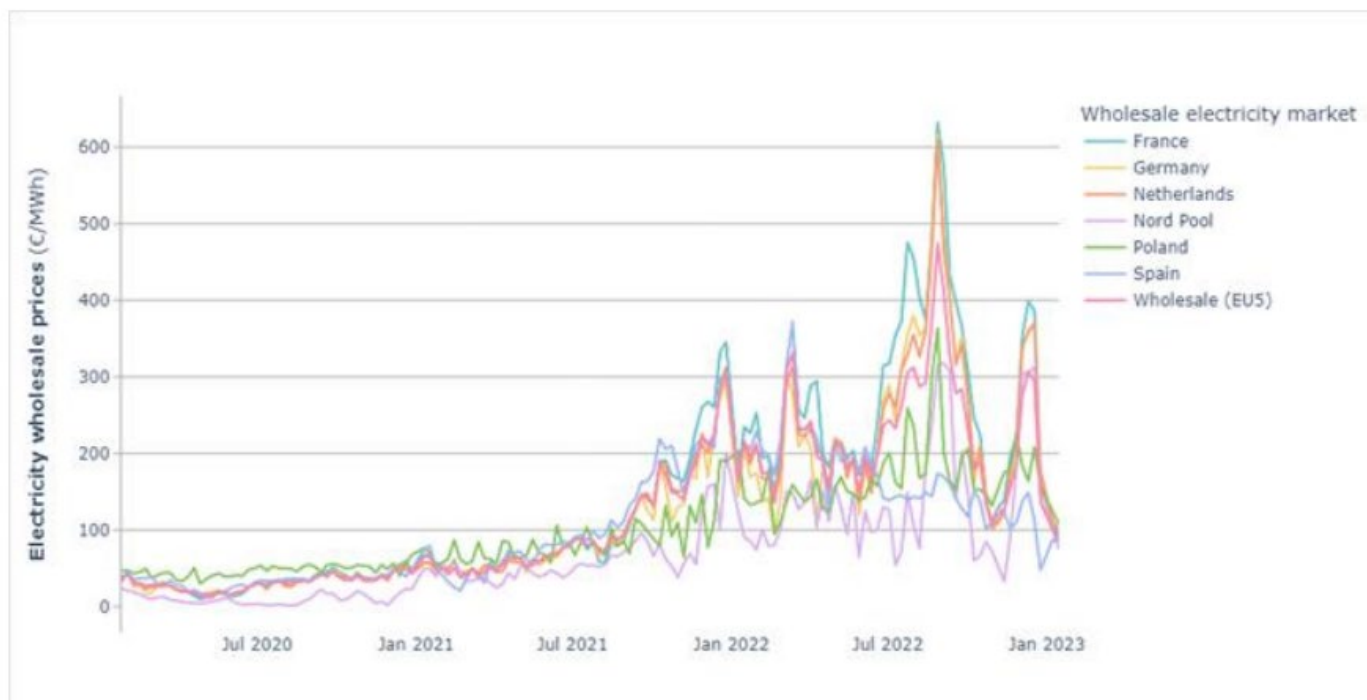




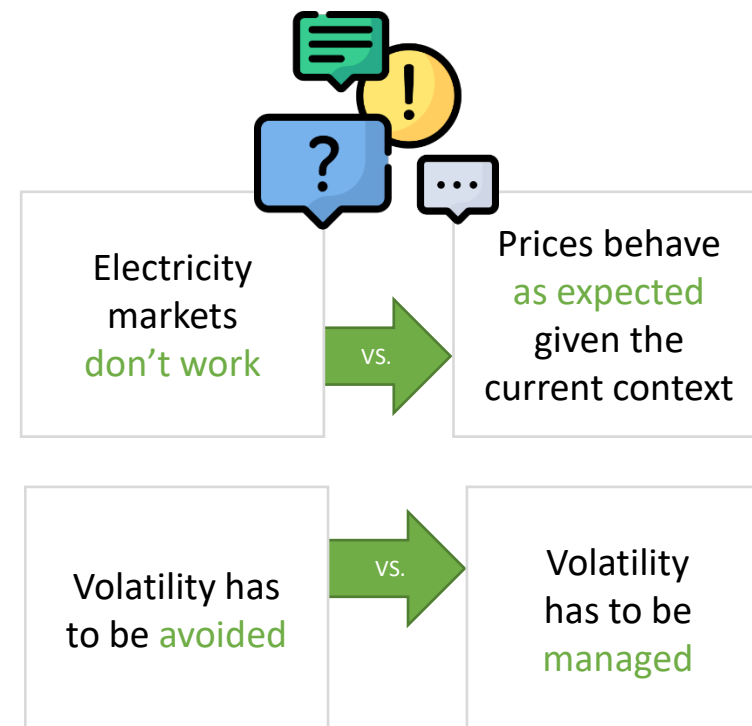
# The Reform of the Electricity market design

