

Electricity auctions in South America: towards convergence of system adequacy and RES-E support

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Abstract- Regulatory reforms of the electricity industry in South America have always been prompted by the need of attracting enough investment to cover the fast-paced demand growth. In order to achieve this goal, the countries in the region which in the eighties and early nineties opted for market-oriented schemes, have rebuilt in the last decade their regulatory frameworks around long-term auctioning. These new mechanisms, initially implemented to attract investment in any sort of conventional generation technology so as to ensure the system adequacy, are also being increasingly used to bring in non-conventional renewable energy resources. These schemes have been until now run in parallel, but the steep learning curve of Renewable Energy Sources for electricity (RES-E) technologies is apparently opening the door to the implementation of new tendering procedures open to all kinds of generation technologies. In this article, we review the auction mechanisms for new generation implemented in South America. We argue that although the first impression might lead to the conclusion that conventional and RES-E technologies are in some cases close and even ostensibly competing in the same auctions, the fact is that the full convergence is still far to happen, as the rules and products applied to the different technologies differ significantly.

Index Terms- Electricity auctions; Capacity mechanisms; System adequacy; Renewable energy

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Citation:

Mastropietro, P.; Batlle, C.; Barroso, L.A.; Rodilla, P.; "Electricity auctions in South America: towards convergence of system adequacy and RES-E support", Renewable & Sustainable Energy Reviews, vol.40, pp.375-385. December, 2014.