

Reliability options: regulatory recommendations for the next generation of capacity remuneration mechanisms

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Abstract-

**The policy and regulatory debate raised after the 2022 energy crisis has reaffirmed capacity remuneration mechanisms (CRMs) as a key element of the electricity market design required to drive the much-needed energy transition. Reliability options are a CRM product that effectively addresses the market failures impacting security of supply, while minimising the interference with the different segments of the energy market. This article provides a comprehensive and detailed assessment of the design elements of reliability options and advances recommendations that can be useful for regulators who may consider introducing this scheme in their electricity markets. The **

Index Terms- Reliability options; Capacity mechanisms; Capacity markets; Resource adequacy; Strike price; Financial hedge

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