

European Commission's public consultation on a new energy market design

A EURELECTRIC response paper

October 2015

EURELECTRIC is the voice of the electricity industry in Europe.

We speak for more than 3,500 companies in power generation, distribution, and supply.

We Stand For:

Carbon-neutral electricity by 2050

We have committed to making Europe's electricity cleaner. To deliver, we need to make use of **all low-carbon technologies**: more renewables, but also clean coal and gas, and nuclear. Efficient electric technologies in **transport and buildings**, combined with the development of smart grids and a major push in **energy efficiency** play a key role in reducing fossil fuel consumption and making our electricity more sustainable.

Competitive electricity for our customers

We support well-functioning, distortion-free **energy and carbon markets** as the best way to produce electricity and reduce emissions cost-efficiently. Integrated EU-wide electricity and gas markets are also crucial to offer our customers the **full benefits of liberalisation**: they ensure the best use of generation resources, improve **security of supply**, allow full EU-wide competition, and increase **customer choice**.

Continent-wide electricity through a coherent European approach

Europe's energy and climate challenges can only be solved by **European – or even global – policies**, not incoherent national measures. Such policies should complement, not contradict each other: coherent and integrated approaches reduce costs. This will encourage **effective investment** to ensure a sustainable and reliable electricity supply for Europe's businesses and consumers.

EURELECTRIC. Electricity for Europe.

Dépôt légal: D/2015/12.105/32

EXECUTIVE SUMMARY

EURELECTRIC welcomes the opportunity to respond to the European Commission's public consultation on a new energy market design. We appreciate that the Commission recognises that **European electricity markets are undergoing fundamental** changes given the European Union's climate and energy policy agenda. The discussion around market design is therefore an opportunity to **take concrete steps towards building the Energy Union**.

In our response, we state our position on the consultation key aspects:

- **Role of the energy market** – Energy and flexibility markets should be free of distortive interventions. There should be no barriers to voluntary bilateral long-term contracts.
- **Market integration** – We fully support all measures aimed at integrating energy markets across Europe and make concrete proposals on how to speed up integration across all timeframes while making it more efficient.
- **Capacity mechanisms** – Energy-only markets remain the reference for the Internal Energy Market completion. If needed, capacity mechanisms, in the form of well-designed capacity markets, can efficiently complement energy-only markets. They can ensure the required level of security of supply where the energy price signals are not sufficient to drive the necessary investments. The implementation of capacity markets should be based on regional adequacy assessments. Also, cross-border participation is a fundamental design feature.
- **Transition towards a low carbon system** – The CO₂ price should become the main driver for low carbon investments in the power sector.
- **Markets governance and regulation** – ACER has an increasingly important role in the safeguard of European interests, in particular regarding cross-border regulatory topics. TSOs should evolve from national to at least regional system operation.
- **Downstream markets and active consumers** – The Commission should communicate to Member States and regulators the urgency to free the final customers' electricity bill from unrelated taxes and levies. Sound market rules should ensure a level playing field for demand side response and the regulatory framework should underpin cost-efficient development of distributed generation. This will allow the development of innovative services. DSOs will have an increasingly important role as active system managers, technological enablers, data managers and innovators.

EURELECTRIC is fully committed to contribute to the European debates. EURELECTRIC aims to achieve an efficient electricity market design and looks forward to the next steps following this consultation.

1) Would prices which reflect actual scarcity (in terms of time and location) be an important ingredient to the future market design? Would this also include the need for prices to reflect scarcity of available transmission capacity?

Yes, energy prices that reflect market fundamentals, including scarcity in terms of time and location, are an important ingredient of the electricity market design. Undistorted prices (without regulatory intervention) should thus trigger optimal dispatch and signal the need for investments/divestments. Scarcity prices should reflect the value of lost load, which is significantly higher than the wholesale market price caps existing in most countries. Price caps and other interventions in the market hindering the appearance of scarcity prices should be removed. All steps to further integrate the European electricity market are welcome. No regret options for further integration of balancing and intraday markets are developed in questions 3 and 4.

The time aspect of scarcity

At **wholesale level**, high prices on the day-ahead, intraday and balancing markets should reflect actual scarcity arising across these different time frames. When introduced, capacity markets reflect the level of system adequacy and signal the need for investments in generation assets, storage and demand response when capacity is scarce.

At **retail level** scarcity prices give a signal for market-based demand response, which is an indispensable part of the future market design. Consumers that wish so should be able to choose time-varying prices that reflect wholesale prices variations and receive all necessary information on the risks linked to the exposure to volatile energy prices.

The locational aspect of scarcity

Wholesale scarcity is already expressed at bidding zone level. Price spreads between bidding zones actually express the scarcity of transmission capacity between the bidding zones and therefore usually signal transmission investment needs. A “copper plate” is usually assumed inside each bidding zone. The delimitation of bidding zones is fundamental in order to provide correct price signals to all participants in the market and to facilitate an efficient use of resources in their daily activity as well as for investments’ decisions. It is obviously important that prices are not distorted at any side of an interconnection. This requires in particular similar tax, access tariffs and scarcity price levels. TSOs have to address potential internal congestions by re-dispatch or by investments in interconnections and transmission capacity. Furthermore, transmission planning processes should be harmonised and should be made more transparent than it is currently the case.

EURELECTRIC generally favours larger bidding zones as they present more advantages for the functioning of the market and its liquidity, however bidding zone configuration should duly take into account the grid capacity. Zones should respect structural bottlenecks that do not necessarily correspond to national borders.

2) Which challenges and opportunities could arise from prices which reflect actual scarcity? How can the challenges be addressed? Could these prices make capacity mechanisms redundant?

Prices that reflect scarcity provide incentives and opportunities for market players to develop new products, enhancing flexibility resources both on the demand side and on the supply side.

In well-functioning energy markets without any type of intervention and where governments accept the adequacy level delivered by the energy-only market, scarcity prices can make capacity markets redundant.

However, scarcity prices should reflect the actual value of loss of load, which is in most cases higher than the price caps in place in the wholesale markets. In some countries, a history of regulatory interventions (price caps, constraints to plant closure, changing policy objectives, distortive RES support schemes, etc...) also make scarcity prices an insufficient signal for investors to make the right decisions. Scarcity prices are highly uncertain and intrinsically volatile and, most importantly, they do not guarantee that adequacy standards set at political level will be achieved.

