

Security of supply and the role of markets

An industrial energy consumer perspective

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

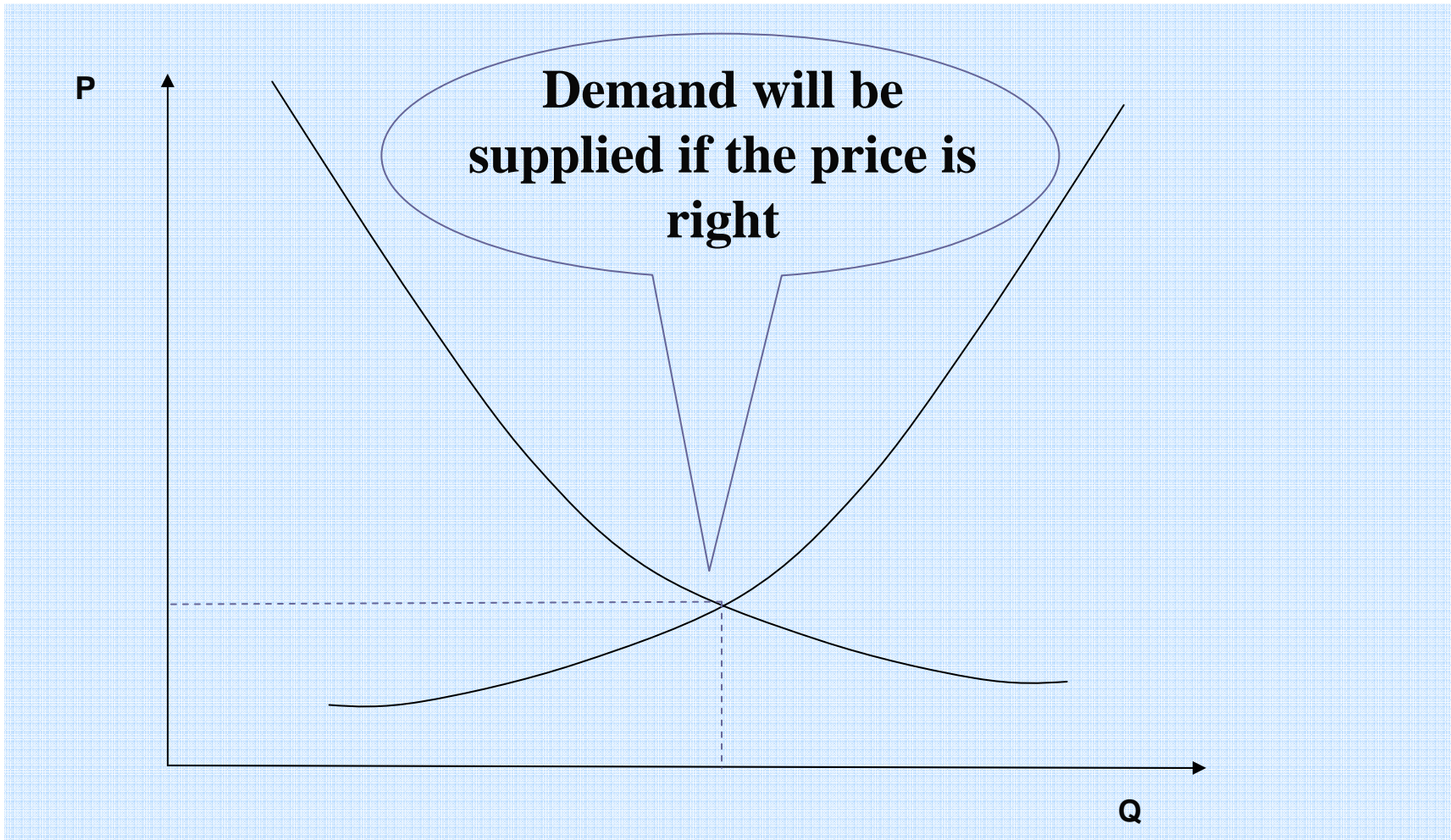
Gen. Douglas MacArthur

CEPS,
Brussels, 29 September 2009
