



Security of electricity supply

Dutch approach

Investors and European perspective

Safety net mechanism

IEA/NEA-workshop

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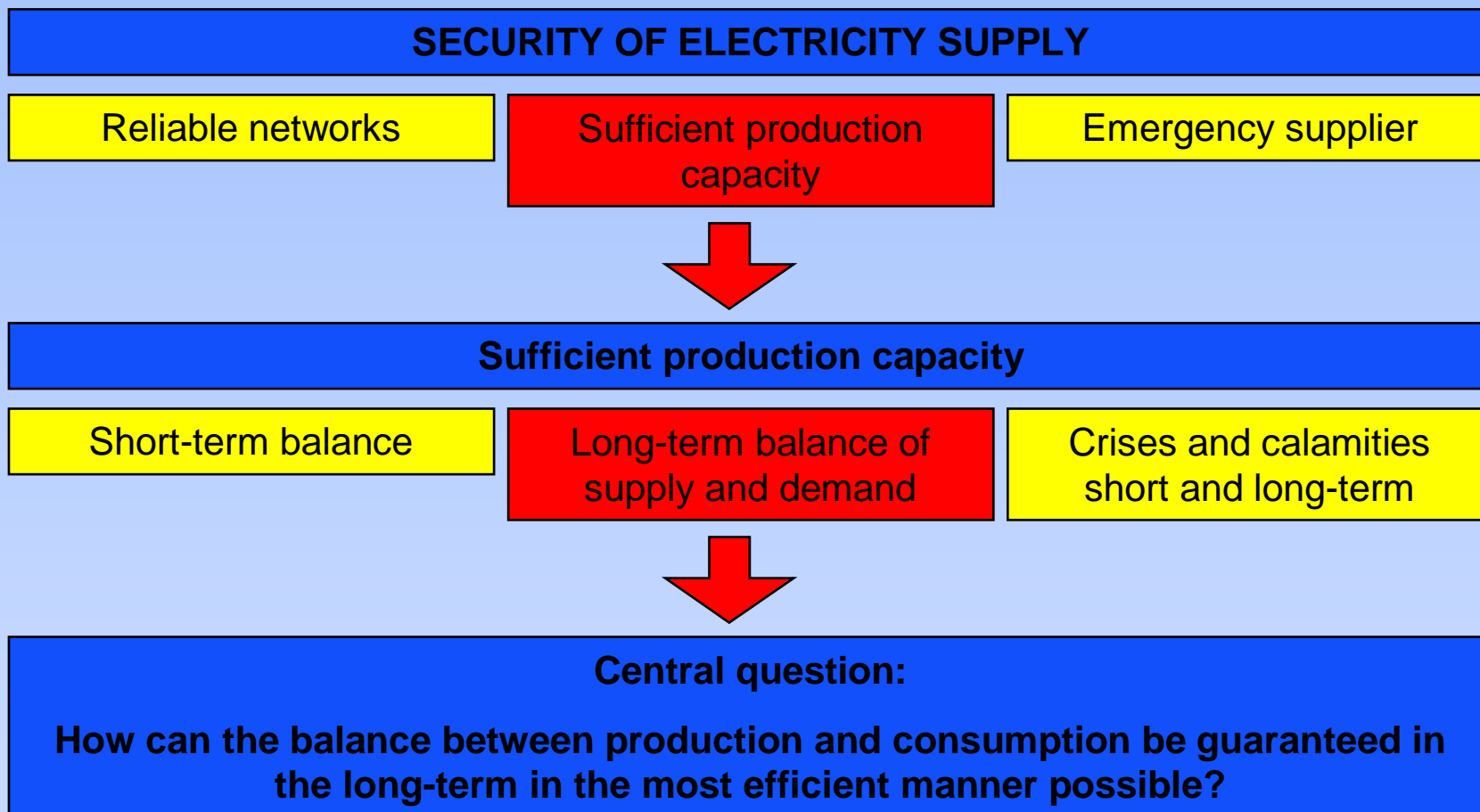
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Policy-based definition





Spearheads Dutch policy

- Enhancing the investment climate
 - Maintaining strong position NL
 - Minimalise regulations uncertainty
- Promote realisation EU electricity market
 - Effective competition
 - Level playing field
- Improving market structure in Netherlands
 - Removing market imperfections
 - Improving demand response
 - Safety net against market failure





Investors perspective

- Large investments needed in EU (IEA)
- Investment climate in NL is relatively positive
- Clear and consistent regulation needed
- Main points Economic Affairs:
 - No intervention in price setting wholesale market
 - New interconnection must be economically sound
 - CO2-emissions trading efficient instrument but must not disrupt *level playing field*
 - European perspective on security of electricity supply





European perspective

- Importance of Security of Supply Directive
 - More coordination between TSO's regarding interconnection investments and network management
 - No discrimination between national and "cross-border" contracts
- Memoranda of Understanding's
 - Optimisation of scope and use of interconnective capacity
 - Information exchange between TSO's and congestion management





How to promote investment and use of production capacity?

- Extensive international research and studies (experts, Brattle group, US-workshop, IEA, TenneT, DTe, CPB)
- Different policy options: central capacity reserve, capacity payments, capacity markets, reserve contracts, reliability contracts, etc.
- Main criteria: cost-effectiveness, market conformity, international applicability





How to promote investment and use of generation capacity?

General conclusions:

- mechanisms are complex
- require extensive regulation and verification systems
- more effective for “central pooling and planning”
- major adjustment current Dutch electricity market

Cost-benefit analysis CPB (Neth. Bureau for Econ. Policy Analysis):

- Reserve contracts, capacity market, capacity payments
- “benefits do not justify social costs”
- “a 24 hour-blackout Randstad every 5 years is cheaper”





Safety-net against market failure

Alternative mechanism:

- Small adjustment Dutch balancing market at lower costs
- Indirect long-term investment effect
- Prevent blackout's (short term solution)

Tennet contracts extra reserve capacity:

- calamity-capacity: mainly interruptible load
- long term contracts (3-6 years)
- extra last-resort capacity- in cases of emergencies (wind Germany)
- substantial to meet n-1 criteria (450-600MW) (3% of Dutch market)
- at Tennet's exclusive disposal





Future steps

Positive monitoring TenneT 2005-2012

- Capacity (excl. imports): 1.21 (2005) and 1.15 in (2012) of consumption
- Capacity (incl. imports): 1.42 (2005) and 1.44 (2012) of consumption
- Since 2004: new investments en demothballing of 2600 MW (13 % Dutch market)

Conclusion:

- Long term contracts calamity-capacity not necessary
- Only short term-contracts (2005 and 2006), yearly basis decision
- Yearly monitoring TenneT; use 4 year-term perspective to introduce long-term contracts
- Details to be examined; terms of contracts, call-of period (15 minutes-1hour), auction terms

More info?

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