

CONSULTATION RESPONSE



Energy Traders Europe response to MITECO consultation on capacity remuneration mechanism

Brussels, 29 January 2025

1. Remove barriers to free exit

Free market entry and exit are two guiding principles for the operation of the electricity markets, as highlighted in the European Commission opinion on the Spanish electricity market reform plan.

In the context of this consultation, the facilities not awarded in the capacity market should have the right to be closed on a temporary or permanent basis and therefore be exempt from the obligation of being available to the system and from bidding in the market during the administrative process of closure authorization. In this way the development of new resources that can provide the service more efficiently, such as demand response and storage, is encouraged.

Therefore, we ask the Spanish authorities to reflect this EU requirement in the Order.

2. Respect the principle of technological neutrality

The mechanism should preserve and respect the technological neutrality, as specified in the European Regulation 2019/943. The flexibility provisions contained in the current proposal are excluding "de facto" certain technologies from participating in the Spanish capacity market. This request is peculiar of the Spanish market as it is not imposed in other European countries.

3. Elaborate on the methodology for the participation of foreign capacity

We understand that installations located in neighboring bidding zones can participate in the Spanish capacity market on the same level playing field of domestic installation - if coordination agreements between system operators are in place and the conditions of the ministerial order are met.

In order to ensure direct cross-border participation of plants since the beginning of the mechanism and compliance with the European Regulation 2019/943, the ministerial order should foresee a deadline for the TSO to engage with its neighboring counterparts and reach the aforementioned agreements. Finally, the model of participation of foreign capacity in the auctions should be elaborated and consulted among market participants in the Auction Rules.

4. Provide transparency on the reserve prices

Article 15.3 of the document establishes two different reserve prices for the Spanish capacity market:

- **Maximum Price:** The Secretary of State for Energy may set a maximum price for the required firm power curve. This price is confidential and expressed in euros per MW of firm power. Bids exceeding this maximum price will be rejected.
- **Lower Reserve Price:** For the main capacity auctions and existing installations, a lower reserve price – confidential - may be set. Bids above this price will also be rejected.

We note that reserve prices are generally not confidential in European capacity markets. In most European countries with capacity markets, the reserve prices are transparent and publicly available. This transparency is crucial to ensure fair competition among capacity providers, enable market participants to make informed decisions and allow better regulatory oversight and market monitoring.

5. Define and consults market participants on the parameters in the operational procedures

Some parameters - such as derating factors, flexibility factors, reserve price, firm capacity curve – should be better defined and consulted in the Auction Rules and "*convocatorias*" (cf. article 12) as key information related to the competitiveness of each technology and therefore participation in the auctions.

6. Clarify conditions for rights transferability in the secondary market

Article 15.5 outlines the establishment of a secondary market to increase liquidity and provide greater flexibility for market participants following the first auction. We request more clarity regarding the conditions of the capacity market rights transferability to other facilities (e.g. duration of the transfer - day, month or year).

Contact

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