



Electricity market design initiative
Retail markets
Geode, Spring Seminar, 7.05.2019



1. **Why** we need a new electricity market design? - General objectives

2. **How** will we reach the objectives?

- Active customers and Citizen Energy Communities
- Demand response
- Network flexibility, including storage
- Retail price regulation
- Other measures

3. **Next steps**

1. General objectives

Our vision is of an Energy Union with citizens at its core, where citizens take ownership of the energy transition, benefit from new technologies to reduce their bills, participate actively in the market, and where vulnerable consumers are protected.

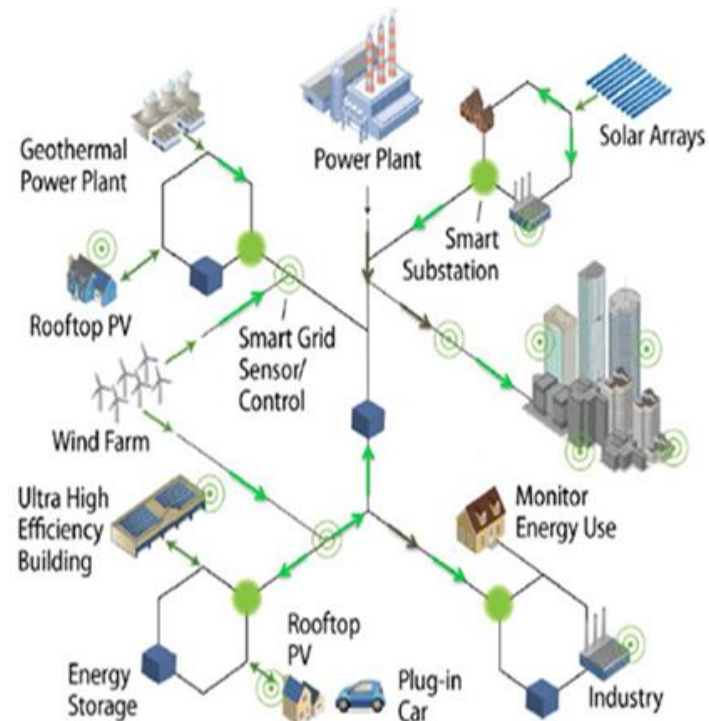
Energy Union Framework Strategy

Issues

- Poor consumer satisfaction
- Poor competition
- Unable to harness benefits of new technologies
- More RES-E

Key principles

1. Information
2. Empowerment
3. Protection



2. How?

Overview

BETTER INFORMED

- Clearer energy bills
- Certified price comparison tool
- Access to fit-for-purpose smart meters

PROTECTED

- Monitoring of energy poverty (governance)
- Information on alternatives to disconnection
- Out-of-court dispute settlement

EMPOWERED

- Easier switching conditions
- Reward demand-response
- Active customers and Citizen Energy Communities

