Desarrollo del Mercado Eléctrico Ibérico: Exigencias técnicas y económicas

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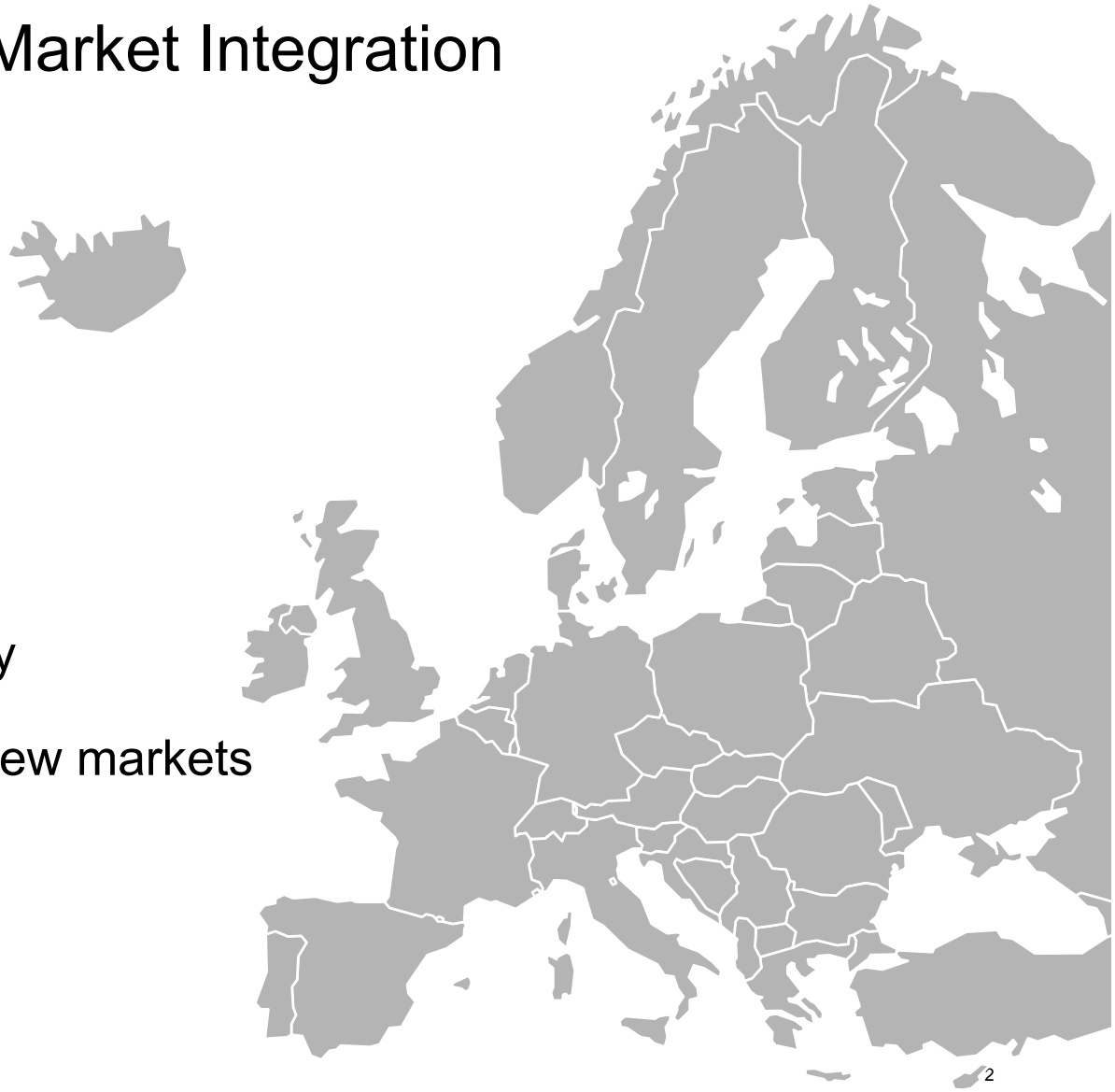
III Jornada UNESA-ELECPOR
Madrid, 7 de Octubre de 2009

