standardised definition of a capacity market. If we had one, it would be much easier to talk about it,” Brinker said.

The focus of the discussion should be set firmly on how best to secure a stable grid through large-scale conventional power plants, amid volatile feed-in from renewable energy sources, he added.

“There are still days with no wind or sun, days with only wind and little sun, and days with only sun and little wind. It is for those days that we need conventional power plant backup,” the CEO said.

He urged experts to analyse power use on days of volatile renewable output to determine which conventional power plants would be needed, and where, in order to guarantee a stable transmission grid.

This includes the availability of capacity with neighbouring countries, Brinker said.

“Once you have settled all that, you can start to think about how a capacity market might work,” he added.

“It makes no sense to build a power plant in Hamburg, if the power is needed in southern Germany. You really need to take a look at how demand will develop over the next 10 to 15 years.”

## Existing power stations

Until then, costs alone dictate that existing infrastructures should be most effectively used, and that power plant ramp-ups should be planned on the basis of available units, Brinker said.

When the time comes, and these plants need replacing, it will raise the question of location and fuel type for the new



Illustration: Pål Dybvik

units.

“In my definition, capacity means output is always available, and at shortest notice possible,” he said.

New gas plants would provide the best back-up capacity as their low capital costs will weigh more heavily than the cost of fuel, given the low operating hours such units could be expected to run, he added.

However, as operators will be dependent on access to the necessary gas quantities at short notice it will be necessary to rely on deliveries from local gas storage facilities, he said.

“All of the required gas has to be available in the right quantities, at the right time and the right price,” Brinker said, and so gas storage units should be included in an eventual capacity market.

**Nora Kamprath Buli**

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Haizmann also pointed to a parallel case concerning Dutch Essent which “was equally interesting from a European point of view” and was due before the end of the year.

The Dutch firm took legal action after the Belgian regulator Vreg refused to accept guarantees of origin from the Netherlands, Norway and Denmark as proof that it had used the required level of renewable sources in its Belgian electricity operations.

The same advocate general as in the Åland case, Yves Bot, issued his opinion on the Essent case in May last year, arguing that VREG was in breach of rules on the free movement of goods.

ECJ judges have yet to issue their ruling in the case.

If the court rules in line with Yves Bot’s opinion, EU member states could potentially lose the right to limit renewables support schemes to within their national borders.

However, there is considerable doubt over whether voters would tolerate having to subsidise renewables generation outside their own countries.

**Nora Kamprath Buli**

## Bourses target higher German volumes

Power exchanges EEX and Nasdaq OMX Commodities both believe the trend towards increased clearing of German power contracts will continue, with the latter hoping to treble its volumes this year.

“The German power market has a liquidity of roughly 6,000 TWh. 80% of this is traded bilaterally with only 20% cleared. We see a clear trend towards more clearing and believe this will only strengthen,” vice president Georg Aasen of Nasdaq OMX Commodities told a press conference at the E-World energy fair in Essen.

His optimism was shared by CEO Peter Reitz of Germany’s EEX exchange.

“The trend towards more clearing has been very clear over the past two years and we believe it will continue. But exactly by how much is hard to predict,” he told Montel. **Olav Vilnes**