*European Commission - DG ENERGY*

# The energy crisis



Evolution of the EU electricity wholesale prices, source: Platts



# 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)**

# 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

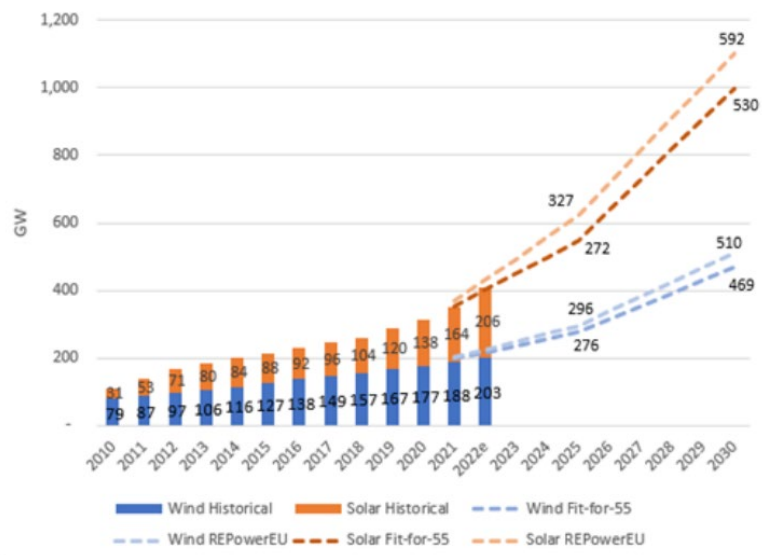
- **Right to fixed price contacts** added to existing right to dynamic price contracts.
- **Hedging requirements on suppliers:** Suppliers should be properly hedged with long term contracts.
- **Supplier of last resort:** Member States should designate a supplier of last resort
- **Protection from disconnection** 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

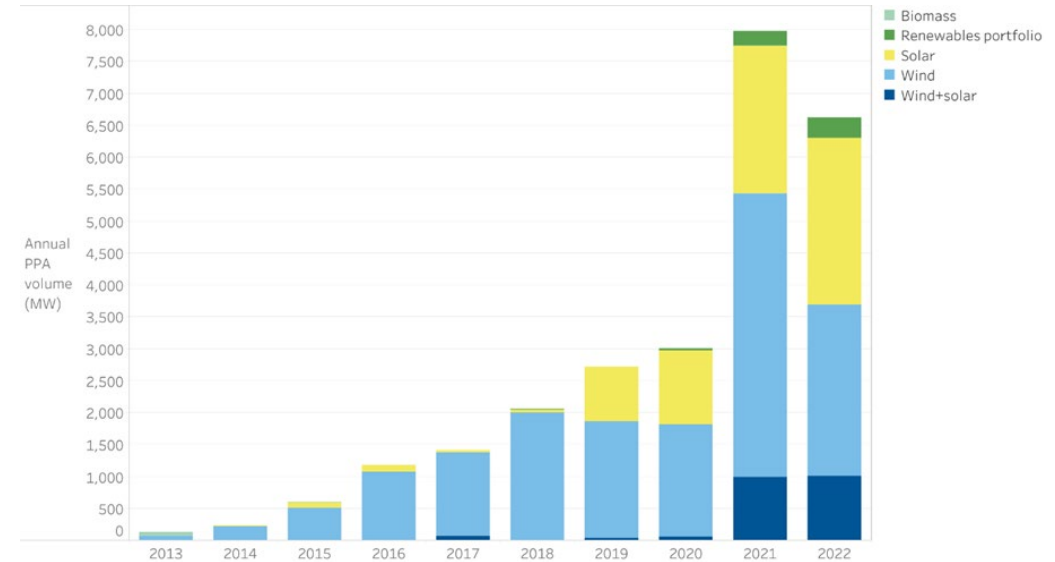
- **Energy sharing:** consumers should have the right to share renewable energy directly, without the need to create energy communities.
- **Right to multiple contracts:** customers can have more than one supplier on their premises, enabled with multiple meters for a single connection point
- **Better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

