



Long term contracts and State aid

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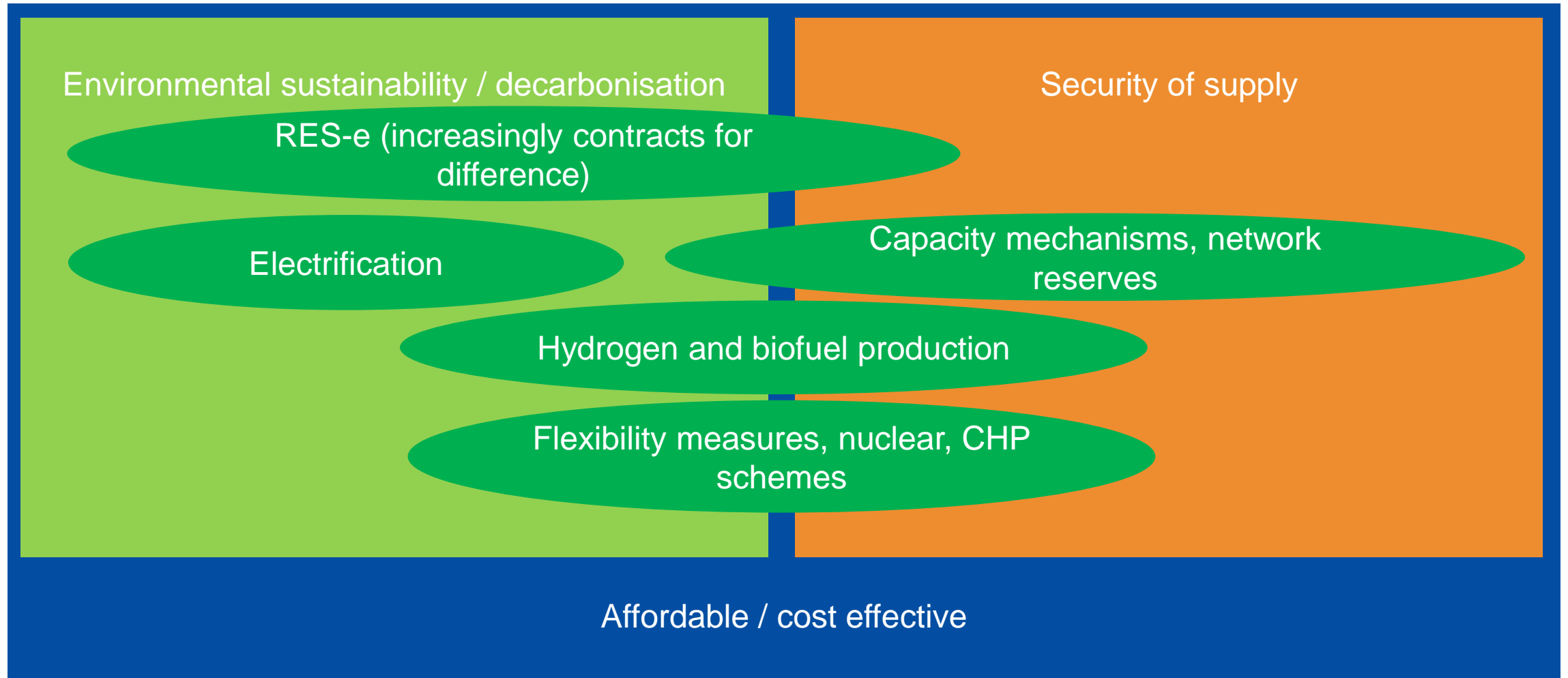
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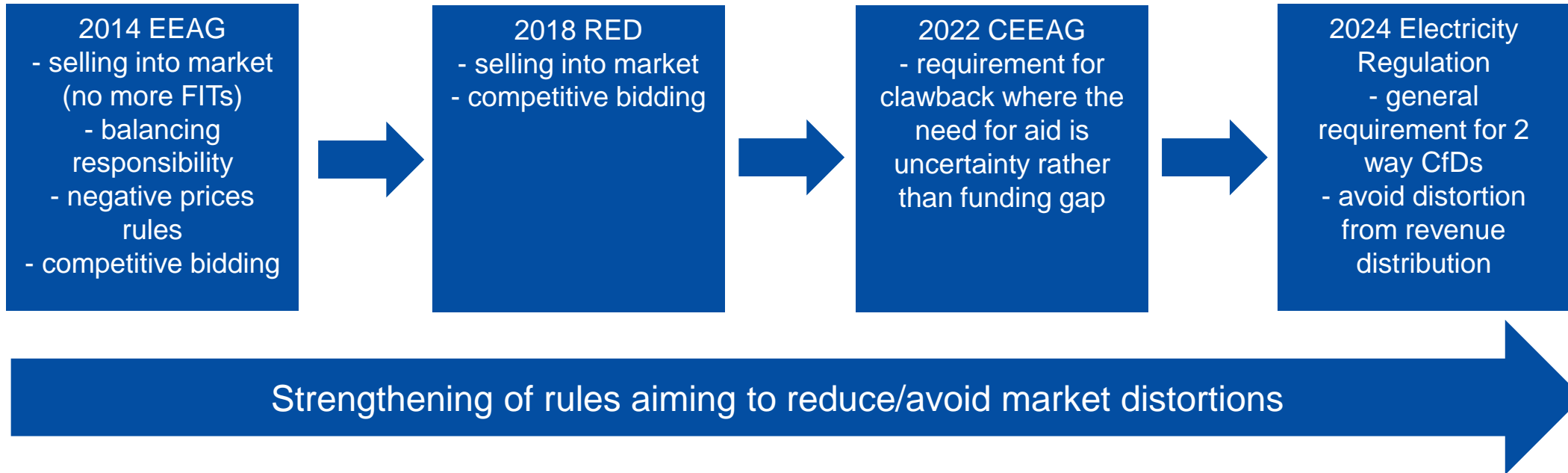
Personal views, not the position of the European Commission

