

## **Dispatching, redispatching and curtailment of renewable energy installations**

### **Provisions of the Regulation on the internal market for electricity (COM (2016) 861 final)**

The recast of the internal market regulation has been extended to include provisions on priority dispatch, redispatch, curtailment rules and compensation provisions for renewable energy. It is important that the proposals do not discriminate against renewable energy operators and continue to enable a level playing field.

The issues of dispatch, redispatch and curtailment are dealt with in Articles 11 and 12 of the proposed recast of the current regulation on the internal market for electricity (IMR). Article 11 addresses the dispatch of power generation installations and demand response, and sets certain thresholds for giving priority to renewable energy systems and high-efficiency CHP as well as defining safeguards for systems which already benefit from priority dispatch.

Article 12 deals with the issue of redispatch and curtailment and addresses the mechanisms according to which they are to take place (market-based or non-market-based), sets a curtailment order and defines the financial compensation to be received by the curtailed installations.

While EREF and BEE welcome the inclusion of provisions on curtailment and compensation, of which the details need to be clarified and improved, we strongly disagree with limiting priority dispatch only to small systems as required by Article 11.

### **Dispatching of generation and demand response (Article 11)**

Considering its relevance for renewable energy deployment, it is unfortunate that this article is so poorly worded and unclear in regard to its interpretation. As we understand it, in connection with the definition in Article 2 IMR, priority dispatch in a self-dispatch system like Germany refers to the dispatch of power plants on the basis of criteria different from the economic order of bids. Renewable energy installations and high-efficiency cogeneration below the thresholds set by Article 11 can thus feed their energy into the grid irrespective of market signals, which may refer to the case where these technologies receive remuneration according to a feed-in tariff.

As it stands now, in Germany systems above 100 kW are required to market their energy directly or via a direct marketing company, which means they are not directly affected by these provisions. Nevertheless, removing priority dispatch for renewable energy installations in Member States with non-functioning, discriminatory markets would have extremely negative effects on the deployment of renewable energy. Member States should provide evidence for markets fit for flexible generation and loads, including the internalization of external costs, before phasing-out priority dispatch for renewable energy installations. In addition, the basis

for assessment for biomass plants should not be the installed electric capacity, but the average electric capacity<sup>1</sup>, so as not to disadvantage against biogas plants that operate flexibly and those with biomethane upgrading.

We thus call on the European Parliament and the European Council to clarify the provisions of this article, correct the thresholds and revert to the principle of full priority dispatch for countries with low, stagnating or negative connection of new renewable energy under the last two or the last interim trajectories under Directive 2009/28/EC. The same should apply to countries with capacity market mechanisms giving priority to conventional power such as nuclear, coal and gas.

Another critical issue refers to the provision according to which systems which already benefit of priority dispatch should lose it in case of an increase in generation capacity. This element contradicts the intention of the article, to safeguard provisions for existing systems and avoid retroactive measures. As investors need certainty, and this is the declared goal of the Commission in delivering this package, we therefore suggest allowing a 20% capacity increase (in line with technological progress) and ensuring that the capacity increase in question is only taken into consideration if coupled to an actual increase in average electric capacity.

***Amendment proposal to Article 11 of the Recast proposal of the Regulation on the internal market for electricity (COM (2016) 861 final)***

***Dispatching of generation and demand response***

1. Dispatching of power generation facilities and demand response shall be non-discriminatory and market based unless otherwise provided under paragraphs 2 to 4.
2. When dispatching electricity generating installations, transmission system operators shall give priority to generating installations using renewable energy sources or high-efficiency cogeneration from small generating installations or generating installations using emerging technologies. **This principle of priority will remain a rule for all Member States where there has been stagnation or reduction of connections of new renewable technologies during the last two indicative trajectories under Article 3 paragraph 2 and part B of Annex 1 of Directive 2009/28/EC, disregarding if the overall binding national target under this Directive has been reached in 2020 by this Member State. The same principle of priority will remain in place or and as long as Member States chose capacity market mechanisms where the share of conventional base load from nuclear, coal and/or gas under this mechanism is more than 70%.**

**For all other Member States the priority dispatch rule for renewables is amended to the following extent:**

- (a) generating installations using renewable energy sources or high-efficiency cogeneration, **excluding gaseous biomass fuel plants**, with an installed electricity capacity of less than 500 kW;

<sup>1</sup> The average electric capacity is defined as the yearly power output divided by the yearly operating hours.

