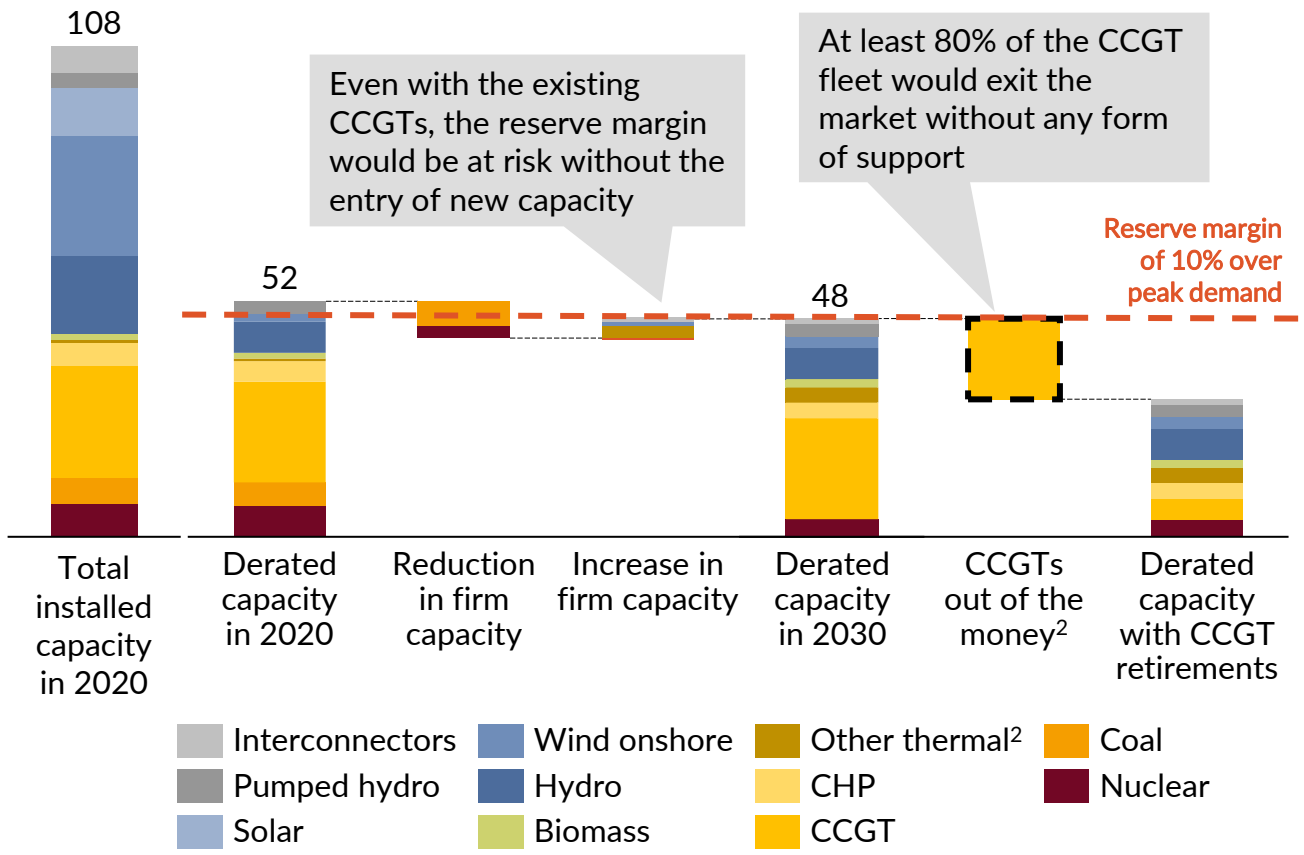
Aurora believes that in order to meet Spain's security of supply targets, some form of CRM is required as soon as possible

- Under the current market conditions, the large majority of CCGTs in Spain are unprofitable. This problem is only likely to get worse as more renewables enter the system.
- The PNIEC scenario is dependent on the continuity of CCGTs to meet Spain's reserve margin target during the 2020's.
- Based on Aurora's analysis, between 2020 and 2024 CCGTs would require between €15/kW-year and €20/kW-year to cover their fixed operating costs. Without this, the economically rational thing to do is to exit the system, creating a near-term resource adequacy problem.
- Policymakers should focus on clearly defining the needs of the power system and allowing the market to uncover the most cost-effective way of meeting them.
- Market-wide, competitive, technology-neutral CRM mechanisms with a single clearing price, most closely resemble the outcomes of a perfectly efficient energy market, while providing more revenue stability for capacity required to meet resource adequacy targets.

With expected coal and nuclear retirements, both existing CCGTs and new capacity would be required to meet a 10% reserve margin during the 2020's

Total installed capacity and derated capacity in Aurora Central[1],
GW



1) Considering only the Peninsular system. Derated capacities according to current CNMC factors and excluding interconnectors. 2) Includes OCGTs, gas reciprocating engines and oil generators.

Sources: Aurora Energy Research