



CLEAN ENERGY FOR ALL EUROPEANS

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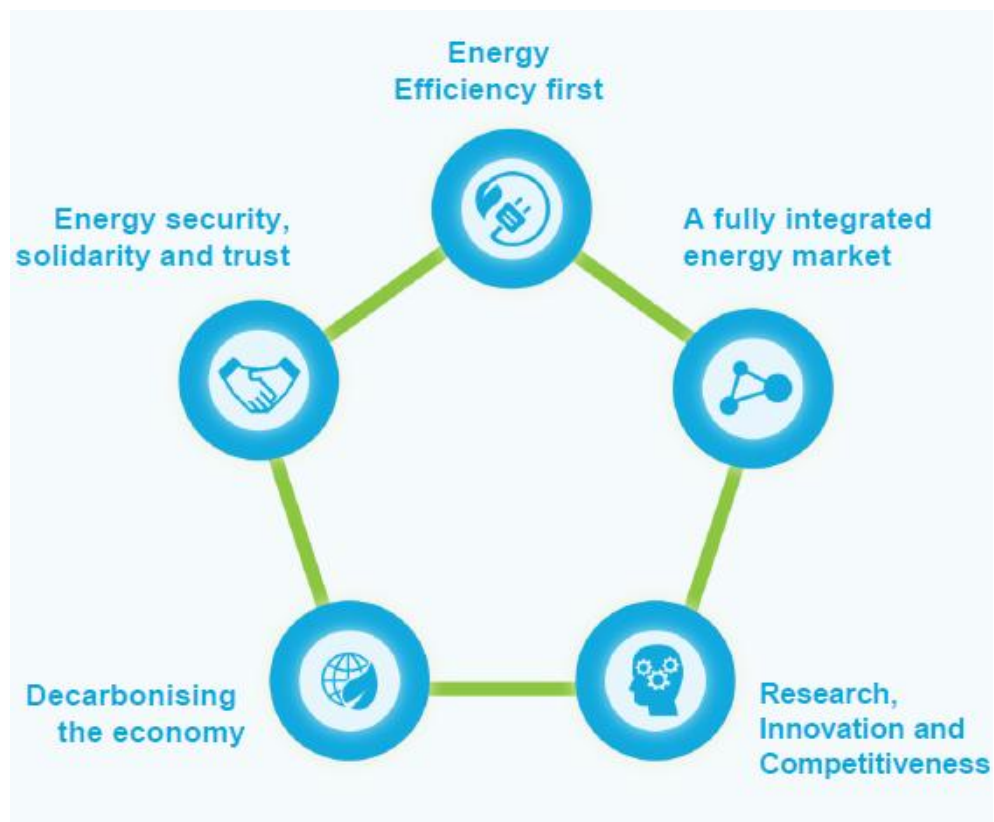
1. OBJECTIVES AND STRUCTURE OF THE PACKAGE

2. NEW ELECTRICITY MARKET DESIGN

3. RISK PREPAREDNESS IN THE ELECTRICITY SECTOR

SMART AND CLEAN ENERGY FOR ALL – IMPLEMENTING THE ENERGY UNION STRATEGY

AN ENERGY UNION BASED ON 5 MUTUALLY SUPPORTIVE AND INTERLINKED DIMENSIONS

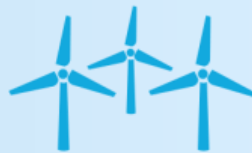


WHY DO WE NEED A NEW LEGAL FRAMEWORK?

THE ENERGY SYSTEM OF TOMORROW WILL HAVE TO LOOK DIFFERENTLY

2030

50 % of electricity to come from renewables



2050

Electricity completely carbon free



We have the most ambitious **climate commitments** in the world, thanks to the EU



With leadership comes responsibility

Unique opportunity to **modernise our economy**,
boost competitiveness and create growth and jobs



- **Putting energy efficiency first**
- **Achieving leadership in RES across sectors**
- **Empowering consumers**

HOW DO WE GET THERE? (1)

THE RIGHT REGULATORY FRAMEWORK FOR POST – 2020

Transition....