- (b) **gaseous biomass fuel plants with an average electric capacity of less than 500 kW; or**
  - (c) demonstration projects for innovative technologies.
3. Where the total capacity of generating installations subject to priority dispatch under paragraph 2 is higher than 15 % of the total installed generating capacity in a Member State, point (a) of paragraph 2 shall apply only to additional generating installations using renewable energy sources or high-efficiency cogeneration with an installed electricity capacity of less than 250 kW.
- From 1 January 2026, point (a) of paragraph 2 shall apply only to generating installations using renewable energy sources or high-efficiency cogeneration with an installed electricity capacity of less than 250 kW or, if the threshold under the first sentence of this paragraph has been reached, of less than 125 kW.
4. Generating installations using renewable energy sources or high-efficiency cogeneration which have been commissioned prior to [OP: entry into force] and have, when commissioned, been subject to priority dispatch under Article 15 (5) of Directive 2012/27/EU of the European Parliament and of the Council or Article 16 (2) Directive 2009/28/EC of the European Parliament and of the Council shall remain subject to priority dispatch. Priority dispatch shall no longer be applicable from the date where the generating installation is subject to significant modifications, which shall be the case at least where a new connection agreement is required or the generation capacity is increased **by more than 20% of the total system capacity and results in an increase of the average electric capacity.**
5. Priority dispatch shall not endanger the secure operation of the electricity system. **Where priority dispatch is used** as a justification for curtailment of cross-border capacities beyond what is provided for in Article 14, **the responsible TSOs shall make transparent the scale, duration and justification of the measure. Priority dispatch** shall be based on transparent and non-discriminatory criteria.

## Redispatching and curtailment (Article 12)

In principle, EREF and BEE welcome the introduction of clear curtailment rules and the definition of financial compensation for renewable energy producers. Especially in Germany, where infrastructure is lagging behind renewables deployment and the grids are blocked by inflexible fossil and nuclear capacity, transparent and non-discriminatory curtailment rules are paramount.

Nevertheless, European legislators should work on improving the wording of the article, so that there are no doubts regarding the curtailment order.

First of all, clarification is necessary about the obligation of transmission and distribution system operators to expand and reinforce their grid in order to accommodate increasing shares of renewable energy. As it stands now, under Art. 12 paragraph 4, the provisions allow network planning to take into account a share of 5 percent curtailment or redispatching of installed renewables' capacity in their area. While it is true that the grids should not be opti-

mized for accommodating renewable generation up to the last kWh, the proposed value of 5 percent is inadequate and contradicts the Commissions goal to make the grids fit for renewables. Therefore, we suggest to lowering this value to 3 percent under paragraph 4:

***Amendment proposal to Article 12 of the Recast proposal of the Regulation on the internal market for electricity (COM (2016) 861 final)***

***Redispatching and curtailment***

4. Subject to requirements related to the maintenance of the reliability and safety of the grid, based on transparent and non-discriminatory criteria defined by the competent national authorities, transmission system operators and distribution system operators shall:
- (a) guarantee the capability of transmission and distribution networks to transmit electricity produced from renewable energy sources or high-efficiency cogeneration with minimum possible curtailment or redispatching. That shall not prevent network planning from taking into account limited curtailment or redispatching where this is shown to be more economically efficient and does not exceed **3 %** ~~5%~~ of installed capacities using renewable energy sources or high-efficiency cogeneration in their area;
  - (b) take appropriate grid and market-related operational measures in order to minimise the curtailment or downward redispatching of electricity produced from renewable energy sources or high-efficiency cogeneration.