Capacity markets are by no means an alternative to a well-functioning and well-designed energy market. Where found necessary, properly designed capacity markets, developed in line with the objective of the IEM, can be an integral part of a future market design. For instance, well-designed capacity markets and scarcity prices are not mutually exclusive. Indeed, capacity mechanisms, in the form of well-designed centralised or decentralised capacity markets, turn part of the volatile and uncertain scarcity prices into a steady signal representing the cost of ensuring that the firm capacity needed to meet a certain level of system adequacy is available. Together with well-functioning energy markets, they deliver price signals that encourage sufficient capacity to stay in the system or else attract investments for necessary capacity to be built.

3) Progress in aligning the fragmented balancing markets remains slow; should the EU try to accelerate the process, if need be through legal measures?

EURELECTRIC believes that the development of the Electricity Balancing Network Code and the implementation of the regional pilot projects, when providing for a common target model, are the right instruments to progressively align European balancing markets. Before their full implementation and entry into force, it is hard to justify any additional legal intervention at this stage.

However, it is of the utmost importance that consequent effort are made in order to implement the guideline, through early implementation, as well as through post entry into force implementation, thereby respecting the deadlines scheduled in this regulation. Indeed, national balancing markets in Europe have significantly different market designs and are operated according to different principles as they are strongly linked to the general local market context and network conditions. The presence of such different market designs makes it difficult to evolve, without efforts, towards a genuine European balancing market. We do regret the absence of a clear target model for balancing market integration in comparison with the target models for the other timeframes (forward, day ahead, intraday). Indeed, the current draft of the balancing guidelines leaves the door open for different models that are potentially not compatible with each other. The implementation should, based on the key parameters already defined

(settlement period – subject to the result of the CBA- , single price, marginal price...) and the others to follow (standard products, COBAs...), fine-tune the design in order to reveal a clear target model, as it is the case for the other timeframes.

4) What can be done to provide for the smooth implementation of the agreed EU wide intraday platform?

In order to ensure a smooth implementation, we believe that:

- The implementation of the Local Implementation Projects (LIPs) by TSOs should be done in parallel of the platform development by Power Exchanges (PXs) and a fall-back should be foreseen in case LIPs are not ready on time for the go-live date. LIPs will indeed prepare a smooth migration to the common XBID platform and facilitate cross-border access to ID markets for all products and market needs. We welcome the commitment of ENTSO-E to start setting-up local implementation projects on the borders of the Netherlands, Belgium and France where short-term improvements could be easily implemented.
- For a smooth and cost-efficient transition, actual solutions for explicit cross-border capacity allocation can be maintained until liquidity on ID markets will be sufficient to value complex block offers. However, this should be a temporary solution and should be accompanied of a schedule to move away from the explicit allocation.
- Stronger stakeholder involvement should be ensured throughout the process – the establishment of the XB ID User Group is a first step in the right direction to improve communication and transparency. It is crucial to have market participants at the centre of the discussion as they will be the main users of the system. This should allow for quick improvements of XBID trading at regional level.

5) Are long-term contracts between generators and consumers required to provide investment certainty for new generation capacity? What barriers, if any, prevent such long-term hedging products from emerging? Is there any role for the public sector in enabling markets for long term contracts?

EURELECTRIC believes that all market participants should be able to enter into long term contracts on a voluntary basis. Such contracts are one of the appropriate tools that give more certainty to investors in new generation capacity, which in most cases has a long lifetime and high capital intensity. In particular, they should lower the risk premium and capital costs. All market players should be able to participate in such contracts and all regulatory barriers to commercial long-term contracts should be removed.

The liquidity and low transaction costs of financial power trading are important for transparent medium-term and long-term contracting¹. However, a serious threat to financial power trading and power market liquidity is the current ban under EMIR on using bank guarantees from 2016

¹ E.g. through NASDAQ, financial contracts for the Nordic power market are now traded and quoted up to 10 years ahead

onwards. It should be an urgent task for the European Commission to change the EMIR legislation so that further use of bank guarantees is allowed, thus enabling further development of liquid financial long-term contracts.

Nevertheless, in the current situation of low market prices, it is doubtful that customers would be interested in long-term contracts as much cheaper short-term alternatives exist. It is also important to note that voluntary long-term contracts between market participants will simply serve as a tool to hedge prices. They do not ensure a targeted level of adequacy for the whole system nor secure supply for a specific customer; neither provide an adequate signal for investment².

6) To what extent do you think that the divergence of taxes and charges levied on electricity in different Member States creates distortions in terms of directing investments efficiently or hamper the free flow of energy?

Member states apply a large variety of taxes, levies and charges on power generation and storage. The more interconnected the markets are (both physically and operationally), the more sensitive they become to distortions in cost structure and pricing. Taxes, levies and charges on power generation and storage inhibit the development of the internal electricity market, influence dispatch decisions, hamper investments in existing and new power plants and distort competition between technologies and across borders. The introduction of new taxes also increases regulatory risks. Fixed taxes/levies/charges influence mainly investments (and in some cases decommissioning/mothballing of plants), while taxes/levies/charges that are based on the volume of generated electricity influence both the operation of plants and investments.

Examples of taxes, levies and charges that influence investments and/or distort the functioning of the wholesale markets include:

- Additional carbon taxes by some member states (e.g. UK);
- Higher property taxes than generally applied, e.g. for hydro power in Finland, Norway and Sweden;
- Charging power plants with ancillary costs (e.g. Austria and Belgium) versus no ancillary costs for generators in other member states;
- Pumped storage in Belgium and Austria is subject to double grid fees and other charges such as policy support costs;

² The following EURELECTRIC's members - FEBEG (BE), ELECPOR (PT), UNESA (ES), Energy UK- consider that long term contracts or arrangements that go beyond the voluntary bilateral contracts between market participants could be hence considered in the context of the market design. It is necessary to consider that any such long term contract arrangement (either for energy or for capacity) is trying to achieve - for example system capacity adequacy, or other policy objectives. Finally, it is important to note that long term contracts per se are not the only policy tools to achieve any such other policy objectives. Hence there is a need to evaluate any such long term contracting approach, in the broader context of policy objectives, the overall market design, and the full range of policy tools available.

- Capacity based nuclear tax in Sweden, annually 1,4 ME/1000 MWth. Companies are considering in Sweden early closure of up to four nuclear units due to increase in the tax and low power prices;
- Some Member States impose taxes or levies on energy products used for power generation (gas, coal and even on hydro and nuclear power generation). These include nuclear fuel rod tax in Germany;
- Fiscal measures to reduce tariff deficit influence Spanish generators versus competitors in neighbouring countries;
- Different grid injection charges for power plants (€/MW) between member states (e.g. Belgium and Slovakia apply G-charges).

