

# New Electricity Market Design: Impact on Market Players

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# The „Winter Package“

- Proposals adopted by the Commission on 30.11.2016 (corrected on 23.3.2017) based on Art. 194 TFEU (instead of Art. 114 TFEU)
- Amending Third Energy Package = recast of:
  - *Directive on Common Rules for Internal Market in Electricity (2009/72/EC)*
  - *Regulation on Internal Market for Electricity (714/2009)*

# Overall Objectives

- Trifold: clean, sustainable and affordable energy supplies for EU industry/citizens in next decades
- No magic single solution: each objective to be pursued separately
- Specific focus on liberalization, effective market entry = competition between electricity suppliers
- Do we need stricter and more centralized ex ante regulation of access and tariffs ... or rather deregulation?

# Major Developments

- Commission's "*New Market Design Initiative*" reacts on recent market trends:
  1. *More variable and decentralized electricity production*
  2. *New technologies for consumers to reduce their electricity bills*
  3. *Active participation of new players with demand response, self-consumption, storage*

# 1. Adapting Market Rules

- Promote short-term electricity markets to allow RES-E cross-border trading: level playing field for all resources and technologies
- Better interconnected, market based system with price signals stimulating investments into generation and transmission
- Create common adequacy assessment for generation, incl. coordinated capacity mechanisms to avoid deficits

# Cross-Border Markets

- Shift from national to regional, e.g. market coupling; Regional Operational Centres
- Avoid any rules that could restrict cross-border trading or participation of smaller players, e.g. anonymous trades with no reference whether bidder is within or outside bidding zone
- Trade energy as close to real time as possible
- Long-term transmission rights allocation in a market-based manner in order to, e.g. enable RES generators to hedge price risks across bidding zone borders
- No direct or indirect caps or floors on wholesale power prices
- Dispatching of generation and demand response is to be market-based
- Review of bidding zones
- Re-invest congestion rents in network investments rather than tariff reductions

## 2. Strengthening Consumers

- Real-time price information made available to consumers, restriction of contract termination fees, etc
- Supply prices set without public intervention: gradual phase-out of below-cost household price regulation, with justified exceptions for vulnerable consumers
- More market based retail prices will facilitate market entry by new providers and avoid predatory pricing investigations by competition authorities
  - Dynamic electricity price contract (smart meters needed)
  - Entitled to contract with aggregators
- Two newly defined categories of players:
  - Active consumers (prosumers)
  - Local energy communities

# New Role for DSOs

- Changes in the role of DSOs in view of shift towards decentralised electricity generation combined with potential for storage and more active consumers
  - From passive to active system management
  - Data management
- DSOs allowed and incentivised to procure (flexibility) services such as distributed generation, demand response and energy battery storage and to adopt new technologies (e.g. re-charging points for electric vehicles)
- Submit 5- to 10-year network development plans
- DSO-TSO cooperation
- Creation of an EU DSO entity (EDSO-E)



# 3. New(er) Market Players

- Challenger companies that can build new business models around distributed electricity technologies
- Independent demand response service providers
- Aggregators
- Battery storage

# Conclusions

- Proposed reforms are evolutionary rather than revolutionary
- Further Europeanisation: from national approaches to regional and EU-wide frameworks
- Market price signals instead of government price controls and/or subsidies
- Empowering consumers
- Technologies to the front: smart grids, metering, storage, data applications

# Do you have questions? Please ask:

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