

Legislative proposal for a Regulation on the Governance of the Energy Union

KEY MESSAGES

- The Energy Union Governance Regulation should provide for a robust system of tools and instruments ensuring the attainment of the Energy Union objectives, the 2030 climate and energy targets, as well as the EU's commitments to the Paris Agreement, while allowing flexibility to Member States in adopting national policies and measures to apply these tools.
- The Governance Regulation should not intervene in setting EU climate and energy targets. Its focus should be to ensure the achievement of the targets by guaranteeing effective implementation and monitoring, avoiding policy overlap with the EU ETS, exploiting synergies and facilitating the achievement of the internal energy market. This is essential in ensuring the protection of a cost-effective and market-based approach to decarbonise the European power sector and the wider EU economy.
- The Governance Regulation should maintain a delicate balance between a robust and yet flexible governance approach. It should ensure that the EU achieves the various objectives of the Energy Union and climate and energy targets, while allowing Member States the necessary flexibility to set their national policies, objectives, trajectories and tools to achieve such targets and objectives in a manner that reflects their national contexts and ensures cost-effectiveness.
- The Governance Regulation should be streamlined with a view to simplifying the planning and reporting processes it introduces. The potential positive effect of the level of regulatory and planning detail foreseen by the regulation should be further assessed and evidenced.
- Regional cooperation is of instrumental importance to the process of governing the Energy Union and the European Commission should engage further in establishing and steering regional cooperation on climate and energy policies.
- The proposal to issue recommendations to address inconsistencies and ensure attainment of the Energy Union targets contribute to investors' and operators' perception of regulatory stability, a central element of investment processes. Further clarification is however required on the additional instruments and measures proposed in Article 27 to address delivery gaps. Such measures should be carefully considered in view of their compatibility with other EU policy instruments, notably the EU ETS.
- The rate of electrification should be an important KPI to measure progress to decarbonised energy systems as part of the Member States' long term low emission strategies in view of the future increasingly decarbonised profile of electricity in the EU.
- Proposals on planning and reporting on the dimensions of energy security and research, innovation and competitiveness should be further elaborated.

Legislative proposal to amend the Energy Efficiency Directive

KEY MESSAGES

- Unlocking the market potential for energy efficiency in the EU is of critical importance to enable a strong, sustainable and competitive economy. As a key actor in this field, the electricity sector is committed to develop and deliver economic efficiency and energy services for European customers. Measures to enhance energy efficiency make most sense in the non-ETS sectors and the Energy Efficiency Directive (EED) is a key pillar to achieve this.
- The EED has been largely successful because it allows Member States to address their national challenges and pursue tailored strategies. Member States must retain full flexibility as to how they set and meet energy efficiency targets, as is the case now.
- Flexibility must also be maintained in Article 7 of the Directive. As Member States struggle to meet the annual savings targets in a cost-efficient manner, a prolongation of the binding target (provided it is agreed), must not go hand in hand with less tools to meet it.
- While the electricity sector is decarbonising under an ever decreasing ETS-cap, the sectors with enormous potential for energy efficiency improvements with real impact on climate, energy security and competitiveness lie outside of the ETS (such as buildings and transport). Achieving deep decarbonisation and efficiency through electrification provides a powerful pathway for these sectors. EURELECTRIC calls on policymakers to strongly recognise the role of electromobility and highly efficient electric technologies, such as heat pumps, to unlock greenhouse gas reductions. This recognition must also feature in the Energy Union Governance framework and should go hand in hand with the relevant financing tools.
- EURELECTRIC welcomes the attempt by the Commission to review the Primary Energy Factor (PEF). While the proposed new factor of 2.0 is a step in the right direction, it still incentivises electricity savings over direct fossil savings to meet the targets. As the electricity sector continues to add large amounts of renewable generation, an increased coupling of electricity with the transport and heating sectors could greatly help to reduce RES curtailment.
- The electricity sector reiterates its call for proper recognition and management of the impact of EU energy efficiency policy on the EU ETS. EURELECTRIC is concerned by the Commission Impact Assessment's estimated 2030 price levels for ETS allowances under the increased ambition scenarios, which decrease significantly with higher target levels. This would weaken the ETS instrument right after its current reform.
- In the discussion on a potential increase of the EU energy efficiency target EURELECTRIC's primary concerns are ensuring sufficient flexibility in setting and achieving the target as well as the proper management of the inherent impact on EU climate policy. In this context, EURELECTRIC is not convinced of the economic or environmental advantages of an increased energy efficiency target. The power sector further calls for the continuation of an indicative target, as currently successfully implemented.