As the further integration of electricity markets is a key European objective, the minimisation of these distortions should be a parallel priority. The Energy Union process should facilitate coordination and provide more transparency on taxes, charges and levies to help member states understand the consequences of different taxes, levies and charges, particularly on cross-border trade.

With regard to **taxes and charges levied on final customers' electricity bill**, the following problems arise:

- Taxes and charges levied on the bill distort investment decisions between centralized and distributed generation. The higher they are, the more attractive self-generation becomes, although this might not be a rational decision from a total system cost perspective.
- Policy support costs, which form a large share of levies in the final consumers' bills, tend to be fixed costs which are billed as volumetric charges. As prosumers consume less electricity, such costs are shifted to other customers, a trend poised to accelerate as the share of prosumers grows unless the regulatory frameworks evolve (please see EURELECTRIC paper³).
- Taxes and levies that constitute a major part of the final electricity price⁴ weaken the wholesale price signal which is transferred to the customer in case of dynamic/time-of-use prices and thus limit incentives for demand response and storage.
- Competition between different energy carriers (electricity, gas, oil, biomass, etc.) in heating, cooling and transport is distorted. Thus taxes and levies in the final consumer's bill may act as a barrier for electrification.

Last but not least, taxes and charges on the retail level also have an impact on the Internal Market by influencing investment decisions of large industrial consumers within Europe.

The Commission should take further steps to reveal the drivers of recent price increases and provide more transparency. As a first step, the draft Eurostat regulation on price reporting should be urgently approved and applied. They should also communicate to national governments and regulators the urgency to free the power bill from unrelated taxes and levies.

³ EURELECTRIC 2015. [Prosumers – an integral part of the power system and the market](#) for more details

⁴ More information about the share of taxes and levies in electricity bills: EURELECTRIC 2014. [Analysis of European Power Price Increase Drivers](#)

7) What needs to be done to allow investment in renewables to be increasingly driven by market signals?

RES now account for a major share of power generation and policies need to be reshaped to make the market fit for RES and RES fit for market. A clear CO₂ price should become the main driver for investments to foster the transition towards a low carbon economy, including RES investments. Policies should be immediately reformed to make the market fit for RES and RES fit for market.

To make market fit for RES, and RES fit for market, the regulatory frameworks should be reformed to:

- apply to RES the same rights and obligations of market participation as other market participants (operational integration of RES);
- ensure that barriers preventing the participation of RES generators in the markets (energy, flexibility and where relevant, also capacity) are removed.

Purchasing obligations, non-market-based net-metering⁵ and price regulation are barriers for market-based, cost-effective development of distributed generation and development of innovative solutions. Opting for distributed generation should be a customer choice that does not result from artificial incentives. To this end attention should be paid to the network charging (see question 15) and the distortions arising from the taxes and levies in the electricity bills (see question 6).

RES support schemes should be revised without delay to ensure cost-effectiveness, maximise market orientation and minimise market distortion to achieve competitiveness. The following set of measures should be taken to achieve an effective RES support scheme reform:

- Increase cost-efficiency by avoiding overcompensation – e.g. by competitive tendering of support. The aid awarded with the tendering programs should be designed to be cost-effective and avoid market distortion.
- Avoid market distortions - i.e. avoid support designs that distort operational/dispatch decisions.
- Stable regulatory framework reduces risk and thus also costs. Retroactive changes for existing and firmly committed projects should be avoided.
- Promote coordination of RES policies (see question 9).

The state aid guidelines should be effectively implemented to contribute towards the market integration of renewable electricity and revision of support schemes, however avoiding retroactive changes that deteriorate the investment climate. The revision of the guidelines should lead to the removal of any loopholes that remain when comparing to the principles above.

⁵ EURELECTRIC 2015. [Prosumers - an integral part of the power system and the market](#)

Improving network connections is necessary to ensure that greater volumes of renewables can be accommodated. Stronger transmission grids will also allow RES production to be available over larger geographical areas, and thus mitigate the effect of locally concentrated, high RES generation, and its impacts on prices and investments. Flexibility provided by storage, demand response and flexible generation will play a key role in the power system to balance the production of variable RES. Methods should be further developed to analyse the costs of grid reinforcement/congestion management and the costs of improved variable RES management (including downward flexibility through market signals and ancillary services).

For the period after 2020, subsidies should be progressively phased out and the ETS should become the main driver for mature low carbon technologies, accompanied by dedicated support to immature technologies primarily through research, development and demonstration support. Support schemes should generally take into account the stage in the maturity value chain. Together with the recent agreement to establish a Market Stability Reserve, the legislative proposal to reform the ETS Directive will enable the EU ETS to provide incentives to reduce greenhouse gas emissions, improve energy efficiency and to invest in low carbon technologies, provided that the adopted Directive ensures a clear, consistent and credible carbon price signal.

EURELECTRIC sees technology neutrality and competition as key principles in cost effective transition, and in our view the EU and the member states should strive to develop the regulatory framework in such manner, that investments in mature technologies can take place based on the signals from the relevant markets (energy, carbon, flexibility and where applicable capacity). Should some support schemes for mature renewable technologies remain after 2020, the impacts of these measures should be assessed and discussed with neighbouring countries and the Commission, to ensure consistency with other measures, e.g. the ETS, to maximise cost efficiency, and minimise market distortions. Support measures must be time-limited.

8) Which obstacles, if any, would you see to fully integrating renewable energy generators into the market, including into the balancing and intraday markets, as well as regarding dispatch based on the merit order?

EURELECTRIC does not see any obstacles to fully integrating renewable energy generators into the market, with many successful experiences in Member States proving that it is possible. Operational integration of all RES should be achieved. As for existing generation, the modification of existing operational responsibilities should be applied on a voluntary basis through incentives. Either way, full market integration should remain the final objective.

EURELECTRIC sees 5 priority actions that guarantee operational integration of RES into the markets:

- i. Move towards placing operational market responsibilities on all generation, either directly or indirectly through a service provider, including balancing responsibility.
- ii. Enable commercial parties to offer balancing and/or commercialisation services to balance responsible RES generation.

- iii. Improve the functioning of day-ahead, intraday and cross-border markets and gate closure in order to give RES producers all (short-term) opportunities to trade their imbalances.
- iv. RES generation should bear the same technical requirements and charges for grid connection and network use as other generators.
- v. Remove the priority of dispatch for RES technologies and, especially, incentives for RES to produce when market prices are below variable costs. RES should be dispatched in an efficient way consistent with the merit order.

