

WEBINAR

Streamlining capacity
mechanisms with the
updated ERAA methodology

Tuesday, 26.05.2026

14:30 - 16:00 CEST

Online



| Time | Webinar items | |
|---------------|---|--------------------------|
| 14:20 - 14:30 | Webinar open for log-in | Starts promptly at 14:30 |
| 14:30 - 14:35 | Introductory Remarks Rafael MURUAIS GARCIA, ACER | |
| 14:35 - 14:45 | Setting the Context – Streamlining of capacity mechanisms Mathilde CARBONELLE, DG ENER, European Commission | |
| 14:45 - 14:55 | Fast track capacity mechanism approval process in the Clean Industrial Deal State Aid Framework and links to the ERAA Matt WIECKOWSKI, DG COMP, European Commission | |
| 14:55 - 15:15 | Presenting the new ERAA methodology Gilles BERTRAND, ACER | |
| 15:15 - 15:25 | Q&A | |
| 15:25 - 16:00 | Panel Discussion Added value of the streamlined methodology for adequacy policies coordination across Member States Victoria BJELLERUP, Ministry of Climate and Enterprise, Sweden William ZAPPA, ENTSO-E Georg THOMASSEN, Joint Research Centre, European Commission Kevin KAILS, Ministry of the Economy, Luxembourg Gilles BERTRAND, ACER Q&A Moderated and concluding remarks by Daniel IHASZ-TOTH, ACER | |

Housekeeping rules



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Keep your microphone muted unless the chair gives you the floor

Questions from other participants can be 'liked' to increase their visibility



Slides and video recording from this webinar will be uploaded to the ACER website

Substance-related questions will be addressed during the relevant Q&A session; although they can be posed at any point



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Setting the context: Streamlining procedures for capacity mechanisms

Mathilde CARBONELLE, European Commission - DG ENER

EC report and proposal on streamlining the approval process of capacity mechanisms

EMD reform

- ✓ tasks the EC to adopt a **report** assessing the possibilities to streamline the approval process of capacity mechanisms
- ✓ tasks the EC to present concrete **proposals** to simplify the approval process of capacity mechanisms



EC Report

- ✓ **evaluates the current framework** for introducing a capacity mechanism
- ✓ identifies **main challenges** encountered by Member States and stakeholders
- ✓ contains **measures to streamline** the current framework and to facilitate the implementation by Member States throughout the process

EC proposal: CISAF section 4.4

- ✓ EC adopts a new state aid framework with a **fast-track approval** for 'target model' capacity mechanisms designs

- ✓ Revised EU methodology for the **European resource adequacy assessment (ERAA)**



Simplification, flexibility & increased transparency

EC report – measures to streamline the approval process of capacity mechanisms

Ease identification of adequacy concerns

- Simplified, improved and more flexible ERAA methodology
 - Additional central reference scenario ('Trends and Projections' scenario)
 - Focus on key targets years
 - Risk aversion of investors
 - Flexible resources' business case

Simplify setting of reliability standards

- ACER to calculate reference adequacy metrics (VoLL/CONE)

Facilitate establishing auction parameters and designing availability obligations

- ENTSO-E to publish CM-related parameters, derived from the ERAA model (e.g. de-rating factors)



CISAF Section 4.4: fast-track approval for 'target model' capacity mechanism designs

Fast track capacity mechanism approval process in CISAF and links to the ERAA

Matt WIECKOWSKI, European Commission - DG COMP

CISAF section 4.4: fast-track approval for 'target model' capacity mechanism designs

3 simplification goals:

1. **Providing visibility to Member States** on design features, whose respect would allow for a swift approval decision ("**off-the-shelf**" target models);
2. **Simplifying approval by introducing a "one-stop-shop"**: target models ensure compliance with Electricity Regulation, ACER rules and State aid rules, thus avoiding overlapping assessments of the measure;
3. **Simplifying participation for market participants**: the use of the target models will facilitate market participants' participation in capacity mechanisms across the Union.

