



A market design fit for renewables: key points on the Council's general approach

Further to the meeting of the Transport, Telecommunications and Energy Council that took place on Monday 18 December, the European renewables industry would like to highlight the key points of the Council's general approach and negotiating position on the Electricity Directive and Electricity Regulation.

In the following statement we briefly evaluate the most crucial points and questions from the point of view of the renewable industry and underline what is positive, what needs to be improved and what is negative within the Council's position. We ask that Members of the European Parliament continue to fight for a Paris aligned and progressive energy market design and to seek improvement on crucial points during the upcoming negotiations and votes on Compromise Amendments.

1. The market integration of renewables

- a. **Short term markets:** The Council's position in this area was good and helps move towards closer to real time trading, smaller product sizes and shorter gate closure times. Nonetheless, it falls short in enabling the full participation of renewables in balancing markets that are integrated across borders. The European Parliament should look to limit the many and partly contradictory exceptions that were introduced in this area.
- b. **Balancing responsibilities:** The Council's position would allow Member States to remove balancing exemptions which were granted to existing renewables installations under EU state aid rules. For the European renewables industry it is critical for strong investor confidence to maintain these rules on balancing responsibilities and avoid retroactive changes. Moreover, the exemption from balancing responsibilities for small installations should be guaranteed in EU law and not left to each Member State to decide, and the maximum thresholds should be increased, as in the Council's current position these thresholds (250kW going down

to 150kW) are too low. If the Council's position is left unchanged, consumers and SMEs will be subject to heavy technical and administrative burdens in many countries. There is also a potential risk for increased costs for consumers as there is no guarantee that renewable investors will have access to competitive offers when delegating balancing responsibilities to third parties.

- c. **Priority dispatch and curtailment:** The Council's position is very mixed on this point, maintaining the principle of priority dispatch for existing assets, small installations and demonstration projects is positive. More ambition is necessary in order to ensure investor certainty, support prosumers and allow the development of new clean energy technologies. For new installations that do not have priority dispatch, there will be full compensation for imposed curtailment, and a number of measures are foreseen to ensure that renewables are curtailed last. However, further amendments are necessary to further protect small installations above 250kW and system operators must be encouraged to disclose how they deal with congestion, and guarantee that their networks are capable of transmitting and distributing electricity from existing and future renewable installations. With the wording of the current Council position, up to 5% of the annual production of renewable installations could never be fed into the grid.

2. Security of supply and the Internal Energy Market

- a. **Capacity Mechanisms and European adequacy assessments:** The Council's General Approach severely lacks ambition on this point by giving Member States the final say on the creation of Capacity Mechanisms. This is not in line with regional and European solidarity and the overall goal of further integration of the Internal Energy Market. European adequacy assessments should not be ignored as the Council text currently allows, as they are needed to reduce the distortive effects of Capacity Mechanisms on markets. All flexibility options and cross-border cooperation must be exhausted before Capacity Mechanisms are put in place – they should be a last resort.
- b. **The 550g CO₂/kWh emissions performance standard within Capacity Mechanisms:** The Council's position on this is not acceptable and MEPs need to continue to work hard to bring the final package in line with the EU's Paris Agreement commitments. The Council's proposal will continue public subsidies for highly polluting generation capacity for almost another 20 years from today – up until 2035. It is critical that the European Parliament makes sure that existing power plants are subject to the 550g threshold as of entry into force. The European Parliament should also ensure that the final text makes explicit that dispatchable renewable sources are eligible for support within these schemes.
- c. **Regional Coordination Centres:** Regional cooperation is crucial to the effective integration of renewables and so the European Parliament should adopt a stronger position than the Council on regional system operation to allocate optimal volumes of cross-border transmission capacity and to step up the exchange of balancing services.

3. Active customers and storage

- a. **Rights for active customers:** The fact that the right to sell self-generated electricity is in the Council position is positive and should be maintained in the final text.
- b. **Discriminatory requirements, procedures and charges:** MEPs should adopt a strong stance on the protection of active customers against disproportionate requirements, procedures and charges as the Council is weak on this. Self-consumed electricity

should not be subject to charges and active customers' installations should be allowed to be owned by third parties.

- c. **Storage ownership rules:** The Council has allowed too many exceptions under which DSOs and TSOs could own and operate storage assets before it has been tested whether or not market players could deliver associated services in a more cost-effective way. MEPs should ensure that the final text is stricter on this point, in particular on ensuring regular tenders to test market interest.