These principles should also apply to distributed generation, including prosumers. Europe has moved beyond the early deployment of distributed generation, and therefore it is time to integrate prosumers in the market. Suppliers and aggregators provide services (e.g. forecasting, balancing, back-up/aggregation) and products (e.g. specific tariffs) that enable participation of distributed generation in the markets. Adequate metering data provided by smart meters is an enabler for the development of services for prosumers, as well as their market integration.

9) Should there be a more coordinated approach across Member States for renewables support schemes? What are the main barriers to regional support schemes and how could these barriers be removed (e.g. through legislation)?

There is a general need to ensure better coordination and consistency of national and European energy and climate policies. A more coordinated approach to RES is an enabler for cost-efficient energy transition, well-functioning integrated electricity market and security of supply. The EU ETS is the main European instrument that drives investment in low-carbon technologies, and it constitutes the best way to obtain a well-coordinated approach among Member States and to develop a market-based and coherent policy on RES development in the EU.

The Energy and Environment state aid guidelines provide a starting point for convergence since they reduce the scope of possible RES support schemes to a few, market-based mechanisms, require (at least partially) operational integration of RES and encourage a gradual opening to projects abroad. EURELECTRIC supports their effective implementation. When reviewing their support schemes to comply with the state aid guidelines, member states have an opportunity to increasingly coordinate their approach to RES, and seek for common, market-orientated solutions (see question 7) in the implementation. Thus compliance with the state aid guidelines should be complemented by voluntary bottom-up initiatives to accelerate/enhance the convergence and cooperation on support schemes. This includes options like common approach to market integration of RES, framework for distributed generation, and partial opening of support schemes. Retroactive changes should generally be avoided, because they deteriorate the investment climate. The process to prepare the National Plans that are part of the Energy Union Governance should be used to coordinate RES policy between member states, while recognising that the freedom to determine the energy mix remains the competence of Member States.

Differences in regulatory framework (taxes, charges, permits) and national approach to energy security form barriers to regional cooperation on RES support. To address the barriers, more efforts should be devoted on regional and European approach on planning of the transmission grid, and development of the internal energy market. The experience from the Swedish-

Norwegian certificate scheme shows that when a common scheme is used to drive RES, the national taxes and charges as well as permit processes can have a major influence on investments, implying the need for coordination also on these areas. Costs and benefits related to the investments need to be addressed in the context of a common support scheme.

Implementation of the state aid guidelines, complemented with voluntary regionally coordinated approach to RES electricity can be the starting point, and a common EU wide approach to RES and other low carbon investments through the ETS the goal after 2020. A return to a more national approach based on national targets, should by all means be avoided as it would represent a costly step back.

Member states should increasingly seek opportunities for cooperation in the area of research, development and demonstration of new RES, demand response and storage technologies both pre and post 2020.

10) Where do you see the main obstacles that should be tackled to kick-start demand-response (e.g. insufficient flexible prices, (regulatory) barriers for aggregators / customers, lack of access to smart home technologies, no obligation to offer the possibility for end customers to participate in the balancing market through a demand response scheme, etc.)?

Efficient demand response has long been incorporated in time-varying supply contracts, giving consumers access to price signals that reward flexible consumption. Suppliers are now developing more advanced demand response offers, such as dynamic prices supported by automation.

Explicit demand response schemes are also developing in Europe whereby the results of demand response actions can be aggregated and sold upfront on electricity markets, sometimes directly for large industrial consumers or through demand response service providers such as suppliers and aggregators.

EURELECTRIC believes that both implicit and explicit schemes will be important so that demand response is a building block of future retail and wholesale markets. Where capacity markets are implemented EURELECTRIC believes they will play an important role in fostering the development of demand side response.

To ensure that customers can access the benefits of their flexible consumption, the following principles should underpin robust market designs for demand response:

- Demand response should be market based and compete on a non-discriminatory basis with other resources on the supply side
- Market prices and competition will trigger demand response, which development should not be linked to any kind of obligation on market players, including consumers.
- A level playing field should be ensured between the different demand response service providers and there should exist no subsidies for specific demand response programmes.
- The diversity of European retail markets should be acknowledged and specific demand response models should not be pushed through regulation to the detriment of others, especially in countries with efficient arrangements already in place.
- DSOs should procure their demand side flexibility needs within the market, locally as needed. Flexibility services should be provided by retailers and other demand response

service providers directly engaging customers. Demand response at distribution network level should be facilitated through information exchanges between DSOs, TSOs and demand response service providers, for example using a system that reflects network availability.

The main challenges for further deployment of demand response are:

- Customer engagement: not all customers wish to participate in demand response. End customers must see a clear benefit from participating in demand response (benefit vs. cost or effort) and larger customers are likely to engage first as their flexibility potential is higher.
- Availability of time-varying prices for consumers: all suppliers should be able to develop cost-reflective dynamic offers. Regulated prices should not be an obstacle to the development of more advanced dynamic pricing contracts. Furthermore, in some countries Time-of-Use network tariffs are implemented and the role of network tariffs for demand response should be further investigated.
- Taxes and levies on end consumers' bills remain unaffected by changes in wholesale prices. The larger taxes and levies are, the lower the signalling effect of electricity prices for customers, hence reducing the likelihood that customers' flexibility potential will be used.
- Technology enhancement: Smart meters allow consumers to get settlement according to the balancing period and enable an accurate measurement of demand response actions. Beyond the meter, the lack of standard home automation technology and the cost of additional equipment constitute obstacles that should not be underestimated.
- The design of the current balancing and intraday markets must be upgraded, for instance by introducing possibilities to trade balancing forward and more sophisticated products, implementing timeframes that better fit the flexibility requirements (ramp-up and down rates, product size etc.) and developing additional flexibility services for system operators.

In a number of countries third party aggregators (different from the customers' BRP/supplier) offer customers further opportunities to engage in demand response. It is thus necessary to implement a fair and robust market design for their integration into these markets. To this end, standardized contractual frameworks should define the key operational arrangements between third party aggregators and the customer's BRP/supplier (in cases where the role of the aggregator is not taken up by the customer's BRP/supplier), ensuring that:

- balance responsibility of third party aggregators is clearly defined;
- adequate data exchanges take place between market players;
- BRPs/suppliers are compensated for the energy they have sourced and that is re-routed by third party aggregators. Conversely, third party aggregators get paid when they trigger a consumption increase;
- robust methodologies are used to estimate the demand response volumes and the effects on consumption before and after demand response are analysed.

