Security of supply and the role of markets

An industrial energy consumer perspective

“There is no security on this earth, there is only opportunity.”

Gen. Douglas MacArthur
Significance of security of supply

- Energy is critical input for industrial production processes, either as fuel or as feedstock
- Security of supply relates to:
  - Availability
    - Supply interruption cause of direct and/or indirect damage
  - Quality
    - Outside certain boundaries, electricity and gas cannot be used without either damage, or pre-treatment, both incurring considerable cost
  - Flexibility
    - Supply must be tailored to plant uptake capacity
- SoS does not mean continuous supply at any cost
- SoS relates to ability to make optimal make or buy decisions
Demand will be supplied if the price is right.
Different possible market response options

- Supply shortage
- Demand response
- New investment cycle
Drivers of market response

- Supply shortage
  - Non-distorted price formation
  - Open market access

- Demand response
  - Market failure
  - Grid failure

- New investment cycle
  - Access to liquid and transparent primary and secondary markets
  - Risk management instruments
No indication how additional needs are addressed

Gas and power quality

Interruptions and calamity management

Flexibility cost
Drivers of additional needs

- Quality standards
- Transparency
- TSO-cooperation
- Compensation
- Liability

Gas and power quality

- Commodity quality norms
- Transparency

Interruptions and calamity management

- Market facilitating balancing regime
- Access to essential facilities

Flexibility cost
Delivering security of supply

- Optimal market access
- Robust and reliable grid

Regulation

- Active market power mitigation policy

Competition

- Optimal make-or-buy decisions
- Maximum supply-demand response
Thank you for your attention

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