

Energy Regulatory Office

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Capacity market: President of URE set the level of the energy security charge in 2023

In January 2021, a new item called [capacity charge](#) appeared on our electricity bills, in the part chargeable by distributors. It is applied in accordance with the Capacity Market Act^[1] of 2017, which introduced a mechanism to compensate power generators for their readiness to supply power to the grid. The main rationale behind the implementation of the new regulations was the need to ensure stability and security of electricity supply.

We have recently had the opportunity to test the effectiveness of the solutions introduced by the Capacity Market Act. On Friday 23 September, due to the lack of an adequate power reserve in the power system, Polskie Sieci Elektroenergetyczne, the transmission system operator taking care of the security of its operation, announced emergency periods in the capacity market in the evening (for two hours from 19:00 to 21:00). This was a signal to the capacity market units to fulfil their capacity obligations during these hours. Under the contracts, as part of their capacity obligations, the generating units had to provide an adequate level of capacity in the system and the demand side response (DSR) units reduced their demand, for which they are compensated.

The charge could therefore be referred to as the energy security charge. By the end of September each year, its level is calculated and published by President of URE, based on the provisions of the Capacity Market Act and the Regulation of the Minister of Climate and Environment^[2].

- The level of the charge reflects payments to capacity suppliers under contracts concluded following to capacity market auctions. Proceeds from the charge are used to build new generating units, and to modernise and maintain existing ones, as well as to stimulate the management of electricity consumption and improve the flexibility of electricity demand - explains Rafał Gawin, President of URE.

Who will pay a fixed charge and who will be charged according to the individual consumption curve?

The fixed charge, set in PLN per month and linked to annual electricity consumption, applies to:

- all consumers in tariff group G (including households)
- electricity consumers in the C1 tariff group, with contracted capacity up to 16 kW.

The level of the charge for consumers other than those paying the fixed charge depends on the amount of electricity they use during selected hours of the day and their individual consumption curve, i.e. the difference between their consumption during peak demand hours and their consumption during the remaining hours of the day. There are four consumer groups defined in the Act:

- group where the difference between the amount of electricity consumed on weekdays during selected hours of the day and outside of these hours is less than 5 %,
- group where the difference is at least 5 per cent but less than 10 per cent,
- another group where the difference at least 10 percent but less than 15 percent, and
- the fourth group where the difference is at least 15 per cent.

- The division into consumer groups according to the ratio of peak and off-peak consumption is crucial as it is expected to translate into greater stability of power consumption. Each of the four groups with different stability has been assigned a coefficient to adjust the base capacity charge rate. Its value ranges from 0.17 for customers with the most 'flat' consumption profile to 1 for customers who consume energy in the least stable manner, i.e. where the difference between the amount of power used during peak and off-peak hours is more than 15 per cent. - explains Rafał Gawin.

Such a solution is expected to encourage consumers to consume electricity consciously throughout the day and can thus improve the balancing of power demand, which in turn will increase security of supply.

Until the end of 2027, there will be a split between consumers paying a fixed capacity charge dependent on the hourly electricity consumption, and others, for whom it will depend on energy consumption during the hours declared by President of URE as peak demand hours^[3]. However, as of 1 January 2028, the fixed charge will no longer apply and the capacity charge for all power consumers, including households, will depend on the consumption curve (the more stable the curve, the lower the charge).

Thus, in 2023, customers connected to medium-voltage networks (with a voltage higher than 1 kV) and to high-voltage networks will be able to benefit from the possibility of adjusting the base rate of the capacity charge by the applicable coefficient.

Level of charges in 2023

When calculating the capacity charge for 2023 for individual groups of customers, the regulator – as required by the legislator – takes into account the value of the capacity contracts concluded in the 2023 auctions and the costs of the Settlement Manager.

For customers in groups G and C1^[4], this will be a monthly rate, depending on annual consumption^[5] of electricity, payable per point of consumption.

Table 1. Capacity charge rates in 2021-2023 for fixed charge customers depending on consumption level [in PLN/month; net value excl. VAT].

For electricity consumption	Capacity charge rates		
	year 2021	year 2022	year 2023
below 500 kWh	1.87	2.37	2.38
from 500 kWh to 1200 kWh	4.48	5.68	5.72
from 1200 kWh to 2800 kWh	7.47	9.46	9.54
above 2800 kWh	10.46	13.25	13.35

For other groups of customers, the charge rate next year will depend on the amount of electricity taken from the grid [during selected hours of the day \(on working days from 7:00 a.m. to 9:59 p.m.\)](#) and will amount to PLN 0.1024/kWh (compared to PLN 0.1026/kWh in 2022).

- The capacity supplier support scheme is expected to operate until 2047.
- By the end of September each year, President of URE announces the capacity charge rates for the following year.
- More information about the capacity market can be found on the websites of the [Regulator](#) and [Polskie Sieci Elektroenergetyczne](#).
- The cost of the capacity market in 2021 was PLN 5.5 billion. The value of capacity

obligations contracted in the 2022 and 2023 auctions is approximately PLN 5.3 billion each.

^[1] Capacity Market Act of 8 December 2017 (Dz.U.2020.247 as amended).

^[2] Regulation of the Minister of Climate and Environment of 9 November 2020 on the application of the capacity charge and the determination of the hours of the day with peak power demand in the system (Journal of Laws of 2020, item 2009).

^[3] The peak demand hours of the day remain unchanged. This period covers 15 consecutive hours of each working day (excluding public holidays). The first of these hours starts at 7am and the fifteenth at 9pm.

^[4] With contracted capacity of up to 16 kW.

^[5] Article 74(7) of the Capacity Market Act.

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