The importance of Market Integration

- Security of supply
- Regulatory transparency
- Integration of Renewable
- Competitiveness of supply
- Opportunity for entering new markets



Harmonization with other European markets - Integration in CWE

ERGEG initiative for regional electricity markets

- **Main issues to be tackled**
  - → Congestion management
  - → Interconnections and grid enhancement
  - → Transparency
  - → Cross border balancing
- **Short-term priority to couple several regional markets**
  - → Congestion management

Electricity Europe unified by Dome Coupling in 2010

- **1990ies**: Nord Pool holds Market Splitting
- **July 2007**: Market Splitting in MIBEL
- **Sept 2008**: Market Coupling DE-DK by EMCC
- **Jan 2010**: Market Coupling in Central West will be operational

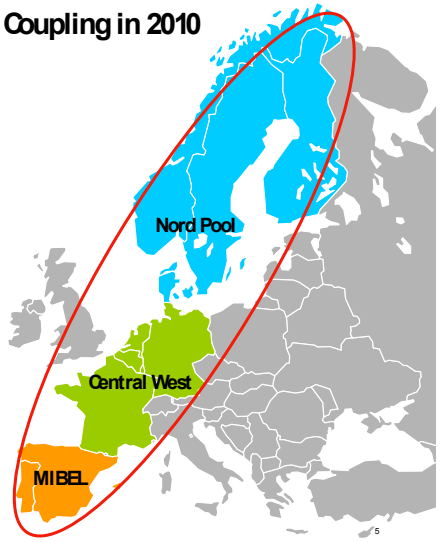
transition into a Dome Coupling Office

January 2010: PanEuropean Dome Coupling could be started

Interfaces: NorNed, Germany/DK-West, Baltic and Kontek cable, France-Spain interconnection (IFE)

Necessary adjustments

- transition of EMCC into a dome coupling office
- adjust OMEL's GCT from 10 to 12 am



Building Mibel

Done

- Integration of 2 System Operators and 2 Market Operators in a single market
- Market splitting mechanism put in place and working
- Solution for Regulatory issues achieved
- Interconnection capacity increase Sp-Pt
- Interconnection Capacity management

Still pending

- Increased Transparency
- Symmetry of Regulation Sp-Pt
- Interconnection capacity with France: Gas & Power
- Gas market development
- S.O. closer coordination
- Forward Market liquidity
- Harmonization with other European markets - Integration in CWE
- Remuneration of new capacity