# Reinforce long term markets : PPAs

**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.



volume of RES installed capacity in EU, and projection to reach Fit-for-55 and REPowerEU targets, source Eurostat



Source: WindEurope

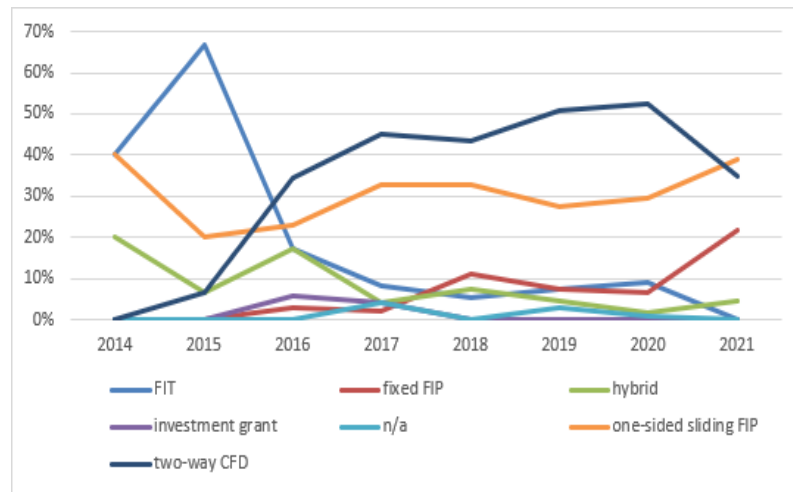
## Development of Power Purchase Agreements (PPAs)

- MS to **facilitate PPAs** to reach NECP objectives
- **Instruments to cover default risk** should be available
- Enable both RES support schemes and PPAs, possibly combined

# Reinforce long term markets : CfDs

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

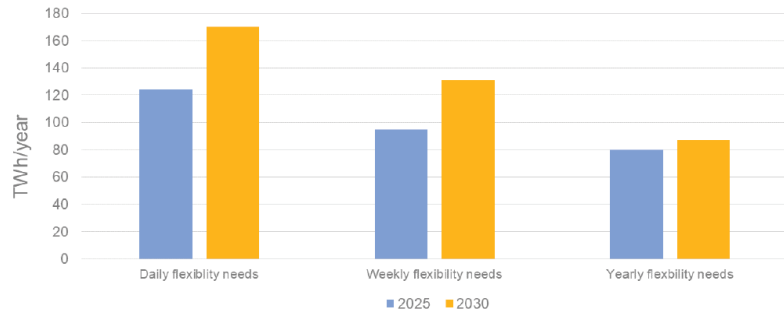
- Direct price support schemes for new investments shall take the form of a two-way CfD in: solar, wind, geothermal, hydro without reservoir and nuclear energy .
- CfDs shall redistribute revenues collected by the Member State to final customers, while keeping incentives to reduce electricity consumption



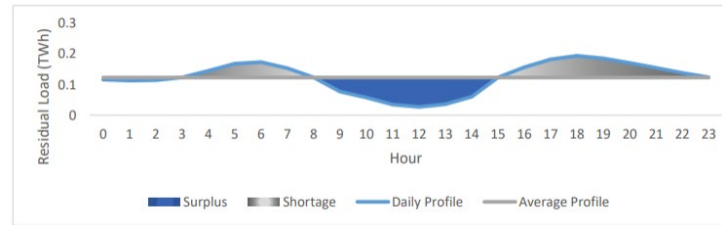
*Distribution of renewables auction per support scheme (2014-2021), source: COM*

# Better integrate renewables with flexibility solutions

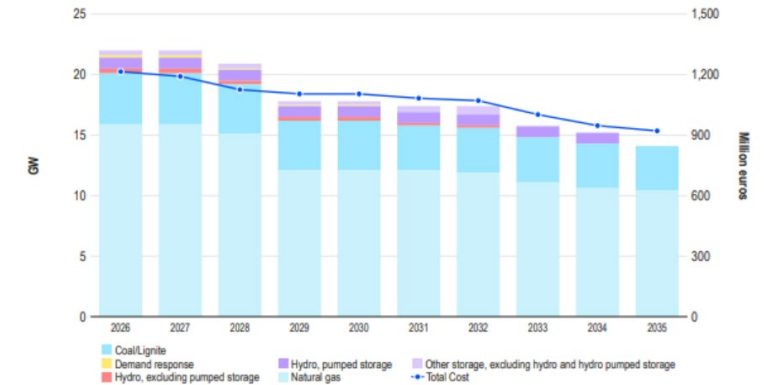
**Problem:** Increasing share of renewables needs to be balanced with non-fossil flexibility (such as demand response, storage) in order to achieve decarbonisation.



