“Electricity Finance and Electricity Market Design” Dual Plenary Session

Description

This session has two issues. The first issue is that renewable investments represent the largest part of capital expenditures in the electricity industry. Financing these investments largely depends on the applied renewable support scheme or, more precisely, on the associated distribution of financial risks. With regulated feed-in payments or market premiums developers can finance wind and photovoltaic investments with up to 80 percent debt ratio. The session will discuss how this may change under alternative support schemes such as the auction concept proposed by the European Union.

Another issue is financing investments into conventional capacities. In recent years it had become clear that the so called energy only market with its marginal cost pricing is not expected to generate sufficient cash flows to the investor. To solve this problem, some governments are planning or have already introduced state controlled capacity markets. These markets shall generate cash flows and thus render generation investments profitable, but in situations with (real or expected) over-capacities such markets may not automatically fill the missing money gap. Accordingly the design of capacity markets is crucial for financing conventional generation investments.