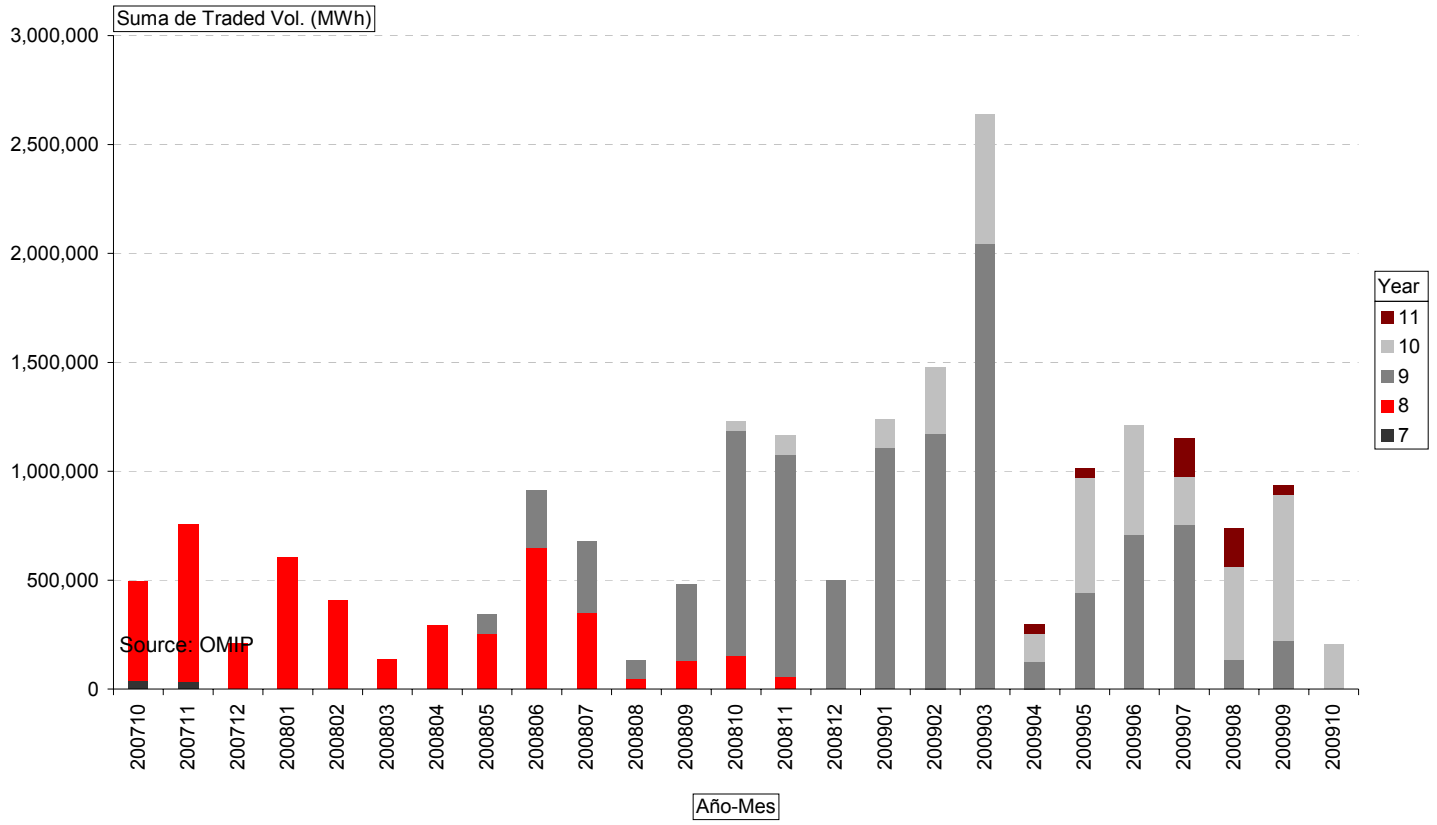
Transparency in the markets

- Align both sides of the Mibel regarding the level of information availability

- Increase current level of information
  - Availability of power and gas facilities, both planned and real time
  - Gas supply planning
  - Centralized site for market information
  - Harmonization of Network codes

Forward market liquidity evolution

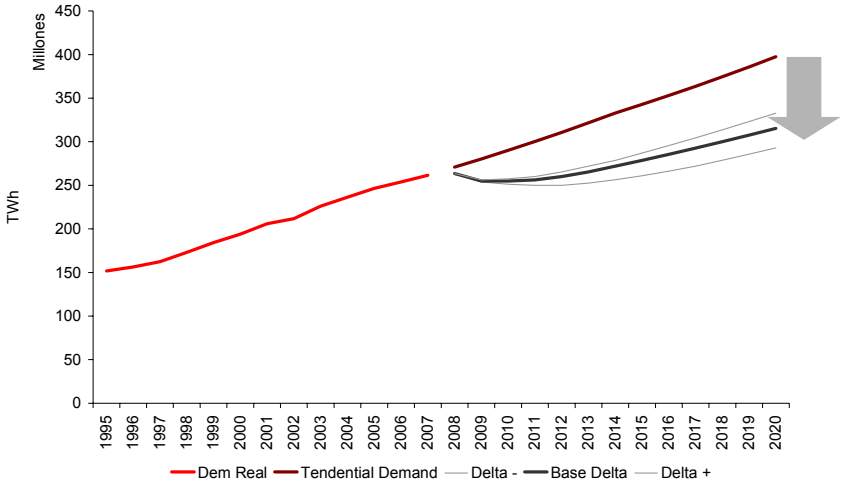
- Volumes are growing, but still not significant
- More stable regulatory framework is necessary to improve liquidity



