

## Public consultation on energy market design

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Feedback and answers received by September 9<sup>th</sup> 2015 (EOB)

Questionnaire's recipient: Members of the EPPSA Strategy Working Group

- 1 Would prices which reflect actual scarcity (in terms of time and location) be an important ingredient to the future market design? Would this also include the need for prices to reflect scarcity of available transmission capacity?**

Yes, prices which reflect actual scarcity are important, including prices to reflect scarcity of available transmission capacity. This is the only solution for an electricity-only market.

- 2 Which challenges and opportunities could arise from prices which reflect actual scarcity? How can the challenges be addressed? Could these prices make capacity mechanisms redundant?**

Societal challenges could arise as the end-user would periodically be subject to high energy prices. It is possible to support the weakest players in the system with financial support measures in order to alleviate this burden.

If energy-only markets with free price settings are not creating enough revenue in order to solve the missing money problem, then a backup possibility could be to create capacity markets.

- 3 Progress in aligning the fragmented balancing markets remains slow; should the EU try to accelerate the process, if need be through legal measures?**

The process of aligning the markets for balancing services should be accelerated in order to be able to use those units that provide balancing in a more efficient manner.

This also means that balancing must first be brought onto the markets in all of the Member States and not being forced onto generators in order to be allowed to connect. Only then, it will allow for these markets to be aligned on a European level. Legal measures should only be used as a last resort if alignment has been proven not to be possible.

- 4 What can be done to provide for the smooth implementation of the agreed EU wide intraday platform?**

No comment.

- 5 Are long-term contracts between generators and consumers required to provide investment certainty for new generation capacity? What barriers, if any, prevent such long-term hedging products from emerging? Is there any role for the public sector in enabling markets for long term contracts?**

Yes, long-term contracts between generators and consumers are required. This should also be the case for balancing services.

- 6 To what extent do you think that the divergence of taxes and charges levied on electricity in different Member States creates distortions in terms of directing investments efficiently or hamper the free flow of energy?**

EPPSA believes that the multitude of taxes and charges levied on electricity in different Member States are often not linked to electricity in the first place (e.g. pension schemes or social security).

More hampering for adequate investments is a changing environmental framework. The more the framework changes, as done several times in the past, the more investors are getting cautious.

- 7 What needs to be done to allow investment in renewables to be increasingly driven by market signals?**

In order to allow investment in renewables to be driven by market signals, all incentive systems by Member State governments should be stopped as soon as these technologies are mature. Instead, a strong CO<sub>2</sub> trading with an adequate number of CO<sub>2</sub> allowances should be favoured.

- 8 Which obstacles, if any, would you see to fully integrating renewable energy generators into the market, including into the balancing and intraday markets, as well as regarding dispatch based on the merit order?**

The main obstacle to fully integrating renewable energy generators lays in their features: the non-dispatchability of solar and wind generation, and the limited balancing resources they could provide compared to the system needs.

- 9 Should there be a more coordinated approach across Member States for renewables support schemes? What are the main barriers to regional support schemes and how could these barriers be removed (e.g. through legislation)?**

Coordinated approaches between Member States need to be done on the cornerstones of such support schemes. This should mainly touch the question of until when the support is needed, and the question of how RES will be integrated into the market.

- 10 Where do you see the main obstacles that should be tackled to kick-start demand response (e.g. insufficient flexible prices, (regulatory) barriers for aggregators / customers, lack of access to smart home technologies, no obligation to offer the possibility for end customers to participate in the balancing market through a demand response scheme, etc.)?

No comment.

- 11 While electricity markets are coupled within the EU and linked to its neighbours, system operation is still carried out by national Transmission System Operators (TSOs). Regional Security Coordination Initiatives ("RSCIs") such as CORESO or TSC have a purely advisory role today. Should the RSCIs be gradually strengthened also including decision making responsibilities when necessary? Is the current national responsibility for system security an obstacle to cross-border cooperation? Would a regional responsibility for system security be better suited to the realities of the integrated market?

No comment.

- 12 Fragmented national regulatory oversight seems to be inefficient for harmonised parts of the electricity system (e.g. market coupling). Would you see benefits in strengthening ACER's role?

No comment.

- 13 Would you see benefits in strengthening the role of the ENTSOs? How could this best be achieved? What regulatory oversight is needed?

No comment.

- 14 What should be the future role and governance rules for distribution system operators? How should access to metering data be adapted (data handling and ensuring data privacy etc.) in light of market and technological developments? Are additional provisions on management of and access by the relevant parties (end customers, distribution system operators, transmission system operators, suppliers, third party service providers and regulators) to the metering data required?

No comment.

- 15 Shall there be a European approach to distribution tariffs? If yes, what aspects should be covered; for example tariff structure and/or, tariff components (fixed, capacity vs. energy, timely or locational differentiation) and treatment of self-generation?

A European approach to distribution tariffs is not needed. Tariffs are subject to living costs in each of the Member States.

- 16 As power exchanges are an integral part of market coupling – should governance rules for power exchanges be considered?**

No comment.

- 17 Is there a need for a harmonised methodology to assess power system adequacy?**

Power system adequacy is relying on dispatchable energy sources. A harmonised methodology, taking this into consideration, would be an added value on an EU-level. This of course should not hamper the inclusion of national and regional specificities in such assessments. –

- 18 What would be the appropriate geographic scope of a harmonised adequacy methodology and assessment (e.g. EU-wide, regional or national as well as neighbouring countries)?**

The Commission should consider a geographic scope that would include – but also be limited to – all neighbouring countries of the EU.

- 19 Would an alignment of the currently different system adequacy standards across the EU be useful to build an efficient single market?**

An alignment of the different system adequacy standards across the EU is needed. Just as for the proposed harmonised methodology to assess power system adequacy, this alignment should also be able to reflect national and regional specificities.

- 20 Would there be a benefit in a common European framework for cross-border participation in capacity mechanisms? If yes, what should be the elements of such a framework? Would there be benefit in providing reference models for capacity mechanisms? If so, what should they look like?**

Yes, a common European market-based framework would be an added value. A more efficient use of generator's assets will be possible if they can participate across borders. This would automatically lower the cost for such a service.

- 21 Should the decision to introduce capacity mechanisms be based on a harmonised methodology to assess power system adequacy?**

Yes, the introduction of capacity mechanisms should be based on a harmonised methodology. The main characteristic should be European-wide allowing for specific situations to be taken into account.

**General comments:**

RES provide a valuable service to society by a.o. being an indigenous energy source, avoiding emissions to air, and lowering the input bill of fossil fuels. Fossil energy sources provide great benefits in terms of security and affordability.

When elaborating market design rules, it is important to keep the laws of physics in mind. A balanced energy mix is needed, taking into consideration all the different generation technologies. The intermittency of solar and wind energy must be balanced for system security; dispatchable power generation is needed to stabilise the overall system. The energy mix composition will evolve over time, but an energy system based 100% on solar and wind is not possible today. Stable, dispatchable energy production based on Thermal Power Plants using e.g. biomass, waste, gas and coal is also needed.

European harmonisation of the energy systems would also allow power plant suppliers to provide a more harmonised technology concept all over Europe. The actual situation still leaves a lot of room for improvement, optimising the plant design and therefore reducing the costs and emissions.