COMMISSION DECISION

of 29.4.2015

initiating an inquiry on capacity mechanisms in the electricity sector pursuant to Article 20a of Council Regulation (EC) No 659/1999 of 22 March 1999
COMMISSION DECISION

of 29.4.2015

initiating an inquiry on capacity mechanisms in the electricity sector pursuant to Article 20a of Council Regulation (EC) No 659/1999 of 22 March 1999

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EC) No 659/1999 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union\(^1\), and in particular Article 20a thereof,

Whereas:

(1) Where the information available to the Commission substantiates a reasonable suspicion that State aid measures in a particular sector or based on a particular aid instrument may materially restrict or distort competition within the internal market in several Member States, or that existing aid measures in a particular sector in several Member States are not, or no longer, compatible with the internal market, the Commission may decide to conduct an inquiry across various Member States into the sector of the economy or the use of the aid instrument concerned.

(2) The Commission has found growing concerns among many Member States about their security of electricity supplies. A European Commission study from June 2013\(^2\) shows that 14 EU countries could have insufficient electricity supply in 2020.

(3) Several Member States have reacted to the perceived risk of insufficient generation capacity by introducing capacity mechanisms designed to support investment in additional capacity. These measures pay providers of existing or new capacity for the provision of this capacity to the market.

(4) As these capacity mechanisms are mostly being planned or introduced in an uncoordinated manner they risk being inefficient and materially distorting cross-border trade and competition between the various capacity providers. Generally, they risk distorting price formation in the internal electricity market. Moreover, they may include only certain generation technologies or exclude non-generation activities such as demand side response. They may also disregard the contribution that capacity providers outside national borders and improved interconnection with neighbouring markets can make to ensure security of electricity supply.

(5) Capacity mechanisms may include State aid within the meaning of Article 107(3) TFEU. In such cases, Member States are subject to a notification obligation under Article 108(3) TFEU. The Energy and Environmental Aid Guidelines (EEAG)

---


adopted in 2014 contain specific criteria to assess State aid for capacity mechanisms in Section 3.9 thereof.3

(6) The Commission aims to gain a better understanding of the existence and functioning of capacity mechanisms through a sector inquiry. The inquiry will shed light on the various types of capacity mechanisms that exist or are planned, described for example as strategic reserves, one-off tenders for new generation, capacity payments, capacity auctions and supplier obligations.

(7) The Commission will seek information from relevant public authorities in these Member States such as ministries, energy regulators and competition authorities and from relevant market participants such as network operators, electricity generators, non-generation capacity providers, power exchanges and traders.

(8) In the process of the sector inquiry the preliminary findings will be published for public consultation before a final report will be adopted in 2016.

HAS DECIDED AS FOLLOWS:

Sole Article

Pursuant to Article 20a of Council Regulation (EC) No 659/1999, the Commission hereby initiates a sector inquiry on capacity mechanisms.

Done at Brussels, 29.4.2015

For the Commission
Margrethe VESTAGER
Member of the Commission

---