



Electricity market design

Mitigating the impact of high gas prices on electricity bills, protecting consumers and boosting RES investment

Objectives of the reform

- **Better protect and empower consumers**
- **Enhance stability and predictability of the cost of energy contributing to the competitiveness of the EU economy**
- **Accelerate the integration of renewables with flexibility services**
- **Better energy market monitoring and surveillance (REMIT)**

1. Better consumer protection and empowerment

Problem: *Energy crisis has exposed consumers to high and volatile electricity prices and market risks have been forced on consumers*

Protect consumers

- **Right to fixed price contacts** added to existing right to dynamic price contracts.
- **Hedging requirements on suppliers:** Suppliers should be properly hedged with long term contracts.
- **Supplier of last resort:** Member States should designate a supplier of last resort
- **Protection from disconnection** for vulnerable consumers
- **Retail price regulation:** Member States can apply regulated retail prices for households and SME consumers in the event of a crisis, incl. below costs.

Empower consumers

- **Energy sharing:** consumers should have the right to share renewable energy directly, without the need to create energy communities.
- **Right to multiple contracts:** customers can have more than one supplier on their premises, enabled with multiple meters for a single connection point
- **Better and clearer contractual information,** also for contract extension.

2. PPAs, CfDs and forward markets

Problem: *Energy bills can be overly impacted by short-term electricity prices (now often driven by - volatile fossil fuel costs), with severe impact on EU households and economy. Investors in fossil-free generation require predictability and stability of revenues.*

Facilitate the development of **Power Purchase Agreements (PPAs)**

- Member States shall (1) **facilitate PPAs** to reach NECP objectives, (2) ensure that **instruments to cover default risk** (e.g. market-oriented guarantees) are available to customers facing entry barriers to PPA market, (3) allow bidders in RES tenders to **reserve part of the generation** for PPAs, (4) endeavour to make use of **evaluation criteria** to incentivise access to the PPA market for customers that face entry barriers

Two-way Contracts for Differences (CfDs) for public support for new investments

- Direct price support schemes for new investments shall take the form of a two-way CfD in: solar, wind, geothermal, hydro without reservoir and nuclear energy .
- CfDs shall redistribute revenues collected by the Member State to final customers, while keeping incentives to reduce electricity consumption

Improve liquidity of **forward markets**

- Create "virtual hubs" with regional reference prices.
- TSOs to issue "zone-to-hub" transmission rights for the following 3 years.

3. Flexibility services, transparency, offshore

Problem: Increasing share of renewables needs to be balanced with non-fossil flexibility (such as demand response, storage) in order to achieve decarbonisation.

Enhance non-fossil flexibility sources, such as demand response and storage

- NRAs shall issue a report on the **need for flexibility** in the electricity system every two years to achieve both security of supply and decarbonisation.
- On the basis of the report, Member States shall define **an indicative national objective** for demand side response and storage.
- MS may apply **support schemes** for available non-fossil flexibility capacity. Member States with capacity mechanisms shall first consider the promotion of the participation of non-fossil flexibility in such schemes.

Clarify the role of system operators

- **Peak shaving product:** TSOs may procure a peak shaving product to reduce electricity demand during peak hours
- **Transparency:** TSOs and DSOs to provide information about the availability of grid connection capacity, the status and treatment of the connection requests.
- **Dedicated metering:** System operators can use the data from dedicated metering devices for the observability and settlement of demand response and flexibility services.
- **Network tariffs:** Take into account operational costs in network tariffs and TSOs/DSOs remuneration, to incentivize the use of flexibility services.

3. Flexibility services, transparency, offshore

Create more opportunities for trading (of renewables and flexible sources)

- Allowing cross-border **intraday trading closer to real time (30 min)**
- Mandatory **sharing of liquidity** in the intraday market, also within a bidding zone

Accompany the offshore development

- **Transmission access guarantee:** offshore generation plant operators in an offshore bidding zone can be compensated if access to interconnected markets has been reduced

4. Better energy market monitoring and surveillance

Problem(s):

1. *Gaps in REMIT data and lack of enforcement of reporting obligation on the EU level resulting in weakened and not abreast monitoring framework.*
2. *Decentralised enforcement system based on national level investigations only (not efficient in more complex cross-border cases) resulting in insufficient market surveillance and oversight.*

Better data collection and market monitoring

- Adaptation of the scope of REMIT to current and evolving market circumstances
- Improving process for the collection of inside information and market transparency
- Enhance supervision of reporting parties and data sharing
- Enhance market transparency through an LNG price assessment and benchmark

Strengthening of investigation, harmonisation of fines to better protect against market abuse

- Stronger role for ACER in investigations of significant cross-border REMIT cases
- Harmonisation of fines set by regulatory authorities at national level

Thank you