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State-backed long-term contracts (electricity)

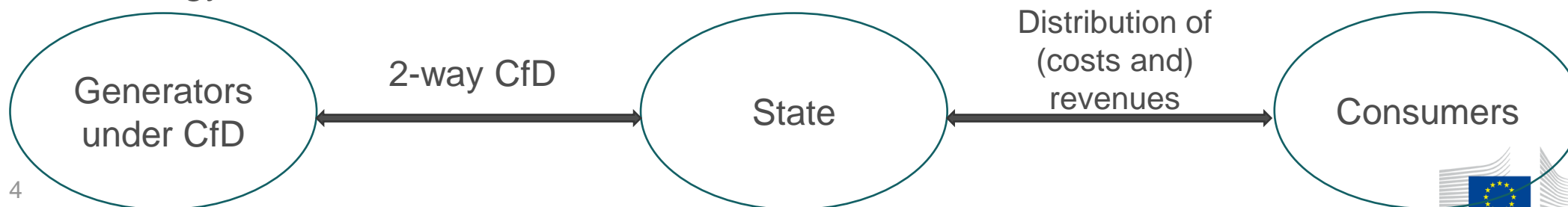


CfDs for RES-e : compatibility rules



CfD design questions

- Can capability / financial CfDs reduce market distortions without unduly increasing risks/costs or complexity?
- Are some CfD designs better suited to some technologies, and why?
- How should beneficiaries of CfDs be selected?
 - Should we try to compare offers based on overall system cost/benefit?
 - Should locational investment incentives come from electricity prices, CfDs, both?
- How should the costs and revenues of CfDs be allocated? What impacts on competition in energy and in other markets?



Capacity mechanisms and flexibility measures

- 2024 Electricity Regulation accepts capacity mechanisms as longer-term interventions
- But also adds new tools:
 - flexibility assessment and targets
 - support measures, and design principles

CM / flexibility questions

- How to manage the coexistence of assessments of need related to different aspects of security of supply.
- One resource may participate in several parallel markets/tenders, including across borders.
 - Are there risks of overcompensation, barriers to entry?
- How to ensure cost efficient achievement of overall security of supply objectives?

Overall framework questions

- Landscape increasingly complex. Simplification – where possible – might benefit competition and reduce costs:
 - Can (aspects of) CfD design be harmonised?
 - Can we move further in terms of harmonising the approach to capacity mechanisms?
- Longer term: does it make sense to have different approaches for long contracts for RES compared to security of supply, when the objectives increasingly overlap as the system is decarbonised?
- (How) should we address distortion risks arising from the different allocation of costs to consumers from the various support instruments?
- Electrification brings huge opportunities but also risks – how best to unlock flexible consumption wherever efficient?

Thank you



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