EURELECTRIC believes that the recommendations of the Smart Grid Task Force Expert Group 3 constitute a sound basis for the European Commission to elaborate high level guidelines on demand response. Meanwhile, EURELECTRIC will keep engaging with other involved stakeholders to elaborate constructive proposals.

11) While electricity markets are coupled within the EU and linked to its neighbours, system operation is still carried out by national Transmission System Operators (TSOs). Regional Security Coordination Initiatives ("RSCIs") such as CORESO or TSC have a purely advisory role today. Should the RSCIs be gradually strengthened also including decision making responsibilities when necessary? Is the current national responsibility for system security an obstacle to cross-border cooperation? Would a regional responsibility for system security be better suited to the realities of the integrated market?

Cross-border participation and a seamless cooperation among TSOs will in future be at the cornerstone of system security. TSOs should indeed act with a clear regional/European focus – ENTSO-E should be the driver to ensure such goal.

EURELECTRIC recognises and welcomes the progress made through regional TSO cooperation (RSCIS). Such initiatives have been created to improve information flows between neighbouring TSOs to avoid and address emergency situations. This only involves information exchange and no decision making on the individual TSOs' behalf. Such initiatives make sense, as they help reduce system risks and increase security of supply. This is a step in the right direction.

However, we believe that we should go one step-further and move towards system operation integration. This will solve, at least partially, the conflicts of interest that happen within national TSOs, because of the combination of grid ownership and system operation, by ensuring a regional perspective in system operation, system adequacy assessment and grid reinforcement.

EURELECTRIC is supportive of the Commission's view in favour of more integration of system operation (instead of just coordination of system operation) regarding cross-border issues. A more integrated approach to system operation will indeed become necessary given the transformation of the European electricity system, as well as the obligations stemming from the EU Network Codes. In a highly meshed network, national measures can create important externalities. Current national responsibility for system operation indeed hampers cross-border cooperation and does not reflect the progress made on the side of market integration.

Establishing regional institutions for certain system operation and planning tasks for all regions could be a first step towards more operational coordination of TSOs in the future and the establishment of regional system operators where relevant. This transition towards regional system operation should be a realistic, progressive, stepwise approach where system operators in a given regional market would gradually bring together all system-related activities relevant for cross-border trade.

Funding of Regional System Operators should clearly be addressed by NRAs through ACER, considering that system operation integration should apply to system adequacy analysis, transmission network planning and market operation:

- Regional System Operators' tasks could gradually integrate tasks of the former CASC-CAO (capacity auction offices) and in particular further facilitate harmonised auction rules of cross-border capacity rights, capacity calculation process, one location for generation (and other) nominations/scheduling, dispatching of the grids (i.e. balancing, integrated (international) redispatching, ...), central counterpart for procurement of ancillary services (FCR, FRR, ...), operation of activation algorithm, manage FB data and operate algorithm, manage the intraday capacity matrix module, (re)calculate ID FB domain, fast evolution to harmonised gate closure times (for all operations, in particular intraday and balancing) and avoid creation of too many standard products for balancing.
- A regional approach to system operation is also desirable to facilitate more efficient cross-border redispatch. The TYNDP should be in hands of the regional SO, while the execution of the investments should remain a task of the transmission owners.
- System adequacy analysis should also be performed on regional/EU wide scale, as well as at national level (Q18 on capacity markets) and will be facilitated with Regional System Operators in charge.

12) Fragmented national regulatory oversight seems to be inefficient for harmonised parts of the electricity system (e.g. market coupling). Would you see benefits in strengthening ACER's role?

In order to accelerate the progress towards a single market, the governance framework needs to be updated with a view to promoting a more integrated and European approach. The role of ACER and ENTSO-E must be developed with a European mind-set, safeguarding the interests of European customers.

As a first step a vision should be developed on the role of the ACER and EURELECTRIC believes that ACER's role merits a separate stand-alone assessment.

ACER is the appropriate body to support NRAs to fully work together and cooperate in order to discuss and build a European vision of what a consistent energy regulation should be in order to accompany the evolution of electricity and gas markets. Any revisions to the role of ACER which included new responsibilities (particularly if these overlapped with NRAs) would need careful consideration and a clear definition of what is in ACER's remit and the NRAs'.

To carry out its mission efficiently, EURELECTRIC agrees that there is a case for strengthening ACER's role, but this must be coupled with greater accountability and closer involvement of market players. We therefore welcome a number of the proposals of European regulators as set out in their conclusions paper ("Bridge to 2025") regarding the governance of the regulatory institutions involved in the development and implementation of the European regulation. Transparent governance rules also need to be developed.

Some initial thoughts from EURELECTRIC's side to improve ACER's governance are as follows:

- The role of ACER should be to realise seamless cooperation of NRAs regarding wholesale market and cross-border issues and in particular regarding the implementation of network codes and guidelines and the related projects in order to ensure transparency and consistency:
 - A transparent, inclusive and flexible process for developing and revising EU network codes and guidelines should be ensured or put in place, ensuring stakeholders are fully and properly involved from an early stage.
 - ACER should be able to act upon objectively observed disagreements among NRA:

- EURELECTRIC strongly supports the improvement of the process to escalate different opinions between two NRAs on a common border as under the current provision, ACER needs to wait until one of the NRAs complains to ACER and only then ACER can intervene.
 - Furthermore, market players (and not only NRAs) should be entitled to notify observed disagreements among NRAs to ACER, in particular when these disagreements are detrimental to market participants' interests.
 - It should also be possible to appeal to ACER against an NRA decision whenever this decision seems to lead to a distortion between wholesale markets, thus actually affecting the market integration. However, the checks and balances of ACER's decision-making (incl. the possibility to challenge them) should be explored as well.
- ACER should be granted the appropriate resources and powers to carry out its mission: EURELECTRIC believes that ACER should be granted the appropriate resources in terms of funding and expertise (i.e. in particular technical experts) to carry out its statutory tasks. In this respect, we would always prefer an extensive use of NRAs' staff rather than resorting to external consultants, but with the transparency requested below.
- ACER's accountability and transparency of governance must be increased: In that field, very concrete measures could be implemented:
 - Define and disclose terms of reference of the participation of NRAs;
 - Publish the numbers of individuals from each NRA that are working for ACER and try to widen the geographical scope in order to get a better representation and engagement from all European regions;
 - Make the NRAs accountable for the requested work and monitor it;
 - Establish a framework and develop rules of conduct applicable to NRAs staff. The best would be the development of a European set of rules of conduct including confidentiality rules applicable to all NRAs and ACER as well as their staff and consultants;
 - In the case of objectively observed disagreements among NRAs as above mentioned, in order to avoid simply displacing the from NRA level to ACER (internal decision) level, we should require the NRAs, that are involved in a dispute or an appeal, to abstain in the voting process of the decision related to their dispute;
 - The transparency of ACER decision making, particularly if deciding between NRA positions, should be increased and all decision making should be clearly evidence based;
 - ACER should ensure that its stakeholder advisory expert groups represent a broad spread of interests both in terms of market participants and geographical spread;
 - Alternative solutions could be assessed for the financing of ACER in order to remove as far as practically feasible political intervention and minimise under/over resourcing.