Checklist for 2 target models: strategic reserve and central buyer market-wide mechanism

Necessity of the aid & Art. 20, 21 and 22 of Electricity Regulation

- ✓ Justifications of the capacity mechanisms and relevant parameters are based on European Resource Adequacy Assessment (ERAA)

Market failures and appropriateness & Art. 20 and 21 of Electricity Regulation

- ✓ Implementation plan (or “market reform plan”) submitted and plan for implementing any recommendations
- ✓ For market-wide capacity mechanism, confirmation that a strategic reserve was considered

Eligibility & Art. 22 and 26 of Electricity Regulation

- ✓ Open to the participation of all technologies, respecting objective and non-discriminatory environmental and technical criteria
- ✓ Use of ERAA de-rating factors to put different technologies into fair competition
- ✓ Market-wide capacity mechanism open to explicit and direct cross-border participation

Proportionality of the aid & Art. 22 of Electricity Regulation

- ✓ Competitive bidding process
- ✓ Minimum levels of non-availability payments
- ✓ Coordination of capacity mechanisms and flexibility measures
- ✓ Electricity consumers creating the need for the measure contribute to its costs

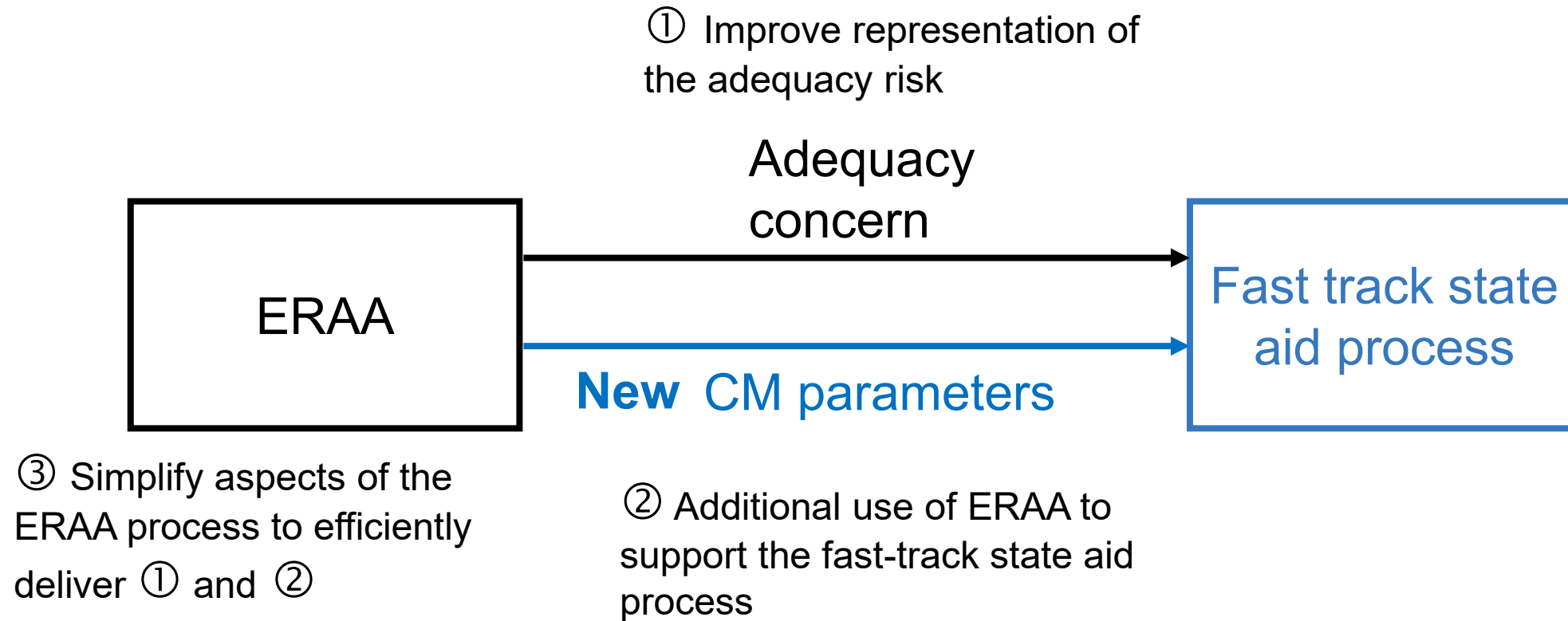
Avoidance of distortions of trade & Art. 22 of Electricity Regulation