We also suggest several small, but important clarifications under paragraph 5 of Article 12:

***Amendment proposal to Article 12 of the Recast proposal of the Regulation on the internal market for electricity (COM (2016) 861 final)***

***Redispatching and curtailment***

5. Where non-market-based downward redispatching or curtailment is used, the following principles shall apply:
- (a) generating installations using renewable energy sources shall only be subject to downward redispatching or curtailment if no other alternative exists or if other solutions would result in disproportionate costs or risks to network security;
  - (b) generating installations using high-efficiency cogeneration shall only be subject to downward redispatching or curtailment if, **excluding** ~~other than~~ curtailment or downward redispatching of generating installations using renewable energy sources, no other alternative exists or if other solutions would result in disproportionate costs or risks to network security;
  - (c) self-generated electricity from generating installations using renewable energies or high-efficiency cogeneration **and for the amount** which is not fed into the transmis-

sion or distribution network shall not be curtailed unless no other solution would resolve network security issues;

- (d) downward redispatching or curtailment under letters a to c shall be duly and transparently justified. The justification shall be included in the report under paragraph 3. **Immediate online information issued by the grid operator for the start and end of the concrete curtailment event needs to be in place.**

Furthermore, the grid operators' obligation to guarantee grid expansion or reinforcement in order to allow connection of renewable energy power plants should be addressed explicitly, either here or in the article referring to operators' access to the grid.

There should also be a maximum level of transparency with regard to reasons for and adequacy of downward redispatching and curtailment measures conducted by system operators to ensure the highest possible renewable energy share in the energy consumption. To this end, the disproportionate costs mentioned should be further clarified by defining criteria on the basis of which costs are to be assessed by system operators. These criteria should also include climate protection considerations.

As long as our energy system is still subject to inflexible conventional overcapacity, curtailment of renewable energy will unfortunately continue. On one hand, the proposals of the Commission should strive to increase flexibility; on the other hand, they should ensure that investors in renewables are not penalized for providing it. Setting up clear compensation rules is a welcome development; however, we disagree with the Commission suggestion to reduce compensation to 90% of the net revenues from the sale of electricity including support. We propose the following:

***Amendment proposal to Article 12 of the Recast proposal of the Regulation on the internal market for electricity (COM (2016) 861 final)***

*Redispatching and curtailment*

6. Where non-market based curtailment or redispatching is used, it shall be subject to financial compensation by the system operator requesting the curtailment or redispatching to the owner of the curtailed or redispatched generation or demand facility. Financial compensation shall at least be equal to the highest of the following elements:
- (a) Additional operating cost caused by the curtailment or redispatching, such as additional fuel costs in case of upward redispatching, or backup heat provision in case of downward redispatching or curtailment of generating installations using high-efficiency cogeneration;
- (b) **at least 90%** of the net revenues from the sale of electricity on the day-ahead market that the generating or demand facility would have generated without the curtailment or redispatching request. Where financial support is granted to generating or demand facilities based on the electricity volume generated or consumed, lost financial support shall be deemed part of the net revenues. **If the lost revenues in a year exceed 1% of**

**the revenues of that year, the operators affected are to be given 100% compensation from that point in time.**

Last but not least, the article introduces the concept of market-based mechanisms for curtailment or redispatch and makes them mandatory, without going into any further details.

While understanding the reasoning behind a regional market-based curtailment, which could incentivize system flexibility, we are fully aware of the risks involving strategic bidding and the further development of energy only markets. Goal of these redispatch markets cannot be increasing curtailment of renewable energy generation, while inflexible conventional capacity continues to block the grid. Creating such an instrument might lead to taking the pressure off the goal of quickly moving towards a more flexible system. EREF and BEE will take a closer look at this proposal and will address it in detail in due time.

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