ACER's major function is focused on wholesale market and cross-border, with a view to completing the single energy market. In light of this challenging agenda, ACER should retain its

focus on wholesale issues rather than looking to extend its role into other areas such as retail, etc. However ACER's role needs to be extended so as to be entrusted with a supervisory role of ENTSOs' work (processes and content), Regional System Operators' function and Power Exchanges' work. Please find more details under questions 13 and 16.

13) Would you see benefits in strengthening the role of the ENTSOs? How could this best be achieved? What regulatory oversight is needed?

The ENTSOs have been tasked by Regulation (EC) N°714/2009 and N°715/2009 with the responsibility to draft Network Codes. This process is a new approach never been undertaken in the sector: a technical body with specific interests in the organisation and functioning of the electricity and gas markets, including investments in a certain category of assets, is given extended influence and power at EU level in preparing the rules to apply to all relevant stakeholders. Those concerns are not only valid for the drafting process, but also to the amendment and implementation processes. Today, ENTSO-E, as well as ENTSO-G, have capitalised important experience and knowledge regarding Network Codes. We believe that it would be worth preserving these organisations while looking for governance improvements in a very pragmatic way within the frame of the 3rd Energy Package.

We would therefore have the following recommendations regarding ENTSOs future roles and the network code process in general.

- Stakeholder involvement should be strengthened. Should new codes be developed in the future and/or should the current ones be amended, the European Network Code Stakeholder Committees should be closely involved with a stronger role to be played by ACER. The timely establishment of the three European Stakeholder Committees (ESCs) is crucial.
- Experienced market stakeholders should be included in the ENTSOs' drafting teams from the early phase in the process to improve the understanding. As an alternative, Stakeholder Committees under the guidance of the drafting teams should be established for each Network Code. Indeed, market stakeholders/grid users have the best knowledge of operating plants and running them under market conditions and their expertise is as valuable as the ENTSOs' one on grid operation when developing the Network Code.
- ENTSO's and other stakeholders should be treated equally throughout the NC development. There should be no special privileges for any class of stakeholder in any Network Code or Guideline. For example, individual TSOs should be put on an equal footing as other stakeholders even if they are part of ENTSO-E.. This would require several changes in ENTSO-E's governance rules: strengthening the powers of ENTSO-E's secretariat, change the rules for internal decision making (i.e. the internal approval process in ENTSO-E should not be guided by unanimity of all its members), etc.
- ENTSO-E Board Decisions (including the exact repartition of individual TSO votes – i.e. how they vote on a certain subject) should be made public.
- The monitoring of Network Codes' implementation is a task for national and European regulators and cannot be left to the TSOs who already play a large part in writing down the rules or be shared between TSOs and NRAs on an equal footing either. This is

particularly important for Member States where the role of drafting the implementation of national Network Codes' implementing rules may be partially transferred to TSOs. We believe such situations would undeniably create a conflict of interests should the TSOs also be tasked with monitoring the implementation of the Network Codes. A monitoring role carried out by ACER and the NRAs will obviously favour a common understanding and better contribute to ensure the consistent implementation of Network Codes across Europe. This of course calls for adequate resources on ACER and NRA side. It is also crucial to ensure the involvement of the European Stakeholder Committees in this process, in particular on local issues potentially affecting European market integration.

- ENTSO-E should adopt the good practices developed by ENTSO-G which managed to put in place an open and transparent approach for the development of the various gas network codes welcomed by most stakeholders.

Those are proposed short-term improvements of the ENTSO-s governance. For the more long-term objective, we would like to refer also to some elements of our answer to Question 11.

14) What should be the future role and governance rules for distribution system operators? How should access to metering data be adapted (data handling and ensuring data privacy etc.) in light of market and technological developments? Are additional provisions on management of and access by the relevant parties (end customers, distribution system operators, transmission system operators, suppliers, third party service providers and regulators) to the metering data required?

The future role and governance rules for DSOs will likely depend on the national circumstances in each Member State although general principles for all DSOs to follow should be specified.

DSOs must ensure security and reliability of supply and are increasingly taking up the role of active system managers as well as market facilitators. For this new function to evolve, economic regulation needs to develop in such a way to create the right incentives for DSOs to optimise the network. DSOs must be put in a position to share the economic benefits resulting from their activities. Regulators should consider the 'smart' evolution of distribution networks when determining allowed revenue requirements.

DSOs can contribute to customer empowerment and to a good market environment that favours growth and competition, allowing for a level playing field between third party service providers and suppliers. In light of potential power system developments, the DSO's neutral market facilitation role will become more important than ever and should be carried out in a non-discriminatory way.

Albeit not a natural monopoly, as a general rule distributed storage should be owned and operated by customers themselves or market players. For very specific applications aimed at ensuring system security whereby the procurement of flexibility services by the DSO is not sufficient, DSOs should be able to procure storage services on the open market via public procurement procedures which should not interfere with market arrangements or hamper competition.

Smart meter operation is a statutory DSO activity in most EU countries. Although notable exceptions exist, in the majority of EU countries a DSO-led data hub model has been implemented and could provide an effective way to govern the abundance of data generated by smart meters. The need for guaranteeing security of information and preventing cyberattacks could also be better ensured when there is only one entity in charge of managing information flows. In some cases, DSOs have considerable experience in managing data for different grid management purposes. However, it is important not to incur additional costs as the result of duplication of tasks and to ensure the whole process is cost efficient. Access to smart metering data is essential for DSOs to further optimize the operation and plan distribution networks.