**Energy Union
Governance**



Energy Efficiency
(Energy Efficiency
Directive, European
Performance of
Buildings Directive)



Renewables
(Revised Renewable
Energy Directive)



**New Electricity
Market Design
and Risk
Preparedness**



**Energy prices
and costs
report**

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WHY NEW MARKET DESIGN?



Improve wholesale market **flexibility** and provide **clear price signals** to accommodate penetration of renewable energies and ensure investments

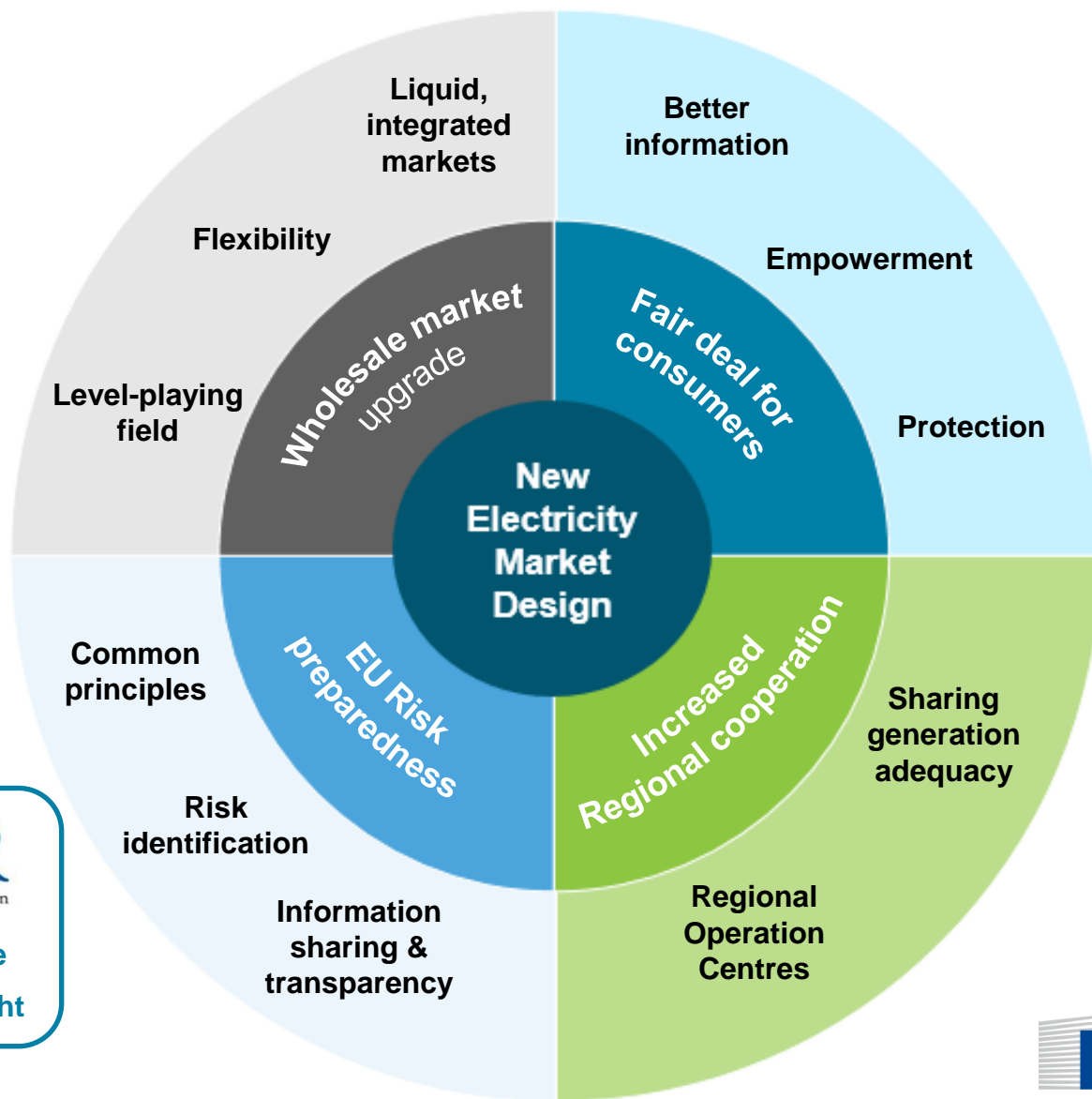


Enable **active consumer participation** and ensure that **consumers are protected and benefit** from progress in energy technologies



Promote **regional cooperation** and provide a true **European dimension to security of supply**

HOW?