Legislative proposal to amend the Energy Performance of Buildings Directive

KEY MESSAGES

- EURELECTRIC welcomes the European Commission's intention to streamline and simplify the Energy Performance of Buildings Directive. We also welcome the long term perspective, but stress that the European strategy for decarbonisation of buildings must reflect the importance of decarbonised electricity. Furthermore, it is important to explain clearly how milestones are set and how these will interact with the governance system of the Energy Union.
- The smartness indicator appears to be a promising tool but must be defined in more detail within this Directive and not at a later stage via delegated legislation. If implemented correctly, this tool could play an important role in the development of a market for flexible solutions and technologies. EURELECTRIC believes that its features should be discussed in more detail, and decided in a transparent manner in the context of discussions of the Directive, in order not to miss out on its potential.
- EURELECTRIC welcomes the Commission's initiative to address the need for electric vehicle recharging infrastructure in both residential and non-residential buildings. This is crucial to speed up the market penetration of electric vehicles and thereby the decarbonisation of the road transport sector.
- Regarding the application of the Primary Energy Factor (PEF) in this Directive, EURELECTRIC welcomes the Commission's approach as it retains each Member State's right to set its own factor for buildings. We further welcome the decision to discount the share of renewable energy (RES) in energy carriers with equal treatment for onsite RES and RES from central sources.
- EURELECTRIC welcomes the increased emphasis on smart financing mechanisms for buildings as a means of accelerating the transition to cleaner energy in Europe's building stock.

Legislative proposal to revise the Renewable Energy Directive

KEY MESSAGES

- EURELECTRIC supports the proposed EU-wide target of at least 27%, as the only binding target for renewables by 2030. EURELECTRIC fully supports elements in the Clean Energy Package aimed at integrating renewable energy sources (RES) in the market, including RES self-consumers, and at making RES support schemes, when needed, more market-based.
- The aim of the revised RES Directive to provide longer-term visibility and investment security to companies engaging in RES projects, including avoiding negative retroactive implications for existing installations, is positive. Fundamental design principles of financial support, when needed, should be known to investors well ahead of 2020. They should be fixed in the Directive. At the same time, EURELECTRIC calls for a quick revision of the State Aid Guidelines to ensure certainty and visibility for investors until 2030.
- EURELECTRIC calls for a strengthened EU ETS as the cornerstone of the EU's energy and climate policy and support the EU ETS as a key driver for market-based investments in low-carbon electricity generation. Interactions between the various energy and climate related targets and their impact on the EU ETS should be properly addressed.
- We support the right for consumers to generate and sell their electricity both individually and collectively. EURELECTRIC welcomes the recognition that remuneration for renewable self-consumers should be based on the market value of the electricity fed in (and not implicitly at the retail price). Moreover, in the future, RES self-consumers should become market participants, without any exemption.
- The heating, cooling and transport sectors have great and untapped potential to integrate larger shares of renewable and carbon neutral energy through increased electrification. The review of the RES Directive should have a balanced approach for RES in these sectors and electricity should not be penalised by bearing most of the renewable generation costs.
- EURELECTRIC supports the Commission's efforts to open up support schemes for cross-border participation, but is concerned by the impact of the differences between national regulatory framework conditions and the risk of oversupply in certain regions. A step by step approach, built on the existing rules in the State Aid Guidelines should prevail.
- EURELECTRIC does not support prohibiting the issuance of Guarantees of Origin (GOs) to RES producers that receive financial support as this will weaken the consumer link to specific RES facilities and reduce market-based RES revenues. There are other ways to address possible concerns over double compensation. Besides, market revenues from GOs will reduce the need for, and the level of, RES support.
- EURELECTRIC welcomes the introduction of sustainability criteria and GHG savings requirements for solid biomass. However, we are concerned that new national or contradictory sets of sustainability principles and criteria could be introduced and would impede biomass trade. Support to large-scale biomass without a CHP component but compliant with sustainability criteria should not be ruled out.

