

Energy Regulatory Office

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The forecasts are optimistic. URE examined generators' investment plans for the next 15 years

Comparing the picture emerging from the current study with the situation three years prior, we can see that now we have a greater possibility of long-term balancing of electricity production and demand - said Maciej Bando, the President of URE, presenting the report of URE on the investment plans of energy undertakings involved in generation of electricity, for the years 2014-2028.

The improvement of the situation results from, inter alia, lower forecasted peak demand, introduction by the transmission system operator (TSO) of additional system service, i.e. intervention cold reserve, and modification of operating power reserve mechanism.

The biggest shortfall of available capacities (excluding additional available capacities, eg. from imports and capacities of units not covered by the study) may occur in January 2015 and 2016 (approx. 1 200 MW and 1 000 MW respectively) - *The shortage of available capacity in relation to power demand will be decreasing in the coming years* - underlined the President of URE. The actions undertaken, like capacity imports or contracts for reducing energy demand (so-called "negawatts") should allow in the next few years for balancing peak demand and ensuring required power reserve at the level of 9% above peak demand.

- However, if the examined energy companies planning to construct new generating capacities, which are currently at a non-advanced stage of completion, would quit their construction plans, then in particular in the late twenties we may have to deal with a deficit of available capacity in relation to power demand - the regulator underlined.

In the years 2014 - 2028 energy undertakings are planning to commission a total of more than 18 GW of new generating capacities. 7.5 GW of these capacities are the investments resulting from grid connection conditions issued by the transmission system operator, which apply mainly to wind energy. In contrast, the amount of generation capacities planned for decommissioning during this period is about 5.2 GW of installed capacity.

The results of the survey also show that the energy companies are planning to commission by about 11.5 GW of generation capacities less than their planned in 2011. - *We should, however, remember that the investments declared by the energy companies have long-term planning horizon and are at different stage of implementation, from the initial phase, i.e. decision making for launching the project or obtaining grid connection conditions, to the implementation and project commissioning. In such long-term planning horizon, plans of the generators may change* - underlines Maciej Bando, President of URE.

At the same time survey shows that the planned investments with advanced stage of implementation shall be commissioned in the period from 2014 to 2018. According to this year's survey, estimated size of significantly advanced investments amounts to almost 6 000 MW, while the 2011 survey showed advanced investment at the level of 3 000 MW.

PLN 54 billion for investments, PLN 12 billion for modernization

The increase in generation capacity does not result solely from commissioning of new capacities. The planned upgrades of existing generation units were also included in the forecasts of examined companies. These upgrades are aimed at extending the lifetime of the units as well as increasing installed and generating capacity of existing generation units. Most upgrades provided for in the development plans of energy companies relate to adjustment of units to reduce the air pollution. These actions are aimed at, inter alia, ensuring the implementation of the objectives of the Directive of the European Parliament and of the Council on industrial emissions (IED).

Commissioning of significant amount of new generation capacities is currently planned for the period from 2017 to 2019. According to the study conducted in 2011, the largest

amount of new capacities was planned for commissioning in the period from 2014 to 2018. Postponing of the planned date of new capacities' commissioning and decrease in total generation capacities planned for commissioning may be caused by the fall of electricity prices on the market and, as a consequence, deterioration in profitability of investment in new capacities. It should be noted, however, that in comparison with the investment plans submitted in 2011, the amount of generation capacities planned for decommissioning in the years 2014 to 2025 was reduced by approx. 2 GW. This decrease results, inter alia, from additional system service - intervention cold reserve, introduced by transmission system operator and approved by URE, as well modification of operating power reserve mechanism.

From the point of view of electricity generation technologies, wind farms, coal-fired generation units and natural gas-fired units have the biggest share in all investments (40%, 32% and 22% respectively). In case of advanced investments, almost $\frac{2}{3}$ are the investments in coal-based technologies. - *We should keep in mind that the wind farms require that capacity reserves with fast load changes, such as gas-fired power plants, are secured in the system so as to ensure balancing of electricity demand and generation* - the President of URE said.

It should be noted that according to Polish Nuclear Power Programme, adopted by the Council of Ministers, the start-up of the first nuclear power unit with a capacity of 1 000 MW should take place by the end of 2024. However, the examined energy companies did not provide information on planned investments in nuclear energy.

The full report on the survey of generators was published in the Bulletin of the Energy Regulatory Office (in Polish only).

The study on the generators' investment plans was based on the analysis of questionnaires sent by URE to 49 energy companies and 4 energy groups. Moreover, URE also took account of information on grid connection conditions issued by PSE SA (TSO).

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