The delivery of consumption data to customers is a key area for retailers and other market parties to compete on as a way to diversify their product portfolio and bundle new services, thus providing cross-selling opportunities. Since customers own their consumption data, EURELECTRIC takes the view that it is up to them to decide whether they wish to receive such data through an intermediary (a market party) or retrieve it from a web platform linked to the data hub. Should the latter option be chosen, the platform should provide raw data without any analytical support and/or commercial objectives (e.g. energy conservation messages, etc.). Mindful of the different unbundling situations in place in the EU, DSOs should be responsible for data handling up to the metering point in a fully unbundled context.

If the national model provides for DSOs to act as data handlers and neutral market enablers, regulatory authorities should incentivize to the development of innovative solutions to make sure that data management beyond the meter takes place in a condition that ensures customer privacy. Costs connected with data management, assessed as reasonable and proportionate, shall be recovered in a timely manner via network tariffs or appropriate mechanisms.

15) Shall there be a European approach to distribution tariffs? If yes, what aspects should be covered; for example tariff structure and/or, tariff components (fixed, capacity vs. energy, timely or locational differentiation) and treatment of self-generation?

National energy markets have their own specific nature which makes the structure of distribution tariffs a matter for national regulation. Tariff structures are driven by the nature of the existing transmission and distribution networks in each Member State, by the historical standards applied and the needs of its customers. An EU-wide harmonisation approach to distribution tariffs is not advisable. However, having a common framework or at least a comparable structure of distribution tariffs across the EU would provide comparability across the regulatory spectrum, thus ensuring an efficient and equitable tariff setting process.

Distribution tariffs should ensure the timely recovery of distribution costs, in order to ensure the economic and financial equilibrium of DSOs, allowing them to perform the necessary investments to sustain the ambitious challenges of decarbonisation and RES integration. Distribution tariff structures should be cost reflective and enable optimal grid utilisation.

Currently, network costs for small and medium size customers are mainly recovered from volumetric tariffs. Network charging should evolve towards more capacity-based tariffs to ensure

that all customers pay for their use of the grid. In some countries, the adoption of non-flat distribution charges (e.g. time-of-use) facilitates the development of demand side response. However, any possible misalignment between price signals along the value chain should be carefully assessed. DSO regulation should also facilitate investments in smart grids to allow the integration of decentralised renewable generation and a more active participation of customers to the power system and market.

The regulatory framework should therefore ensure fair allocation of grid costs among different customer categories, encouraging customers to shift towards a more efficient use of the grid. Finally, it is of utmost importance that self-generation is treated on an equal footing with other market players in order to avoid the risk that customers who cannot generate their own electricity end up paying more than their share of system costs, other things (i.e. underlying system costs) being equal. In particular, future growth in self-generation will not necessarily reduce distribution costs because self-generation is not always synchronised with system peaks (maximum capacity), which are the main drivers of distribution costs in a traditional network.

16) As power exchanges are an integral part of market coupling – should governance rules for power exchanges be considered?

Power exchanges will continue to play a significant role in market coupling and the further integration of the EU markets.

They have specific tasks and obligations stemming from the legally binding EU Network Codes – in particular the Capacity Allocation and Congestion Management (CACM) Guideline - and other EU regulations (REMIT). For that reason, there should be appropriate regulatory oversight and transparency on governance rules.

Power exchanges (PXs) fulfil 2 roles as described in the CACM guidelines: Nominated Electricity Market Operator (NEMO) and Market Coupling Operator (MCO).

For the NEMO function: this is a local role on “bidding zone” level, and it is mainly a platform function where bids are brought together, and where the cleared buy/sell orders are handled (scheduling process, financial clearing and settlement process), in order to let Power Exchanges fully develop further this function towards the market, there is no specific additional regulation needed (above MIFID, REMIT, ..)

For the MCO function: this function is operating “algorithms” that allow to match bids from different bidding zones within given grid constraints, which is nothing else than the congestion management process, a task that should be performed by TSOs. Eventually, for the day ahead, intraday, (and potentially balancing) time frames, there should be only one MCO for Europe. This MCO should work closely together with the regional SO. (Q11)

While waiting such an evolution towards a central operator, the MCO function could be “operated” by “PXs”, however this function should be subject to specific transparency and monitoring rules. Products (e.g. hourly bids, block bids, complex bids...) should be clearly defined

and understood by the NEMOs, and in particular by the market participants. Adaptation of products or new products should be studied/provided and consulted with market participants.

Details about how the algorithm is handling specific cases, how equal access to the algorithm is ensured by all market parties (via NEMOs or directly from market parties to the MCO) should be very transparent for market parties (and TSOs, NRAs...). The existing market coupling projects and the cross-border intraday project are governed by somehow non-transparent contracts between PXs.

To create the needed transparency, this MCO role should be regulated and overseen by ACER. In addition and given the monopoly nature of the MCO function, ACER should also define and supervise its remuneration and corresponding tariffs.

The MCO know-how is currently in hands of PXs, to achieve the required transparent governance, this function might need to be split off to a specific entity that could remain a separated entity or could become part of the regional SO. (Q11)

Splitting off the MCO function from power exchanges should neither suppress nor stifle innovation of products or the algorithm. Therefore, the role of the European Stakeholder Committee would be very important to discuss and consult on all possible improvements to the performance of the MCO function.

17) Is there a need for a harmonised methodology to assess power system adequacy?

The methodology to assess power system adequacy should be harmonised to the extent possible. In any case, a homogeneous and transparent methodology should support the adequacy target level that regulators (or governments) want to achieve.

Power system adequacy should be assessed at a regional level and not only at national level. This raises the need for regional system adequacy studies which require close cooperation among involved TSOs, NRAs and governments. As interconnection capacities across Europe are finite, the location of “firm capacity” is just as relevant as the total amount. This is also the case in some systems under the jurisdiction of a single System Operator. Analysing the practices of ensuring generation adequacy within those systems (e.g., the Italian case covering different bidding zones) may be helpful when conducting these regional adequacy assessments.

In the absence of a single European System Operator, or even a regional one, the involved TSOs should be required to set up transparent procedures that guarantee close coordination, supervised by the NRAs and ACER and closely involving the stakeholders.

18) What would be the appropriate geographic scope of a harmonised adequacy methodology and assessment (e.g. EU-wide, regional or national as well as neighbouring countries)?