Legislative proposal for a Directive on common rules for the internal market for electricity

KEY MESSAGES

- We welcome a future-oriented and market-based Directive for European electricity consumers. Market-based energy prices, low market entry barriers and protection of consumers through social policy are building blocks for well-functioning retail markets.
- The proposals will generally bring about better protection and increased engagement of energy consumers in the market. A certified comparison tool in each Member State will enhance transparency and choice. The clear distinction made between switching-related fees (forbidden) and early termination fees (allowed) is another positive step forward. However the Directive is unlikely to improve consumer satisfaction with bills as the key issue of information overload due to regulation is completely overlooked.
- The right level of subsidiarity should apply for the sake of retail markets' efficiency. The Commission therefore rightly leaves it up to Member States to define criteria and policies to combat energy poverty. However, we do not support defining a common EU data format without prior CBA. It could indeed prove very costly in countries where a national data hub was already implemented as market actors would be required to upgrade all core IT systems, such as billing. Furthermore, on smart metering different countries are at different stages in the roll-out and any retroactive requirements must be avoided.
- We regret that the 'elephant in the room' – rising retail prices due to increased taxes and levies – is not addressed. Whilst the EC's cost & prices study recognised that taxes and levies are a major driver for rising retail prices, the package does not offer any tangible solution to address this crucial problem. It is urgent to make taxes and levies less of a burden on the final electricity bill. In addition, the current structure of network charges and levies needs an overhaul to mitigate further price increases and avoid unfair cross-subsidisation between consumers.
- A stable regulatory framework providing a level playing field for all market players is key to stimulate sustainable innovation. We support the right for consumers to generate and sell their electricity both individually and collectively. We also agree they should be able to have a smart meter and to ask for dynamic prices contracts. However, suppliers should not be obliged to offer such contracts. In addition, exempting demand response aggregators from their balancing responsibility and from paying sourcing costs is not consistent with the market principles outlined in the Clean Energy Package. Similarly, active consumers and members of energy communities should not be exempted from market obligations such as balancing responsibility and from paying cost-reflective network charges.
- We support a regulatory framework that allows and incentivises DSOs to procure flexibility services through the market and permits ownership and operation of storage only under certain circumstances. Similarly, NRAs should decide whether or not non frequency ancillary services should be market-based and we support the inclusion of this and flexibility solutions more generally in the network development plan to be produced on a cycle determined by the NRA.
- Electrification is the key for transport decarbonisation. We agree with the Commission that the ownership and operation of electric vehicles' charging infrastructure is a market activity, while DSOs should be allowed to own, develop, manage or operate it for a limited time and under certain conditions. Furthermore, we welcome the fact that electro-mobility is considered as a load which may be taken into account by DSOs when developing their network development plans.

Legislative proposal for a Regulation on the internal market for electricity

KEY MESSAGES

- EURELECTRIC supports the overarching legal coverage provided by the electricity regulation to further integrate wholesale markets. Liquid and well-functioning wholesale markets where prices reflect the actual system situation will sustain RES integration, decentralised generation and empower consumers. Nevertheless, the package does not fully recognize the need for longer-term price signals for investments to ensure system adequacy: energy, flexibility and the availability of capacity shall be properly valued to ensure that price signals drive the necessary investments in demand response, storage and generation.
- A wholesale market fit for the energy transition requires that all market parties are responsible for their imbalances. We also welcome non-discriminatory and competitive dispatch and re-dispatch. In order to ensure a stable investment climate and to achieve market integration, the already granted exemptions should be respected and there should be no new exemptions.
- To underpin wholesale market integration, EURELECTRIC backs a step-wise approach towards regional system operation and a more efficient use of the existing electricity infrastructure based on non-discriminatory congestion management.
- A more regional approach to system adequacy will bring benefits and synergies. Regional and European system adequacy assessments should complement national assessments rather than being binding factors for Member States to introduce capacity mechanisms. The proposed European framework for capacity mechanisms fails to recognize key principles such as market-based and technology neutrality. A command and control approach through an Emission Performance Standard undermines the EU ETS and puts competitiveness and security of supply at risk.
- We welcome the high-level principles proposed for both transmission and distribution grid tariffs such as cost-reflectiveness, fair cost allocation and incentives for efficient grid usage as they provide a level-playing field for market players and minimise market distortions. While we welcome further harmonization of transmission tariffs at European level, we believe that distribution tariffs are a matter of national regulation as they are closely linked to local specificities and their impact on cross border trade is low.
- EURELECTRIC welcomes the acknowledgement of the prominence of DSOs in the energy transition. The EU DSO entity shall embrace all types of DSOs in Europe and its tasks should be carefully selected. We commit to take an active role in the establishment of such entity.
- Innovation is key to support the transformation of DSOs' business models. We welcome the provision of adequate incentives to DSOs to procure services from market operators for the operation and development of their networks and integrate new solutions in the distribution systems.