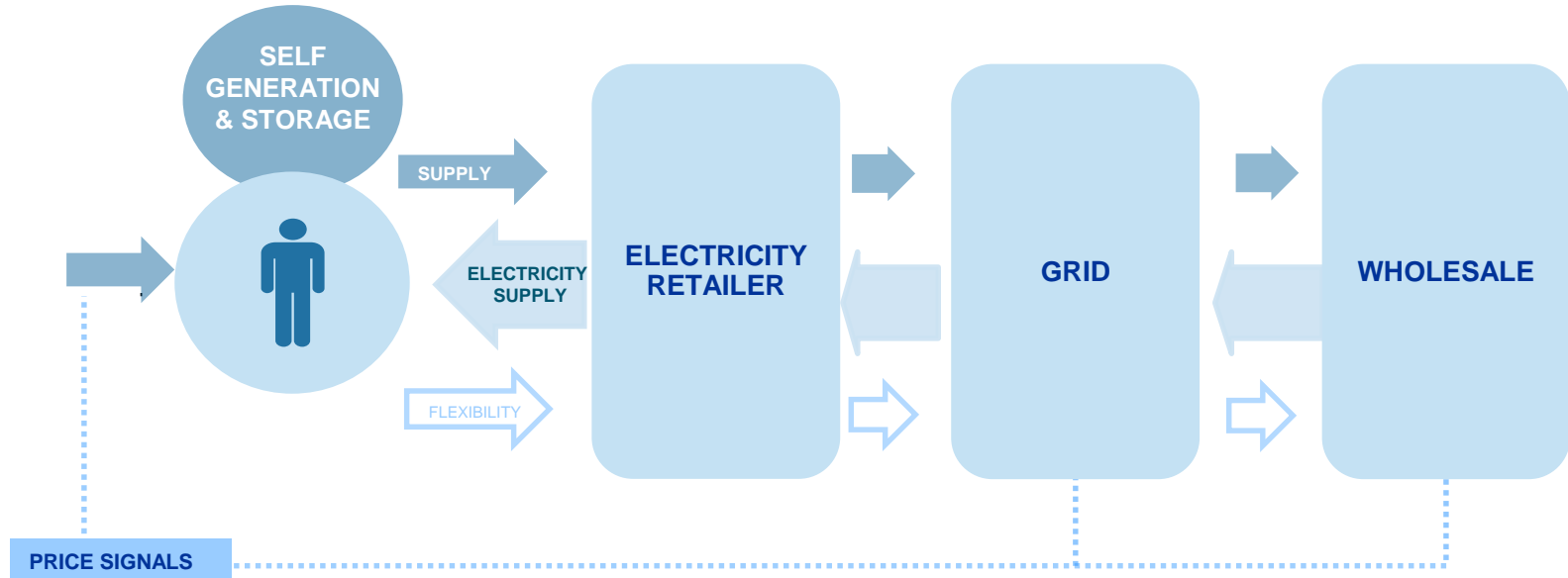
COMPETITIVE RETAIL MARKETS

- A framework for regulated prices
- Fair market access for new market players such as new services providers (e.g. aggregators)
- Distribution operators become neutral but active market facilitator / Establishment of the EU DSO body
- Flexible network management

2. How?

2.1 – Active customers

ACTIVE CONSUMERS ARE KEY TO DELIVERING A MORE FLEXIBLE ENERGY SYSTEM...



- Active customers are: Final customers, or jointly active customers within confined boundaries
- Active customers can: Consume, store or sell-self generated electricity or participate in flexibility or energy efficiency schemes

3. How?

2.1 – Citizen Energy Communities

WHAT

- Association, cooperative, partnership, NGO, other legal entity
- Controlled by members or shareholders
- Value driven, as opposed to profit maximising
- Supply, distribution, aggregation

HOW

Level-playing field

- Recognised market players for generation, distribution, supply, aggregation, storage
- Non-discriminatory, fair, proportionate and transparent treatment
- Subject to same rules as other market players

Market and system integration

- Access to all electricity markets and balance responsible
- Participation is voluntary and members retain rights as (active) customers
- DSOs to facilitate electricity transfers within communities
- Right to share electricity to members from own generation

3. How?

2.2 – Demand Response

- **Price Based Demand Response**

- Right to request a fully functional smart meter (Art 20-21)
- At least one and all suppliers with more than 200,000 customers must offer a dynamic price contract (Art 11)

- **Incentive Based Demand Response**

- MS to develop framework for independent aggregators (Art 17)
- Consumer can contract independent aggregators without consent of their supplier (Art 13)
- Access of flexibility to all electricity markets (Regulation)
- Strict limits to **compensation payments** (Art 17.4)

3. How?

2.3 – Flexible Networks, including Storage

Use of flexibility services in electricity networks

- ✓ Actively manage the network and improve efficiencies
- ✓ Avoid unnecessary grid expansions
→ lower grid costs and tariffs



Role of electricity DSOs/TSOs in energy storage

- ✓ DSOs and TSOs should not own or operate storage facilities
- ✓ Member States could allow operators to get involved in such activity in case of market failures

EU DSO Entity

2. How?

2.4 – Regulated Retail Prices (Article 5 Electricity Directive)

Principles:

- Free supply prices
- Effective competition between suppliers

Exceptions:

- Regulated prices for vulnerable customers and households in energy poverty (social tariffs)
- Regulated prices for other household customers and micro-enterprises as transition to a competitive market, subject to:
 - Additional requirements to mitigate negative market impacts, including setting prices at a level where effective price competition can occur, ensuring the non-discriminatory treatment of suppliers, and being accompanied by measures to achieve effective competition.
 - Reporting by Member States in 2022 and 2025 and Commission review by 2025, which may lead to a proposal for an end date for price regulation.

4. Next steps

- Adoption EP: 25 March
- Adoption Council: 21 May 2019
- Transposition by 31 December 2020
- 1st MS reports on price regulation by 1 January 2022
- 2nd MS report on price regulation by 1 January 2025
- Review Directive by 31 December 2025



European
Commission



Thank you for your attention!