Hans Grünfeld
President IFIEC Europe

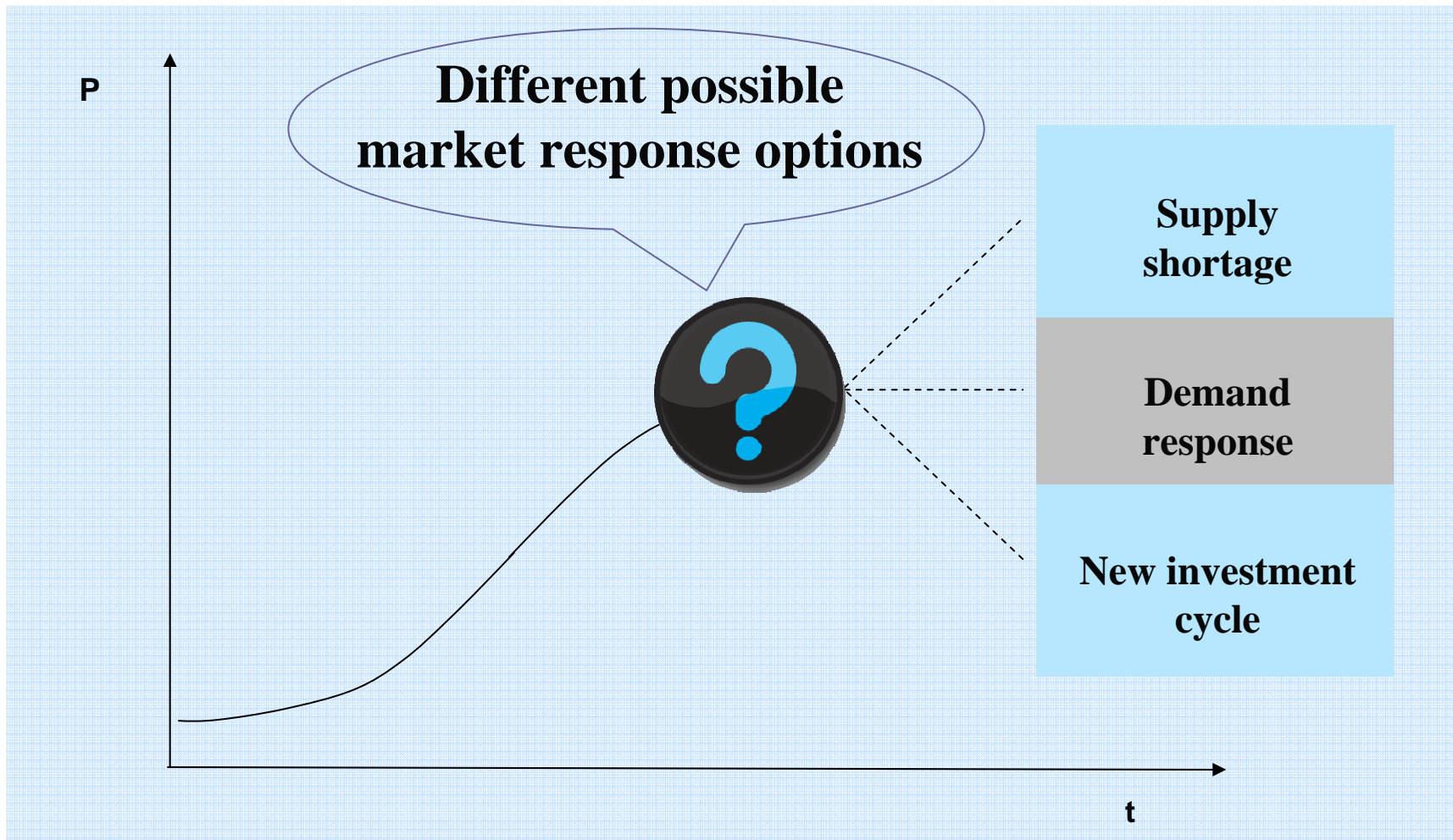
Significance of security of supply

- 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

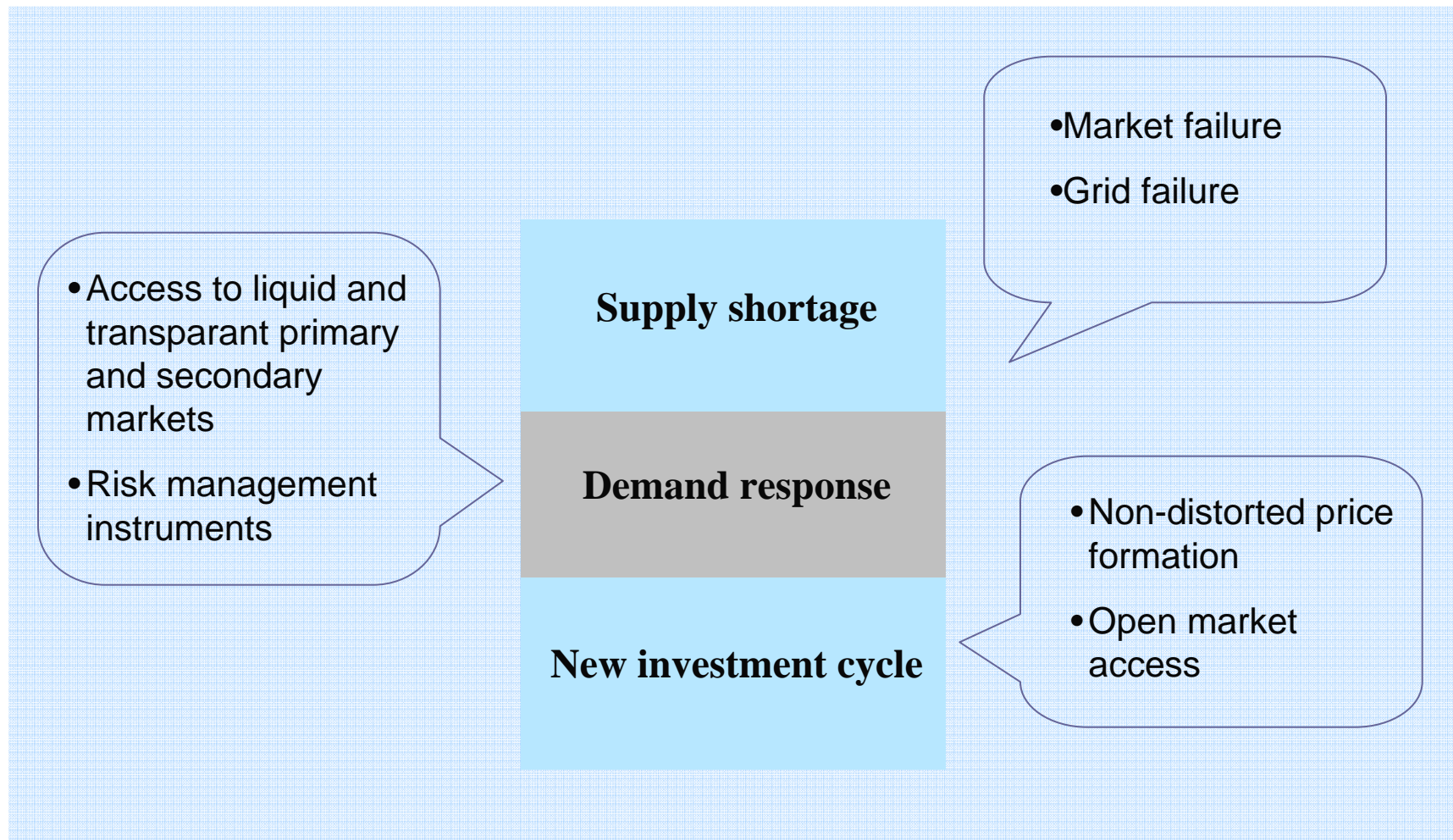
Theory