- ✓ Availability for market wide capacity mechanism based on market bids
- ✓ Strategic reserve held outside the market and only dispatched according to Electricity Regulation rules

Within any assessment of capacity mechanisms under the CEEAG, compatibility can be assumed for any specific aspects of a strategic reserve or central buyer market wide capacity mechanism that meet these criteria.

ERAA in the streamlining of capacity mechanism approval

Gilles BERTRAND, ACER



Improve

What is the T&P scenario?


The central reference scenario reflecting the **actual pace of the energy transition**, based on quantifiable trends and concrete policy developments.

Unlike the NECP scenario, which reflects policy targets and political ambitions, the T&P scenario is a reality check on what is actually happening.

① Evidence-based projections

② Transparency on assumptions

③ Clear delineation from NECP

 **Legal Requirement:** The ERAA shall include variants *without* existing or planned capacity mechanisms and, where applicable, variants *with* such mechanisms.

Without CM variant

Purpose: Explore what would happen if no CMs would exist in Europe.

Use: Justifies the need for introducing a CM where adequacy risks appear.

Scenario outcome: Theoretical situation if no CMs in Europe.

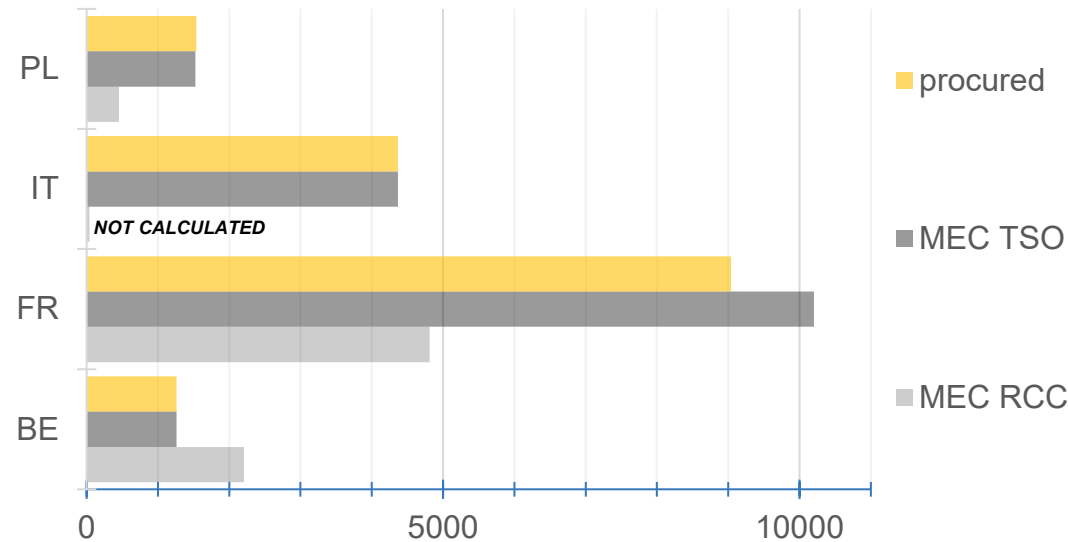
With CM variant

Purpose: Reflect the most realistic situation, accounting for CMs across Europe.

Use: Allows accounting for the interaction between Member States CMs.

Scenario Outcome: Most realistic view of security of supply, even for countries without a CM.

