



State aid: Commission approves joint capacity mechanism for Ireland and Northern Ireland

Brussels, 24 November 2017

The European Commission has approved under EU State aid rules the new capacity mechanism for the jointly operated Irish and Northern Irish electricity market. The mechanism will help ensure security of electricity supply whilst preserving competition in the Single Market.

Commissioner Margrethe **Vestager**, in charge of competition policy, said: *"The joint Irish and Northern Irish capacity mechanism will help ensure security of electricity supply in the years to come. I think it is a good thing that this mechanism is operated across national borders and fosters competition among all potential capacity providers, to the benefit of consumers."*

Under the capacity mechanism, power plants and other capacity providers in the 'all-island market' will obtain a payment for being available to generate electricity or, in the case of demand response operators, for being ready to reduce their electricity consumption to help balance demand with supply. It helps to ensure that there is sufficient capacity to meet electricity demand at all times in Ireland and Northern Ireland.

The capacity providers will be selected on the basis of regular, competitive auctions. The first auction is scheduled to take place in December 2017.

The Commission assessed the measure under the [2014 Guidelines on State aid for environmental protection and energy](#). As required by the Guidelines, Ireland and Northern Ireland have demonstrated the measure's necessity for ensuring the security of supply objective, based on a thorough market analysis. The Commission concluded that the capacity mechanism complies with EU State aid rules, in particular because it is open to all potential types of capacity providers, including demand response. Furthermore, the measure will keep costs for consumers in check thanks to the regular, competitive auctions to allocate capacity contracts.

The joint Irish and Northern Irish capacity mechanism also has a special feature to ensure its effectiveness: when electricity prices reach very high levels (i.e. more than €500 per MWh), it triggers an obligation for power plants selected in the auctions to pay back some of the State aid. They can finance this payback obligation from revenues they generate from the sale of electricity. The capacity mechanism therefore not only ensures that capacity is available, it also gives power plants an incentive to use this capacity to offer their electricity on the market when there is scarcity.

Background

The joint Irish and Northern Irish capacity mechanism forms part of a set of market reforms referred to as the Integrated-Single Electricity Market ('I-SEM'). It is set to start in May 2018.

The Commission has recently [assessed other measures aimed at ensuring security of electricity supply](#) in various Member States. It approved market-wide capacity mechanisms in [Great Britain](#) in July 2014 and in [France](#) in November 2016. Moreover, the Commission carried out a State aid [sector inquiry into capacity mechanisms](#) in 11 Member States. It concluded that capacity mechanisms can be an appropriate tool to ensure the security of electricity supply if well-designed and targeted to the underlying market failures.

The non-confidential version of the decision will be published in the [State aid register](#) on the [competition](#) website under the case numbers SA.44464 and SA.44465 once eventual confidentiality issues have been resolved. The [State Aid Weekly e-News](#) lists new publications of state aid decisions on the internet and in the EU Official Journal.

IP/17/4944

Press contacts:

[Ricardo CARDOSO](#) (+32 2 298 01 00)
[Yizhou REN](#) (+32 2 299 48 89)

General public inquiries: [Europe Direct](#) by phone [00 800 67 89 10 11](#) or by [email](#)