

Non-paper Power Plant Strategy 2031

(DRAFT)

I. Power Plant Strategy as part of an Ad-hoc Capacity Market 2031

1. General design of the Ad-hoc Capacity Market

GER introduces an ad-hoc market-wide capacity mechanism for delivery in 2031. Tenders are technology-neutral, the technologies that offer the desired service (security of supply, expressed in GW derated) at the lowest cost prevail.

The mechanism complies to the extent possible with the target model for capacity mechanisms acc. to CISAf. However, the exceptions as spelled out below apply to the T-5-Tenders (particularly with regard to technology-neutrality/the needs for long-term supply) and the specifics below apply to the T-4-Tenders (particularly with regard to cross-border-participation).

Total procurement volume for all auctions (T-5, T-4, T-2) equals total derated capacity required to meet the reliability standard in 2031 acc. to respective ERAA (approx. 41 GW in total). Capacities funded by alternative support systems such as CHP and biomass can only participate if they renounce to the support under these mechanisms. Capacities which are too carbon intensive (coal, lignite) are not included. Procurement volume is re-evaluated before every auction.

The mechanism will be financed through a levy which also refinances the costs of the capacity mechanism as of 2032 as needed to fulfil state-aid requirements. This levy will be introduced with the law regarding the capacity mechanism and effective as of 2031. However, as a backup a budget financing as a loan or guarantee with repayment obligation once the levy is legally introduced.

The ad-hoc capacity market is based on the assumption that the coal exit in GER can and will carry on as stipulated by GER law at present. This will be highlighted in the communication regarding the ad-hoc capacity mechanism.

2. Exception for the T-5-Tenders

GER will carry out **2-3 tenders in 2026** for delivery in 2031 with a total **volume of 12 GW** (collecting tender in first quarter of 2027 for residual volume).

- **Thereof a segment of 10 GW** nominal (which equals about 9 de-rated GW) with a **long-duration delivery requirement**. For the auctions, the capacity will be de-rated in line with it's characteristic. Details of the implementation of this remain to be defined including 10-hours criterion, suitable derating method, activation tests, ability to provide ancillary services, etc. to adequately mirror technical availability and system needs in particular for new, h₂-ready power plants. Overall, the technical

implementation of the long-duration requirement shall ensure that the security of supply needs are addressed.

- In addition, a volume of 2 GW nominal will be foreseen. For the auctions, the capacity will be de-rated in line with its characteristics.
- GER and COM (DG ENER) will together explore the different ways to best justify the volumes as well as the length of the long-duration delivery requirement of the t-5 tenders in line with EU regulation. For this purpose, also qualitative arguments will be relevant. In addition, they will explore the different options to carry out additional analyses to support these arguments in order to provide a sound and legally robust justification.

Additional exceptions of the T-5-tenders in 2026:

- Only **additional capacity** can participate (new or existing capacity which the operator has declared to decommission definitively (§ 13b Abs. 1 EnWG)).
- Tenders will award contracts with duration of 15 years only.
- Tenders open to all technologies **except Demand Side Response**.
- No participation of **cross-border capacities**.
- **Aggregation** per technology type allowed.
- **South bonus** applicable to the long-duration-capacities (10 GW, see above) without specific cost allocation to consumers in the south.
- Power plants that are successful in the tenders will decarbonise in line with GER legislation, i.e. by 2045 at the latest.

3. Specifics of T-4- & T-2-Tenders

Overall tender volume of approx. 29 GW for T-4- & T-2-Tenders (considering 12 GW T-5-volumes).

- **T-4-Tender: Approx. 21-26 GW in 2027**. According to CISAF, 75-90 % of the volume would be allocated to the T-4 auction.
- **T-2-Tender: Approx. 3-8 GW in 2029**. Remainder of overall volume after T-4 auctions.

Existing capacities as well as new build capacities can participate. Different **contract durations** (from 1 year to 15 years) compete against each other based on their bids.

Further volumes may be added in the t-2 tender from the **cross-border opening**, provided that the TSOs have negotiated bilateral agreements with neighbouring countries by the time of the tender. The German TSOs will send draft agreements to the neighbouring countries before the launch of the t-4 auctions. Cross-border opening will be eligible for 1-year contract duration.

II. Decarbonisation Tenders

The legislation on the ad-hoc capacity market will provide for that GER introduces legislation on additional tenders open to all gas power plants by 31 Dec 2030 to incentivise the switch of 2 GW of gas-fired power plants to hydrogen by 2040 and another 2 GW by 2043. Tenders for this purpose will include a funding of contracts for difference (additional fuel switching costs) and should be carried out between 2032 and 2035 at the latest. A review of this clause would require extraordinary change of circumstances and be notified to COM.

III. Process to implement the Ad-hoc Capacity Market

GER is committed to a swift legal implementation of the mechanisms mentioned above. It envisages to start the parliamentary process early 2026 and to finish it as soon as possible, probably well before summer.

To facilitate this, all main elements of the ad-hoc capacity market, in particular for the t-5 tenders in 2026 will be set out by law (Gesetz). However, with regard to the t-4 and t-2 tenders certain elements, in particular technical details, might be spelled out in ordinances (Verordnung) in order to have more time to design the complex rules for a capacity market. If and to what extent this will be the case will be specified in the law.

With regard to the requirement of a public consultation of the measure the public consultation carried out for the former power plant strategy together with the consultation of states and associations in the course of the legislative process (Länder- und Verbändeanhörung) will be considered sufficient.

The study of the possible effects of the capacity mechanism on neighbouring countries including a consultation of those neighbours pursuant to Art 21 para 2 of Regulation 2019/943 will only be conducted for the comprehensive capacity mechanism with delivery as of 2032.

In order to fulfil the requirement in Art 21 para 5 of Regulation 2019/943 (implementation of a market reform plan before introduction of a CRM), the existing Market Reform Plan for the German strategic reserve (Kapazitätsreserve) will be used.

No new capacity will be procured outside this framework. The network reserve as well as CHP and the EEG are not subject to this requirement. Capacity reserve to be removed before 1 January 2031.

GER will introduce a subsequent full capacity mechanism with delivery as of 2032. GER politically commits to introduce a full-fledged capacity market. GER will be free to implement any type of capacity mechanism fully in line with EU legislation and the requirements of state aid law. Power plants that receive support under the ad-hoc capacity market may participate in such capacity market if the support has ended or the support becomes void for whatever reason.