Flexibility needs, source: ACER



Daily flexibility needs to double between 2021 and 2030, source: JRC



Coal/lignite and natural gas dominate long term contracted capacity in the EU 27 for 2026-2035, source: ACER

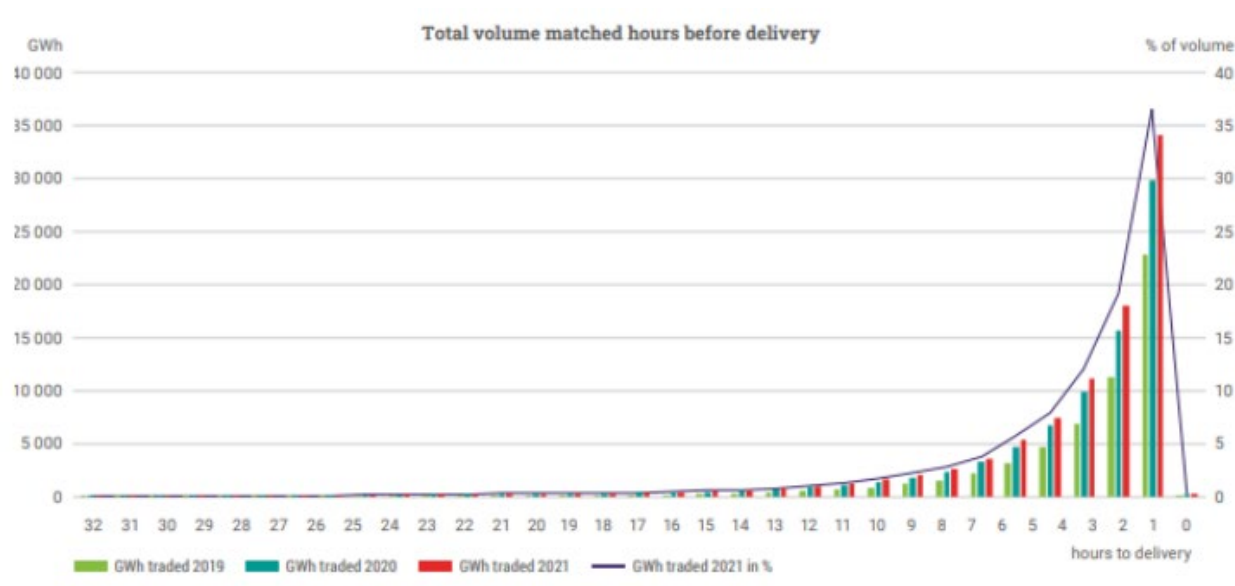
## Enhance non-fossil flexibility sources, such as demand response and storage

- 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.

# Better integrate renewables with flexibility solutions

## 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



*Increase of traded volumes close to the time of delivery,  
source CACM Annual report 2021 and NEMOs*



# REMIT 2.0 – key aspects of the reform (1)

- ✓ Improved process for the collection and disclosure of inside information and market transparency:
  - IIPs, market manipulation notion, alignment with financial regulations, new tasks for ACER
- ✓ Enhanced supervision of reporting parties and data sharing between relevant authorities
  - RRM, PPA(E)Ts, improved data exchange between authorities
- ✓ Enhanced LNG market transparency
  - LNG price assessment and benchmark as a permanent tool
- ✓ Adaptation of the scope of REMIT to current and evolving market circumstances
  - Algorithmic trading, energy derivatives (cooperation mechanism), new data reporting obligations (e.g. order books, exposures, hydrogen).

# REMIT 2.0 – key aspects of the reform (2)

## New enforcement system for cross-border cases

- ✓ New powers for ACER (EU dimension):
  - to conduct investigations on cross-border REMIT cases – based on clearly defined criteria, including:
    - on-site inspections;
    - to issue requests for information as well as the;
    - power to take statements;
    - powers to impose sanctions (periodic penalty payments) in order to ensure compliance with on-site inspection decisions and requests for information.
- ✓ Result of the investigation: ACER's investigatory report → national regulators act accordingly.

# Thank you