

Local Energy Communities

Articles 2.7 & 16

The text defines Local energy communities (LEC)

Electricity Directive 

Member States shall provide an enable regulatory framework for LECs

LECs too have responsibilities

EURELECTRIC believes that any kind of **positive discrimination of energy communities at the expense of other consumers and actors in the energy system must be avoided**. All market actors, including customers of local energy communities, should be able to **participate in the market in a fair way, but also cover costs they are responsible for in the electricity system. Network, policy costs, and levies charged on national energy consumers should be covered regardless of the nature of their network** (public, private or LEC). **Members of energy communities should also not be exempted from their responsibilities** towards the electricity system. We would also caution against the discrimination between LECs and other parties in the energy system. **Where LECs are already acting as DSOs for historical reasons, they should face the same responsibilities and obligations as other DSOs.**

Need to avoid duplication of network investments

While recognising that in some countries LECs already act as DSOs for historical reasons, we think that as a general principle, where customers are already served by the public grid, **the creation of a new grid by a LEC, or the transfer of ownership of the existing grid, should be closely examined to avoid an inefficient duplication of network investments**. Such costs would be effectively recovered from the existing customer base and lead to increase in consumer bills.

There is a need for clarification on a variety of issues

There are multiple questions arising from this proposal. A vague definition may suit different circumstances in Member States, however, **the ownership structure of LECs should be defined more clearly** given LECs may have significant impacts on incumbent distribution system operators in some Member States.

Further details on how LECs may be established remain unclear. What impacts will a LEC have on an existing distribution system, and what compensation mechanisms should apply to cover any potential asset transfers? Should there be asset transfers at all? And would a parallel network contradict the efficiency prerogative for networks?

Some proposals (art 16(h) and 16.2(g)) could be misinterpreted as that members of LECs **may not be subject to cost-reflective network charges and this would create issues concerning system cost recovery and unfair cross-subsidisation**. Members of LECs must pay network charges to the DSO they are connected to. Furthermore, consumers in LECs should not receive exemption from taxes and levies which are paid by all other customers connected to public networks.

Finally, while we agree that *“shareholders or members of a LEC shall not lose their rights as household customers or active customers”* (art. 16(2b)), the **practical implications of these provisions need to be clarified**. Even if a LEC remains a DSO for the customer who may be switching (i.e. no parallel networks), there will be a need for rules on the correct metering, billing etc. of the customer’s connection point(s) and rules/regulatory framework upon the use of LEC infrastructure (“lease of last mile”). It should be clarified whether LECs cover a specified area, in which case additional questions would arise.

Key proposed amendment

Article 2.7

7. 'local energy community' means: ~~an association, a cooperative, a partnership, a non-profit organisation or other legal entity which is effectively controlled by local shareholders or members, generally value rather than profit driven, involved in distributed generation and in performing activities of a distribution system operator, supplier or aggregator at local level, including across borders~~ **an SME or a not-for-profit organisation, the shareholders or members of which cooperate in the generation, distribution, storage or supply of energy at local level, including across borders, fulfilling at least four out of the following criteria:**

- (a) shareholders or members are natural persons, local authorities, including municipalities, or SMEs;**
- (b) at least 51% of the shareholders or members with voting rights of the entity are natural persons;**
- (c) at least 51% of the shares or participation rights of the entity are owned by local members, i.e. representatives of local public and local private socio-economic interests or citizen having a direct interest in the community activity and its impacts;**
- (d) at least 51% of the seats in the board of directors or managing bodies of the entity are reserved to local members, i.e. representatives of local public and local private socioeconomic interests or citizens having a direct interest in the community activity and its impacts;**
- (e) the community has not installed more than 5 MW of capacity for electricity, heating and cooling and transport as a yearly average in the previous 5 year.**

Electricity Directive

Justification

To provide clarity on ownership structures and size of such an enterprise, we suggest adopting an existing definition in the Renewable Energy Directive which provides guidelines and a clear framework for both community groups and other market stakeholders.

Article 16

1. Member States shall ensure that local energy communities:

[...]

- (c) benefit from a non-discriminatory treatment with regard to their activities, rights and obligations as final customers, generators, distribution system operators, **suppliers**, or aggregators; [...]

2. Member States shall provide an enabling regulatory framework that ensures that:

[...]

- (b) **system users**, shareholders, or members of a local energy community shall not lose their rights and obligations as household customers or active customers; [...]
- (e) **Article 6 and the** provisions of Chapter IV apply to local energy communities that perform activities of a distribution system operator;

Electricity Directive

Justification

For the sake of non-discrimination, a local energy community as defined in Article 2.7 must be subject to the same rights and obligations regarding the activities it performs as any other agent, including the supply of energy.