ACER

Agency for the Cooperation
of Energy Regulators

**Stenghtened role
Regulatory oversight**



European
Commission

WHOLESALE MARKET UPGRADE

Competitive energy markets are at the heart of a competitive economy

Strengthened short-term markets

Increase **cross-border trading opportunities** over shorter timeframes (intraday and balancing markets)

Reward flexibility for generation, demand-response and storage

Allow **prices to show real value** of electricity in terms of time and location (scarcity pricing)

Level-playing field among sources

Rules on **priority access** and dispatch

Curtailment rules

Remuneration on equal terms on market principles

Extended **balancing** responsibilities

**Enhancing
system flexibility:**

**INTEGRATION OF
RENEWABLES**

**MARKET-DRIVEN
INVESTMENTS**

FAIR DEAL FOR ALL CONSUMERS

“ *Our vision is of an Energy Union with citizens at its core, where citizens take ownership of the energy transition, benefit from new technologies to reduce their bills, participate actively in the market, and where vulnerable consumers are protected.* ”

Energy Union Framework Strategy

BETTER INFORMED

- Access to fit-for-purpose smart meters
- Certified price comparison tool
- Clearer energy bills

EMPOWERED

- Entitle individuals and communities to generate electricity and to consume, store or sell it back to the market
- Easier switching conditions
- Reward demand-response

PROTECTED

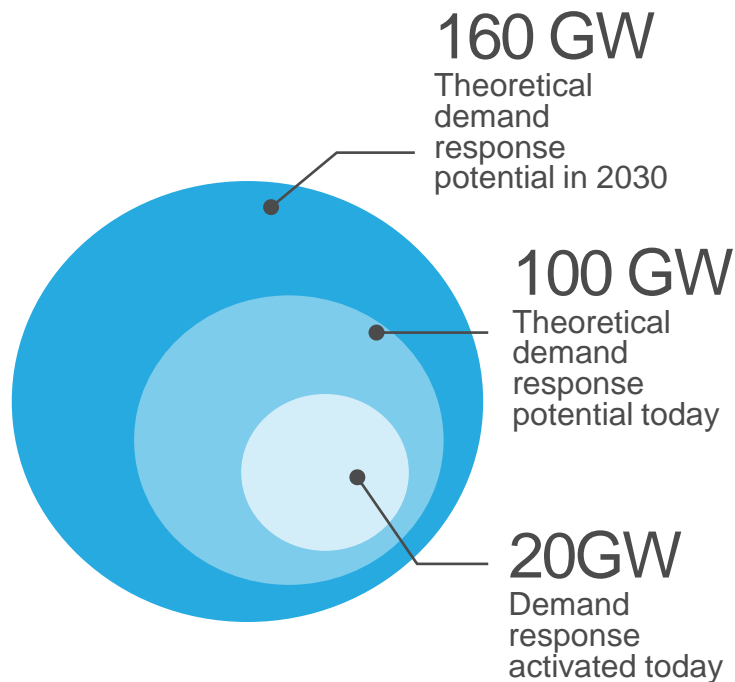
- Monitoring of energy poverty (governance)
- Information on alternatives to disconnection
- Secured electricity supplies
- Sound data management

COMPETITIVE RETAIL MARKETS

- Regulated prices phased out (only justified exemptions)
- Fair market access for new market players such as new services providers (e.g. aggregators)
 - Flexible network management
- Distribution operators become neutral but active market facilitator



