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*ICER Scholar Award Winner*

**Title - National capacity mechanisms in the European Internal Energy Market: Opening the Doors to Neighbors'**

After decades of strong opposition, several European countries are now in the process of implementing some kind of capacity remuneration mechanism (CRM). Unfortunately, these national initiatives seem to aim at energy autarky rather than seeking a wider regional coordination. The main reason for this approach is a lack of confidence in the regional market outputs during scarcity conditions. The threat perceived by regulators is that, in the current framework, during system stress events, each country will protect the rights of its domestic demand, impeding the fulfilment of contracts previously signed. However, this situation can significantly affect the potential benefits of an integrated long-term expansion of the European power system.

In this paper the regulatory basis for the effective participation of foreign agents in national CRMs is discussed. The authors support that two pillars are required: (1) stronger coordination among TSOs and respect for the Security of Supply Directive and (2) introduction of a particular type of firm cross-border nominations associated to the CRMs commitments. These proposed nominations are to be considered only in situations of system stress. As discussed here, this allows not requiring any type of ex-ante cross-border capacity reservation, thus avoiding many of the inefficiencies associated to traditional physical contracts.