



Please find below our detailed policy recommendations.

Regulation on the internal market for electricity (recast)

PRIORITY ACCESS AND DISPATCH (ARTICLE 11)

EU decision-makers need to safeguard priority access and dispatch for existing installations using renewable energy. Priority access and dispatch for new installations should only be removed if the electricity market has been made 'fit for renewables' and a true level-playing field - including the reflection of environmental and health costs in electricity market prices - has been ensured.

RESOURCE ADEQUACY ASSESSMENTS AND CAPACITY REMUNERATION MECHANISMS (ARTICLES 18, 19, 20, 21, 23 and 24)

Capacity mechanisms should be introduced only as a last resort option, and only when resource adequacy concerns are identified by a European-wide regional resource adequacy assessment. Moreover any allowed capacity mechanism should be coupled with a robust plan for its phase out. The CO₂ emissions intensity criterion of 550gCO₂/kWh needs to apply to all plants immediately. Carbon intensive plants should not receive any payments after the Regulation comes into force and existing schemes also need to comply with the new rules.

REGIONAL SECURITY COORDINATORS (RSCs) (ARTICLES 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43 and 44)

The creation of RSCs is a step forward in establishing an institutional framework for regional system operation and for optimising the use of interconnectors. RSCs will help to increase economic welfare at both the regional and European level, and facilitate the integration of higher shares of variable renewables into the grid. RSCs should be able to carry out their tasks independently and neutrally on the basis of methodologies developed by TSOs. It is also essential to ensure that the RSCs have decision-making powers for their tasks of utmost importance from a regional perspective and that a strong governance and institutional framework is in place to bring about the benefits of regionalisation for regional consumers and the environment.

EUDSO entity and network codes (ARTICLES 49, 50, 51, 54, 55, 56, 58)

Formally bringing DSOs together at EU level will improve cooperation with EU institutional stakeholders and with TSOs and will ensure a consistent direction of travel for the distribution sector, particularly with respect to the deployment and integration of renewables, demand response and prosumers. Given that the EUDSO will be entrusted with considerable powers to draft EU legislation in the form of network codes, ACER should closely scrutinise that work carried out by the new entity. Additionally, the governance of the EUDSO should ensure fair and proportionate treatment of all DSO members and that smaller DSOs are adequately represented. Similar to ENTSO-E, the EUDSO should have a clear mandate to contribute to Energy Union targets and promote the completion and functioning of the IEM.

Directive on common rules for the internal market in electricity (recast)

ACTIVE CONSUMERS AND ENERGY COMMUNITIES (ARTICLES 2, 11, 12, 13, 16, 17, 19 and 21)

Citizen-owned renewable energy could contribute 45% of Europe's electricity needs by 2050. Community energy projects have eight times the benefit to the local economy compared to projects owned by power companies. EU-level definitions of 'active customers' and energy communities should therefore be supported and renewable self-consumers should receive remuneration for electricity fed into the grid, which also reflects its value to the environment and society.

DISTRIBUTION SYSTEM OPERATORS (DSO) AND TRANSMISSION SYSTEM OPERATORS (TSO)

DSOs and TSOs should act as neutral market facilitators. They should not be allowed to own or manage storage facilities given the risk to influence the energy or ancillary service market. There should be no exemption from grid planning for smaller/isolated DSOs, as these DSOs are arguably more likely to face issues integrating distributed energy resources and electric vehicles into their network and could benefit from such plans.

DYNAMIC PRICE CONTRACTS (Article 11)

The Council GA weakens this right by proposing that only customers with a smart meter are entitled a dynamic price contract, from a minimum of one supplier only. This would impair European consumers' ability to market their demand flexibility, first by limiting the number of consumers technically able to do so, and second by failing to guarantee competition among suppliers to offer dynamic price contracts. We recommend that all final customers are entitled to a dynamic electricity price contract by requesting that all suppliers, except small suppliers and new entrants, develop dynamic electricity price contracts.

SYSTEM OPERATORS AND FLEXIBILITY (Article 32, Article 40, article 51)

The co-legislators both agree on the general objective to create truly competitive, flexible and consumer-centered markets. Beyond the articles of the Directive and Regulation on the internal market for electricity establishing this principle in all traded markets, we also support several provisions that would create a truly level playing field for "demand-side" (e.g. consumers, demand response, energy efficiency, etc.) and "supply-side" solutions (e.g. generation, electricity grids). For instance, by enabling network operators to use alternatives to system expansion and upgrades and, when cost-effective, mandate them to do; encouraging TSOs to procure services which improve the efficiency of system operation; considering the potential of demand response and other alternatives in network planning.

General recommendations:

1. Set out robust conditions for capacity mechanisms and end subsidizing heavy carbon power plants.

Power markets benefiting from a fully competitive demand-side will make capacity mechanisms redundant and ensure best value for all consumers. In the meantime, capacity mechanisms, preferably strategic reserves, can be a temporary fix when reliability problems are clearly shown to exist, provided such mechanisms are developed as a last resort and follow a set of design criteria minimising their potentially negative impacts on sustainability or competition.

2. Create markets suited for continued renewables development

The Council GA virtually essentially removes the right for Member States to grant priority dispatch for *new* renewable energy projects by limiting the exemptions and substantially lowering the thresholds proposed by the Commission. Priority dispatch must be maintained for all renewable energy installations unless a Member State can demonstrate that all market distortions, including capacity mechanisms, have been removed. All renewable energy installations should also be exempt from balancing responsibility unless a Member State can demonstrate that these installations have full access to the balancing market; for small scale installations this means having access to at least three balancing aggregators.

3. Advance the Internal Energy Market through Regional Operational Centers / Regional Security Coordinators

The Third Package has reached the limits of its impact and the Commission's proposals are needed to address problems such as interconnectors not being fully utilised because of national, rather than regional, interests. Such failures lead to inefficient electricity systems and markets that leave consumers paying more for their electricity.

4. Facilitate the uptake of demand side response and consumer empowerment

Developing demand side flexibility across Europe will improve system resilience, allow for the integration of growing volumes of variable renewables, and benefit citizens. The Parliament position include a number of important and necessary provisions to develop demand side flexibility, notably the introduction of customers' right to request a smart meter and a dynamic price contract. It also includes a few additional provisions on how to create a truly level playing field for "demand-side" (e.g. consumers, demand response, energy efficiency, etc.) and "supply-side" solutions (e.g. generation, electricity grids), for instance by ensuring that demand-side alternatives are considered when building new generation capacity; when operating distribution and transmission grids; when planning for future network needs.

5. Ensure that the EU DSO entity contributes to the achievement of Energy Union objectives, remains accountable, and guarantees equitable treatment of all member DSOs

The Council GA and Parliament amendments guarantee a seat at the table for smaller DSOs and will help ensure the EU DSO entity works to enable, rather than hinder, the European energy transition and active prosumer participation in energy markets.

Thank you very much for your consideration. Please do not hesitate to contact us with any questions or would like further information.

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