Misaligned MEC estimations cause inefficiencies




MEC and procured cross-border capacity (MW) for delivery year 2026²

- Significant discrepancies exist between MEC values computed by RCCs and those ultimately set by TSOs.
- **Root cause:** diverging scenario assumptions on cross-border capacity: optimistic assumptions yield higher MEC values; conservative ones yield lower values.

ACER's decision



By requiring the **with-CM scenario to be run**, the decision enables TSOs to base their MEC on the most realistic cross-border capacity assumptions, properly reflecting the contribution of CMs in neighbouring countries.



Assessment of the balancing revenues earned by technologies in the Belgian electricity market
 Final Report

Compass Lexecon
 14 November 2023

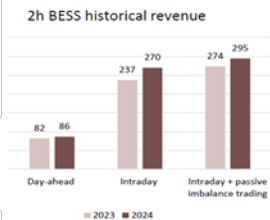
compasslexecon.com


① Evidence:

Studies on the Dutch and Belgian NRAAs show that intraday and ancillary service revenues represent a significant share of the income of flexible assets.

Historical BESS revenues in the Dutch market
 Historical intraday market revenues ~ 3x larger than revenues from the day-ahead market which notionally could have been possible



| Category | 2023 | 2024 |
|--------------------------------------|------|------|
| Day-ahead | 82 | 86 |
| Intraday | 237 | 270 |
| Intraday + passive imbalance trading | 274 | 295 |



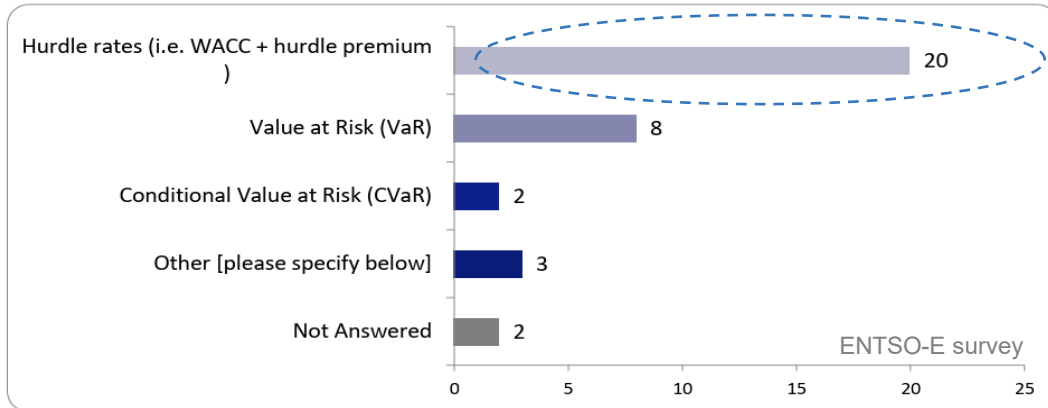
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② Implication for ERAA:

These revenues must be accounted for in the ERAA to correctly assess the economic viability of investment in flexible resources.

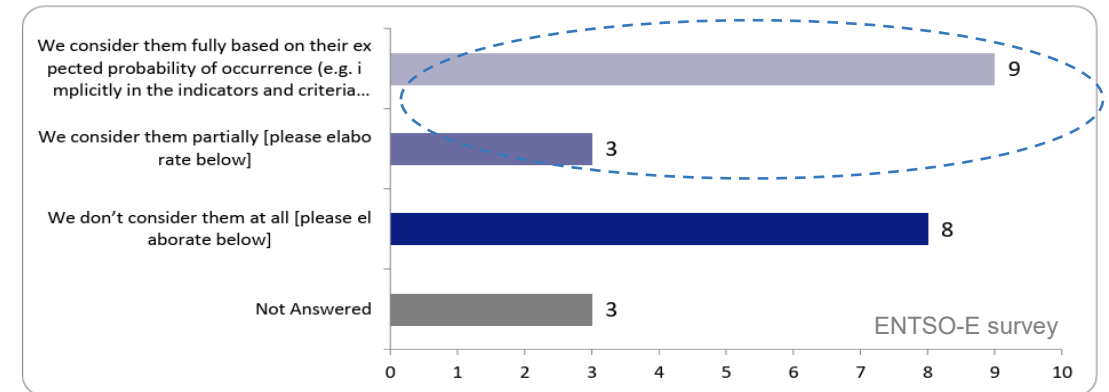
Q23: Which approach(es) do you typically use to adjust for price and revenue risk in the investment criteria above when considering entry and exit decisions?