Interconnections will play a major role in a scenario characterized by high level of REN and Gas

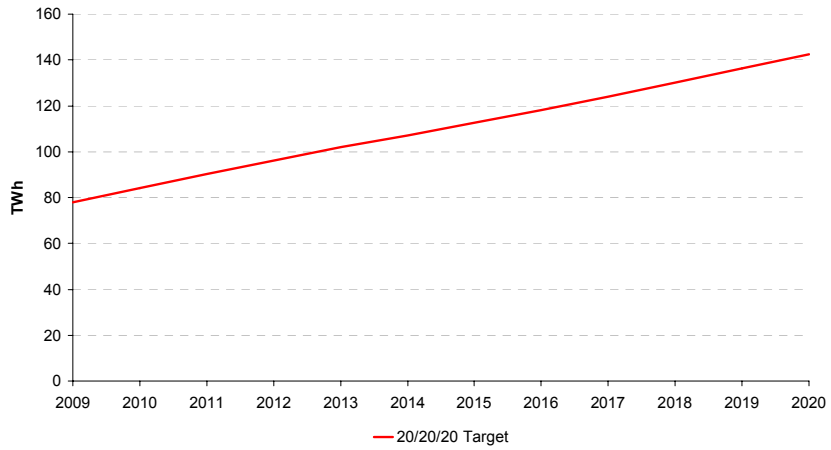
Renewable will represent 40-50% of electricity demand by 2020…

Demand



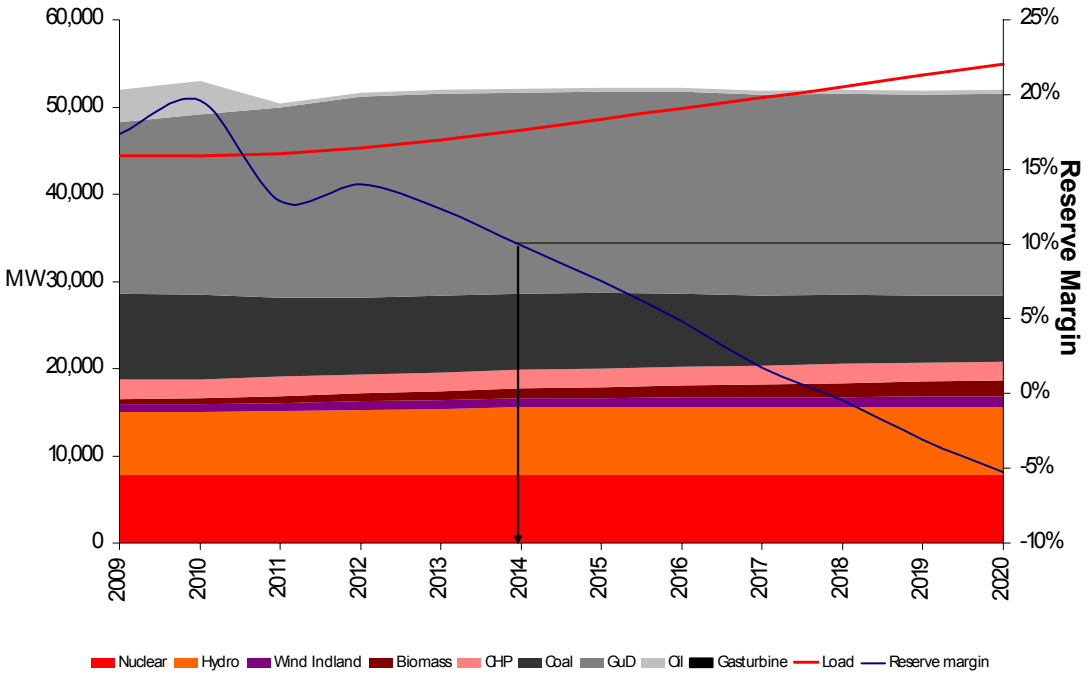
- Loss of 70 to 110 TWh of demand vs. last year forecast