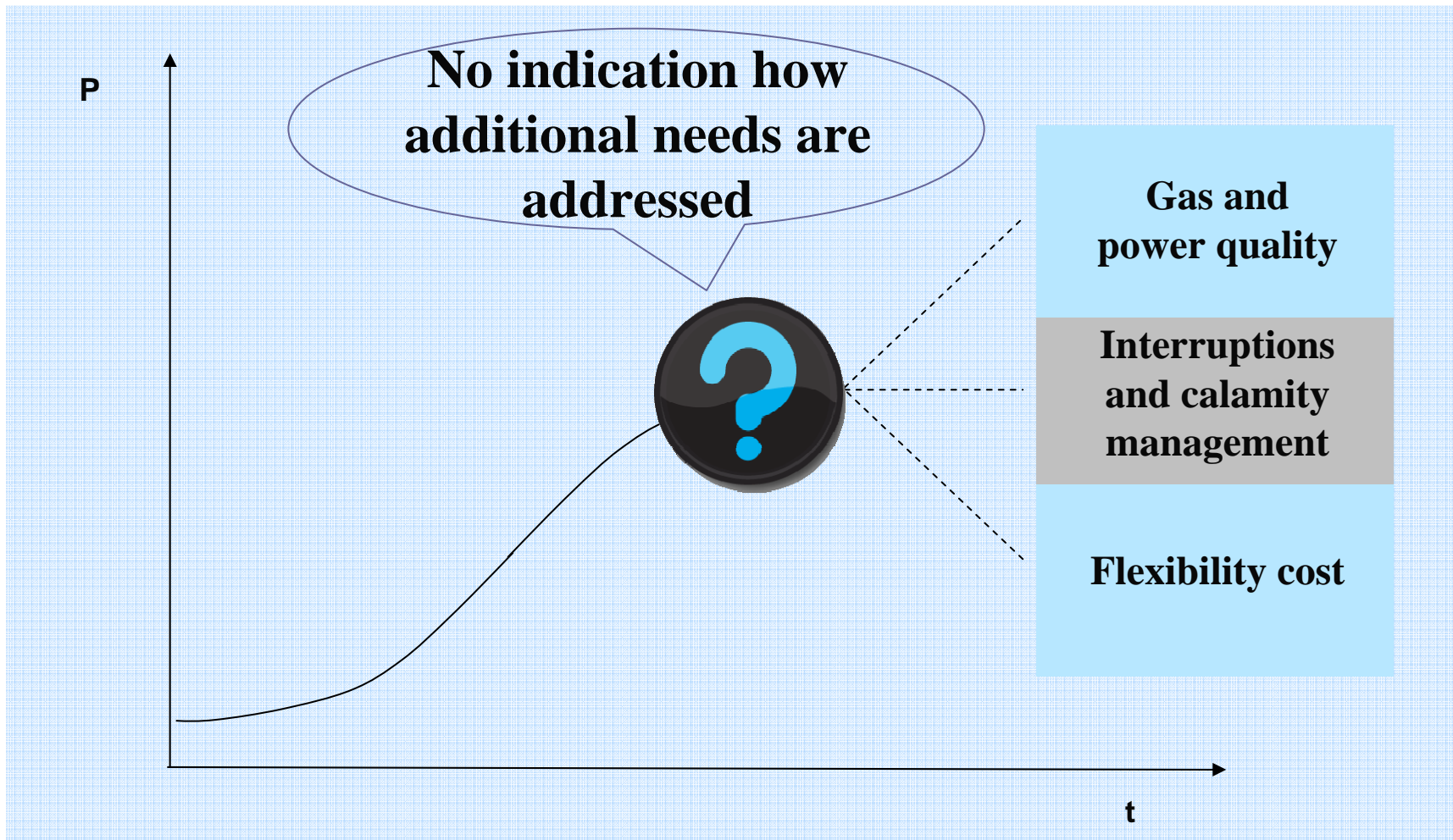
Practice



Drivers of market response



Practice



Drivers of additional needs

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

**Gas and power
quality**

**Interruptions and
calamity
management**

Flexibility cost

- Commodity quality norms
- Transparency

- Market facilitating balancing regime
- Access to essential facilities

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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