Legislative proposal for a Regulation on Risk-Preparedness in the electricity sector

KEY MESSAGES

- EURELECTRIC welcomes the European Commission's proposal for a Regulation on Risk-Preparedness in the electricity sector. We recognise the importance of this proposed Regulation which addresses how Member States should prepare themselves and co-operate with each other in order to identify and manage risks relating to security of electricity supply.
- EURELECTRIC supports the establishment of a common framework of rules on how to prevent and manage electricity crisis situations across Europe.
- EURELECTRIC supports the clear statement saying that measures for crisis management may only be used when all market-based instruments are exhausted.
- The proposed Regulation puts an emphasis on transmission grid operators and consumers' issues. However, little focus is given to power generators. EURELECTRIC believes that generators are the first frontier in the prevention and management of crises. EURELECTRIC therefore considers that there should be specific requirements on ENTSO-E to consult directly with the generators, as well as with suppliers and other market participants.
- The proposal stipulates that a number of new entities are to be established, while some existing ones will be reinforced. Further information is therefore needed regarding who will be responsible for the establishment of these new entities as well as their relevant level of competence and who will bear the corresponding costs and be responsible for providing resources. Defining competences, role and responsibilities of stakeholders and new entities should be clear in order not to create overlaps/conflicts between entities. Their added value and necessity should also be assessed as to not overcomplicate the structure.
- It should be noted that detailed rules on emergency arrangements have recently been agreed in the Emergency & Restoration Network Code. EURELECTRIC therefore proposes to introduce a review mechanism to ensure that the Regulation and the Emergency & Restoration Network Code are fully consistent and do not overlap, as well as ensuring appropriate cross-references to the Code.
- It is important that prevention is the key focus and Member States are encouraged to take all possible provisions to avoid crisis situations: the mitigation of the consequences of a crisis should be considered as a last resort solution.

Legislative proposal on the ACER Regulation

KEY MESSAGES

- ACER is the appropriate body for 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 the electricity market.
- In order to accelerate the progress towards a single market, the independence of the Internal Electricity Market's governance framework needs to be strengthened with a view to promoting a more integrated and European approach. In this respect, the move to open ACER's membership to third countries which have concluded agreements with the European Union in the area of energy, environment and competition is welcome.
- EURELECTRIC fully supports the new provisions for more regional and European cooperation and for a stronger role of ACER within this framework.
- EURELECTRIC supports that ACER's tasks have been updated in the field of wholesale market supervision (including the increased regulatory oversight of Nominated Electricity Market Operators) and cross-border infrastructure as coordination of national regulatory actions will increase in the coming years. Coordinated regional decisions would mean faster and more effective decision-making on cross-border issues.
- The role of ACER should be to realise seamless cooperation of NRAs regarding especially cross-border issues. EURELECTRIC does however believe that ACER should also act upon objectively observed disagreements among NRAs. Market players should be entitled to notify observed disagreements among NRAs to ACER where these are detrimental to their interests. EURELECTRIC supports that ACER is given more responsibility in elaborating and submitting the final proposal for Network Codes to the Commission and that ACER is given the competence to revise and approve methodologies and algorithms for the implementation of the Network Codes (Article 5.1.(c), Article 5.3 and Article 55 of the Electricity Regulation). For a balanced representation of interests, stakeholders should be involved in the process.
- EURELECTRIC further argues for stakeholder involvement in Article 5.3 where ACER approves and amends methodologies and assumptions used in the bidding zone review process.
- EURELECTRIC also believes that ACER should be subject to sufficient checks and balances and considers it unnecessary to change the voting rule of the Board of Regulators (Article 23) and the Administrative Board (Article 19.55) from two-thirds majority to simple majority. Furthermore, a robust agreement among NRAs on the decisions taken by ACER is necessary to ensure a consistent and stable regulatory framework across Europe.
- ACER should be made sufficiently independent from the European Commission, so not to reduce the level of independence of regulators (ACER and NRAs together) in relation to both national governments and European institutions.
- ACER should continue to focus the preparation for monitoring the national implementation of the Network Codes and facilitate stakeholder involvement.
- Finally, ACER should be granted the appropriate resources and powers to carry out its tasks effectively.