CONSULTATION RESPONSE

Response to the CRE consultation on feed-in premium contracts and 15-minute market time unit in day-ahead

Brussels, 09 April 2025

Key messages

Our general position on subsidy schemes remains to be used only when necessary and to avoid incentivising renewable production during negative price periods. We call subsidy schemes to be more reactive to market price signals and avoid distortions with other market-based instruments, such as Power Purchasing Agreements (PPAs).

We are more favourable to Option A outlined by the CRE.

In the previous informal consultation by the CRE, we recommended a tolerance threshold for compliance with a stop order and raised the need to account for the switch to a 15-minute market time unit. Notably, we highlighted the need for a clear definition of a negative price period and its impact on the negative price premium – whether a stop order is issued at the first 15 minutes at a negative price or following a period of consecutive 15-minutes at a negative price.

A tolerance for the reduction of production over a certain period could also be granted when a demand is made not to produce (e.g. < 5% of the initial plan). Otherwise, producers may have to stop in advance to ensure compliance with the order for the required period. Hence, we suggest having a stop order compliance tolerance for the negative premium to be applied on +/- 10 minutes.

We support the CRE analysis on the way forward for all contracts. It is crucial to have feed-in premium contracts also reflect the changes occurring in the Single Day-Ahead

Coupling (SDAC) and new price reference. We urge CRE to deliberate as quickly as possible with market players to prevent distorting effects. Better visibility, notably on the implementation timeline, is crucial for market participants to better prepare for possible operational impacts.

Detailed comments

Introductory questions

Question 1: In your opinion, what is the degree of flexibility of existing RE assets (depending on their size)? In the event of technical or environmental constraints please specify.

As an energy traders association, we do not have assets. However, solar and wind farms, depending on their size, could be more reactive to stop their production, compared to conventional power plants for which ramping down and restarting is a more costly process. There may still be constraints on the reception of stop orders (e.g. communication problems with the asset). Then, following the reception of the stop order, there may also be a ramp down (e.g. 5 minutes) which could affect obtaining the stop order premium.

Currently, we notice that renewable energy parks are simply shut down with no introduction of a power limitation system.

Question 2: What solutions would make it possible to optimise this flexibility so that these assets can respond to price signals on a 15-minute MTU? At what cost and how quickly could these solutions be implemented?

We encourage renewable energy sources, especially those under subsidy contracts like feed-in premiums, to be reactive to price signals from the market. The switch to 15-minute market time units on the spot markets adds further precision to the energy products, reflecting more accurately market conditions and needs.

In terms of solutions, there may be a need for IT improvements, for example, software updates, and communication.

Question 3: The same questions apply to assets likely to sign new support contracts support contracts.

In terms of solutions, IT solutions may also be needed but there will be more time to develop them and could be already added to the costs.

Questions relating to the proposed solutions

Question 4: Do you agree with the main effects of each solution as described by the CRE? Can you think of any others?

Yes, we agree.

Question 5: For each solution, what strategy(ies) should an ENR producer supported by the CR regime should adopt to maximise its income? Do these strategy(ies) seem(s) operationally feasible?

As an energy traders association, we are not able to answer the question about maximising income.

Question 6: In your opinion, which of the three options presented should be retained? Should there be a difference between new and existing contracts or a minimum transition period for existing contracts?

We support option A, which would better reflect the market realities within subsidy contracts. For less flexible RES installations, we would suggest a tolerance threshold for ramping down when there are negative spot prices in a 15-minute MTU so that they may not be as heavily penalised for slower compliance. We previously proposed a tolerance production threshold during a period of negative spot prices at less than 5% of the production plan.

Concerning a minimum transitional period for existing contracts via Option C, we find that option would be more complex than Option B. It would be an additional step for achieving Option A with risks similar to Option B in terms of complex orders which could, moreover, no longer be offered if they deteriorate the algorithm.

As for the difference between existing and new subsidy contracts, we are generally cautious about retroactive contract changes as they can have significant impacts. Perhaps, it would be valuable to differentiate between contracts that are soon finished and the ones with longer durations as this can inform the need for a transitional period.

Question 7: Are you considering other solutions that might have better properties than those than those presented in this document?

We offer to add a tolerance threshold within option A to consider the less flexible RES plants. We recognise it is hard to stop and start at a rate of 15 minutes for less flexible RES assets, penalising producers ramping down too slowly when complying with the negative spot price incentive. A tolerance for the reduction of production over a certain period could be granted when a demand is made not to produce (e.g. < 5% of the initial plan). Otherwise, producers may have to stop in advance to ensure that they are at zero for the required period.

The 5% proposal serves to avoid losses due to anticipatory stops by producers to meet the ramp-down order, and it would also prevent the application of penalties in subsidy contracts.

We also suggest integrating a tolerance threshold on the timing of +/- 10 minutes before and after the negative price period to avoid significant distortion on balancing mechanisms.

Another potential alternative would be for RES producers to not fully stop their production during negative price periods, but to achieve a <5% production plan to reduce production and be able to ramp up in a less technically complex manner.

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