21 responses collected:



Q25: When evaluating investments in supply-side (generation) assets, how do you account for the potential occurrence of scarcity prices and associated revenues?

20 responses were collected:



Why hurdle rates?

✓ Industry standard

✓ Simple & interpretable

✓ Transparent

New in the amended methodology: Hurdle rates may be combined with a specific measure for extreme price events, provided double counting of risk aversion is avoided.

Support

Optional service for Member States: the ERAA computes and publishes CM-related parameters

(1) for Member States applying for CISAF or

(2) seeking additional adequacy insights

- **De-rating factors:** contribution of a technology to meeting resource adequacy requirements in a modelled zone.
- **Total firm capacity need:** the amount of firm capacity required to meet the applicable reliability standard in a modelled zone.
- **Adequacy gap:** the amount of equivalent firm capacity required, in addition to what the market would be expected to deliver.

Benefit of publishing CM-related parameters

Fast-Track — For CISAF applicants

Member States wishing to apply for the fast-track State aid process:

- Use the ERAA CM parameters.
- Saves time and reduces the computational burden.

For all interested Member States

Member States seeking additional information benefit (even without a CM notification):

- Adequacy gaps provide an **indication of the missing capacity** in a Member State.
- De-rating factors reflect the **marginal value of adding a technology** given the Member State's capacity mix

Member States retain full flexibility

- **Non-binding:** Publication does not limit their possibility to not introduce a CM, or to rely on alternative studies (e.g. NRAA) for their State aid notification.
- **Opt-out:** They may opt out from the computation and publication of CM parameters.

Simplify

Three simplifications to reduce complexity and support timely delivery

Focus on key target years

Model explicitly only 4 target years and derive results for the remaining years through interpolation.

Remove a mandatory sensitivity

Suppress the mandatory sensitivity on the restriction of free price formation.

Simplify action plan treatment

Allow considering the impact of action plan measures rather than modelling them explicitly.

ERA methodology draws on proven approaches used in national adequacy assessments

Ancillary services

Source: Belgian NRAA

Exogenous treatment of ancillary service revenues, avoiding complex endogenous modelling while capturing their adequacy impact.

Intraday revenues

Source: Dutch NRAA

Exogenous approach to intraday market revenues, avoiding complex endogenous modelling while capturing their adequacy impact.

Risk aversion

Source: Belgian NRAA + French NRAA

Hurdle rate (BE)
Specific treatment of extreme price events (FR)

With-CM scenario

Source: Academic research

Simplified modelling approach for the with-CM scenario, tested in academic work.

A progressive implementation timeline

ERAA
2026

- CM-related parameters if feasible in the ERAA 2026 timeline
- 6 months after ERAA 2026: a proof of concept of the with-CM scenario

ERAA
2027

- Trends and Projections scenario
- With-CM scenario for one target year
- Analyses of TSO approaches to ancillary services and intraday revenues

ERAA
2028

- With-CM scenario for two target years
- Consideration of ancillary services and intraday revenues

ERAA
2029

- **Full implementation:** with-CM scenario for all target years

Thank you. Any questions?

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European Union Agency for the Cooperation
of Energy Regulators

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Panel discussion

Added value of the streamlined methodology for adequacy policies coordination across Member States

Victoria BJELLERUP, Ministry of Climate and Enterprise, Sweden

William ZAPPA, ENTSO-E

Georg THOMASSEN, JRC, European Commission

Kevin KAILS, Ministry of the Economy, Luxembourg

Gilles BERTRAND, ACER

Moderated & concluding remarks by Daniel IHASZ-TOTH, ACER

Q&A session

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