BACKGROUND – UNLOCKING THE UNTAPPED DEMAND-RESPONSE POTENTIAL



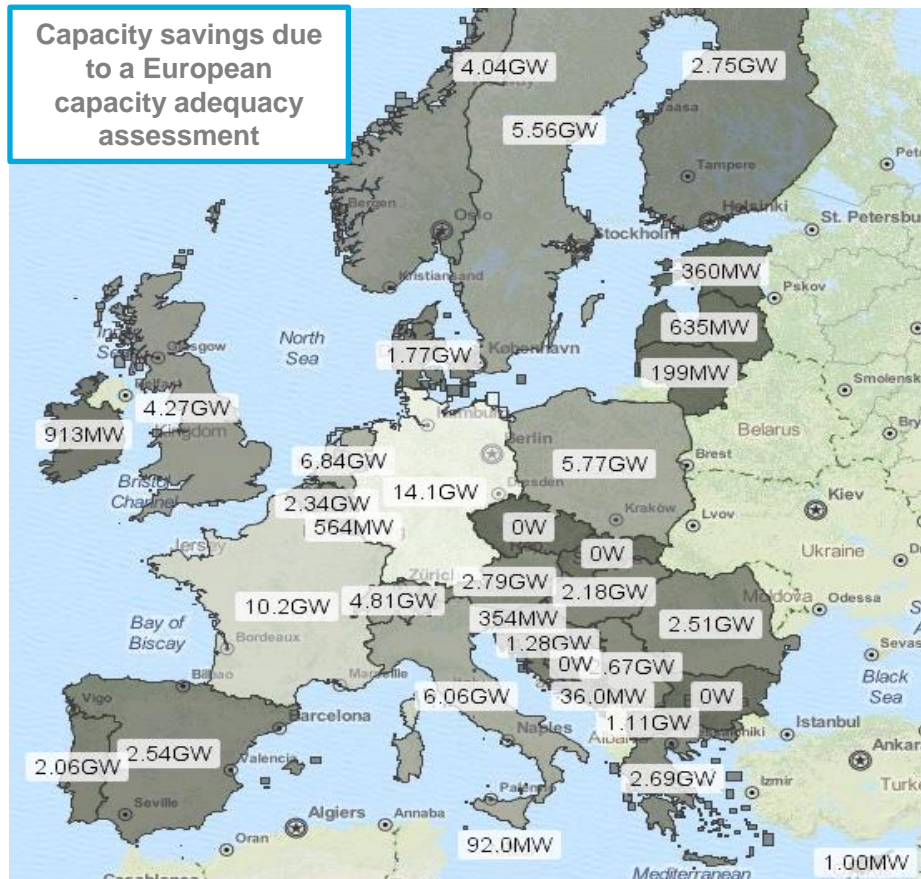
- 16 Member States maintain some form of energy price regulation for households.
- In most Member States demand response is limited due to market entry barriers towards new service providers, such as independent aggregators (which aggregate individual flexibility).
- Unlike transmission system operators, distribution system operators cannot manage their network in a flexible manner to reduce costs for the consumer.

WAY
FORWARD

- **Phase-out regulated prices**, only duly justified exemptions allowed.
- Ensure **fair market access for independent aggregators** and other new service providers.
- Allow **flexible management of distribution networks** through curtailment of renewables and demand response solutions.
- Set clear principles for DSOs to ensure neutrality.

Competition within the retail energy market is key for unlocking efficient consumer behaviour and keeping the cost of the energy transition at check.

STEPPING UP REGIONAL COOPERATION



-  **Common capacity mechanisms principles** in line with the Sector Inquiry to ensure least-distortive design
-  Development of a **transparent European adequacy assessment** including capacity available at the border
-  **Regional Operation Centres (ROCs)** bringing National Regulators closer together on system operation decisions
-  **Development of shared Methodologies** for cross-border trading of electricity at all market timeframes

AN AGENCY UP TO THE TASK



*A **coordination hub** for tighter European and regional cooperation*
*Main engine behind the effective **implementation of market rules***
*Critical **market surveillance** functions both in wholesale and retail*

Regional and cross-border decisions

- Setting the configuration of Regional Operation Centres and monitoring of regional performance
- Coordinator role towards National Regulators to enhance interoperability
- Approval of methodologies for cross-border trade and generation adequacy
- Approval of methodology for the identification of electricity crisis scenarios

Wholesale markets performance

- Monitoring of market efficiency: 'flexibility barriers', price caps; bidding zone decisions, locational price signals, etc.
- Follow through the implementation of existing and new system and market operation codes
- Surveillance of Member States performance against security of electricity supply indicators