Adequacy assessments should evolve to a regional level as a step towards an EU wide approach for full market integration. Performing purely national adequacy assessments would not be efficient. System adequacy assessments should also include economic viability checks to verify

whether the generation capacity assumed to be available actually faces the economic conditions to do so. More specifically, it should not only be assumed that capacity will be available for the system just considering – for instance – its residual lifetime, but it should also be verified whether current market and regulatory arrangements lead to a viable economic situation for existing assets or new investments. TSOs must cooperate fully to conduct these assessments and a common, transparent methodology has to be set up in order to let the market understand the outcome of TSOs' assessments.

19) Would an alignment of the currently different system adequacy standards across the EU be useful to build an efficient single market?

Member States' governments should be allowed to take into account their individual circumstances when determining an appropriate system adequacy standard. It is not necessary to have completely identical values for LoLP (Loss of Load Probability). For example, a same value of LoLP of a few hours per year can in practice cover a risk of load shedding a few days in a row once every ten years, or a risk of short periods of curtailment every year depending on the specificities of the system.

The determination of the capacity needs has to rely on a quantitative criterion of security of supply. The chosen methodology should represent a trade-off between an acceptable level of risk and an acceptable cost to guarantee it.

System adequacy standards have to be defined taking into account the local characteristics of the supply-demand equilibrium. Nevertheless, values should not differ greatly on a regional basis where the value of loss load of customers is similar. Indeed, a market with very high LoLP (low security of supply criterion) could more easily rely on cross-border capacity that has been procured to serve a market with very low LoLP (high security of supply criterion). Significant differences in adequacy standards could also lead to a distortion in investment incentives in cases where both markets have capacity markets. However, it has to be acknowledged that other issues, such as different RES support schemes and different taxes and levies or grid tariffs on generation, have larger effects on the efficient single market.

20) Would there be a benefit in a common European framework for cross-border participation in capacity mechanisms? If yes, what should be the elements of such a framework? Would there be benefit in providing reference models for capacity mechanisms? If so, what should they look like?

Capacity markets should result from a coordinated effort to trigger the right level of investment/decommissioning decisions in order to reach the security of supply objective of the different zones at the least cost on a regional basis.

National initiatives regarding capacity markets are moving forward. Recently the EC approved the UK capacity market under the Guidelines on State aid for environmental protection and energy. These national capacity market developments should be taken into account and should serve as a starting point for building solutions that can improve coordination between national initiatives with the aim to increase the overall efficiency of capacity mechanisms. The introduction of cross-border participation rules should be a central element for capacity markets' implementation.

Going forward, decisions to keep existing generation in operation or to make new investments might be distorted if capacity market are poorly designed or implemented without a coordinated adequacy assessment at least at regional level. The design should lead to optimal decisions regarding investment in capacity and/or keeping existing generation in operation at the least cost on a regional basis. To guarantee this evolution, the European Commission should push for harmonised solutions and Member States should, at the very least, coordinate among them and adopt market-based and technology-neutral mechanisms that allow for cross-border participation. Ideally, the preferred approach would be to adopt the same model at regional level.

In any case, trust must be reinforced in article 4.3 of the Security of Supply Directive (2005/89/EC) when it states that “in taking the measures referred to in Article 24 of Directive 2003/54/EC and in Article 6 of Regulation (EC) No 1228/2003, Member States shall not discriminate between cross-border contracts and national contracts.” Where capacity markets are implemented as contracts, they should in principle fall under this article.

Cross-border participation and a seamless cooperation of TSOs will be the cornerstone of any market design adjustments. Capacity markets should be taken into consideration wherever needed and should be based on coordinated assessments of generation adequacy at regional level. Cost-benefit analysis of interconnectors should take into account their value revealed in energy, flexibility and capacity markets. Network codes should be in line with the Security of Supply Directive. In particular, they must forbid TSOs to impede firm capacity providers, either directly or indirectly (e.g. by reporting low interconnection capacity) i.e. TSOs must not prevent them from honouring their commitments under capacity market contracts, delivering energy to the system relying on that capacity. Current Network Codes actually allow these practices if TSOs declare an alert or emergency state in their systems.

EURELECTRIC proposes a cross-border participation model where the capacity provider is the one responsible for offering cross-border capacity and where availability is the product being traded across the border. In this model, the cross-border capacity provider sells availability, with the interconnector getting paid for the “congestion rent”. Thus, energy market distortions are minimised and it is guaranteed that market agents, and not regulated entities, participate in the capacity market.

EURELECTRIC believes that a set of key principles for cross-border participation in capacity markets should be respected:

- Common requirements and coherent market rules for all capacity market participants (e.g. certification, penalty regime, availability requirement, etc.);
- Participation with the same capacity in more than one capacity market for obligations in the same timeframe should not be possible (no double commitment and earnings);
- TSOs should offer a certain amount of cross-border participation based on non-discriminatory conditions and only limited by objective physical limitations (to be approved by National Regulatory Authorities and ACER);
- TSOs should not be allowed to neglect existing cross-border capacity contracts in situations of system stress;

- No reservation of cross-border capacity should be introduced to prevent interference with the functioning of the forward, day-ahead, intra-day and balancing markets, which will determine the actual direction of the energy flow.

Proper capacity markets value firm capacity and deliver price signals that encourage sufficient capacity to stay in the system or else attract investments for necessary new capacity to be built. Such markets will ensure that only the capacity strictly needed for system adequacy is remunerated. They should not provide a safeguard for poor, non-competitive investments. Moreover, they should reach beyond national borders, optimising capacity across regions of Europe.

EURELECTRIC has proposed a reference model for European capacity markets based on these principles in the publication⁶ “A reference model for European capacity markets”.

21) Should the decision to introduce capacity mechanisms be based on a harmonised methodology to assess power system adequacy?

Member States perceive system adequacy in different ways, as their situations can be quite different. Therefore, Member States take initiatives at different moments in time, and when they assume that the issue is more urgent, they cannot afford to wait for a harmonised methodology to assess power system adequacy.

EURELECTRIC is convinced that this harmonised methodology is a must, but it should not block Member States to develop capacity markets where they are needed to address the security of supply issue. We realise that this might lead to the necessity to adapt later on both the assessment and parts of the implementation. This is adding regulatory uncertainty, and as with all regulatory reviews, we would like to emphasise that any retroactive implementation effects should be avoided.

⁶ EURELECTRIC 2015. [A reference model for European capacity markets](#)

EURELECTRIC pursues in all its activities the application of the following sustainable development values:

Economic Development

▶ Growth, added-value, efficiency

Environmental Leadership

▶ Commitment, innovation, pro-activeness

Social Responsibility

▶ Transparency, ethics, accountability



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