REN



- But Renewable energy share in 2020 still remains in order to fulfill with 20/20/20

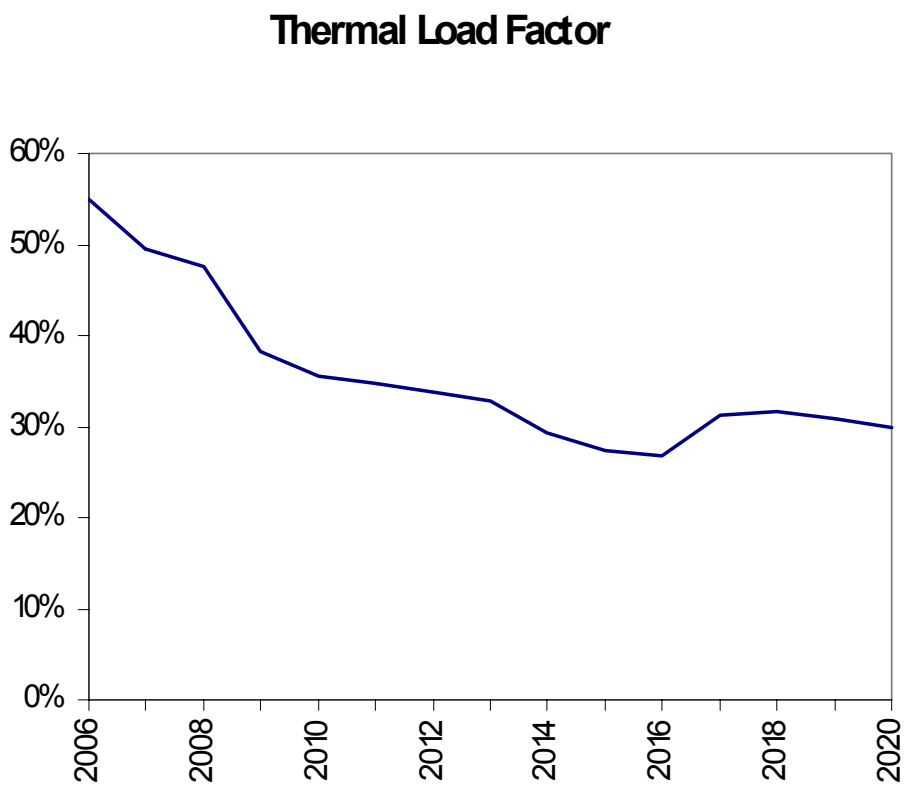
…however, more Thermal Capacity will be necessary to maintain security of supply



Foreseen scenario will need ~10.000 MW of additional thermal capacity* to maintain the required 10% of Reserve Margin by 2020

* Over current fleet plus 3.000 MW under construction up to 2012

Remuneration of new capacity



- Structural change of the market
- Issue with remuneration of new capacity in a low Load Factor environment still to be solved

Conclusions

- Market integration is of paramount importance to achieve the goals of having a sustainable electricity system for the future
- Significant success has been achieved in the developing of MIBEL, but still further steps need to be taken
- Thermal Capacity needed to back up renewable development by 2020 has to be properly remunerated