DSO-related tasks

- Formal place for DSO to be represented at EU-level: establishment of EU DSO for electricity
- Ensure DSOs and TSOs cooperation

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Results of the Evaluation of Directive 2005/89 on "Security of Electricity Supply" (SoS Directive)

- Created a general framework for security of supply, but **left it by and large to Member States to define their own national rules, without rules and tools securing an effective cross-border co-operation**
- **As a result, the current SoS Directive is:**
 - Largely **ineffective** – it has not led to a better security of supply in Europe
 - **Of limited relevance**, given that it does not address the key issue, how to manage security of supply where markets are increasingly interlinked
 - In addition, the Directive is **outdated**: some of its provisions **overtaken** by subsequent legislation (3rd IEM, TEN-E Regulation), but there **still regulatory gaps** when it comes to how prevent and manage crisis

Impact assessment

When preparing or managing crisis situations, Member States tend to disregard the situation across their borders

- Crisis plans and actions tend to remain national in focus
- Lack of information sharing and transparency
- No common approach to identifying and assessing risks



Un-coordinated action undermines market functioning and threatens security of supply

STRENGTHENING RISK PREPAREDNESS: SAFER TOGETHER

ENHANCED COOPERATION COMES FROM COMMON RULES

Common risk identification and assessment

- Common methodology for:
 - Identifying electricity crisis
 - Assessing short-term adequacy
- Identification of crisis scenarios

Risk preparedness plans

- Mandatory plans and coordinated measures
- Consultation with other Member States and Electricity Coordination Group (ECG)

Common principles on handling crisis

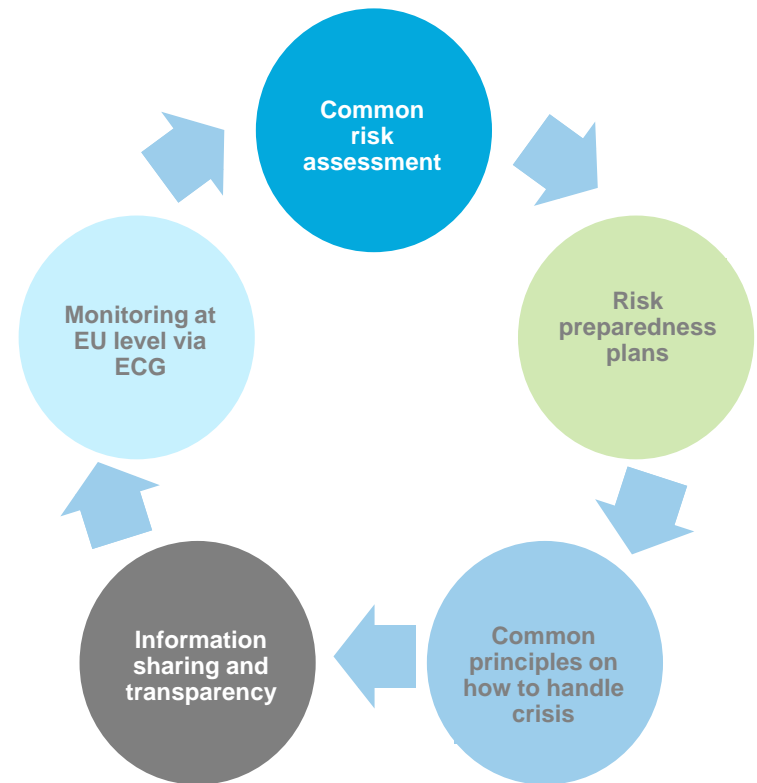
- Solidarity principle and assistance
- Ensure market functions as long as possible
- Non-market measures only as last resort

Information sharing and transparency

- Obligation to inform EC and Member States:
- In case of electricity crisis (measures and need for assistance)
 - "Early-warning"

EU level monitoring

- Systematic monitoring via Electricity Coordination Group
- Harmonised indicator to monitor
- Reporting on electricity crisis events





ENERGY UNION

EnergyUnion #EnergyUnion

European Commission
Commission européenne

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European Commission

Thank you for your attention