Towards a new energy market design

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The European Parliament adopted by 454 votes to 188 with 61 abstentions, a resolution on the issue 'Towards a New Energy Market Design'.

While welcoming the Commission communication of 15 July 2015 on a new energy market design, Parliament endorsed the view that **the transformed electricity market should be coupled with the implementation of existing legislation.**

This market should enhance regional cooperation on all dimensions of energy supply and demand, and should focus on improved, more decentralised and more flexible markets, in order to ensure a well-regulated, market-based system which is capable of delivering on all of the EU's established energy and climate goals for 2030.

Members considered that **three innovative elements** which have necessitated a redesign of the energy market are:

- the increased presence of renewables with market-driven remuneration;
- stronger integration of national markets through the development of interconnections;
- the development of smart grids and new decentralised generation technologies, which will allow consumers to play a more active role as both consumer and producer, and will foster better demand-side management.

Improve the regulatory framework: Members considered the **full implementation of the Third Energy Package** in all Member States to be one of the most important steps towards a European energy market. They urged the Commission, therefore, to secure the implementation of the current regulatory framework and Member States to be more proactively involved in designing a flexible and decentralised European internal market in electricity.

Parliament called for the existing regulatory framework for European markets to be adjusted in order to **allow a growing share of renewable energy sources** and to close existing cross-border regulatory gaps.

A new market design for electricity must be based on **market principles**, which would stimulate investment, ensure that SMEs have access to the energy market and unlock a sustainable and efficient electricity supply through a stable, integrated and smart energy system.

Given that **investments** in the field of energy require a stable and predictable longterm framework, the challenge EU has to face will be that of instilling confidence in the outcome of the new rules.

Prosumers: Members called on the Commission to guide a participative process aimed at reaching a common practical understanding of the definition of prosumers at the EU level and to include a new chapter on prosumers in the revised Renewable Energy Directive.

Price signals: Parliament stated that a strengthened European internal market in electricity is possible, on the basis of stronger price signals on the wholesale market through prices that reflect actual scarcity and surplus of supplies, including price spikes, which, along with other measures, play the role of **investment signals** for new capacity and flexibility services. It felt that whether prices that reflect the actual scarcity of supply in fact lead to adequate investment in electricity production capacity should be evaluated on a regular basis.

In working on new energy market design, the Commission should ensure a level playing field between power producers in EU and non-EU countries and to provide European consumers with secure, sustainable and affordable energy.

Regional cooperation: stressing the enormous potential of strengthened regional cooperation, Parliament stressed the importance of a common analysis of system adequacy at regional level, facilitated by the Agency for the Cooperation of Energy Regulators (ACER) and the European Network of Transmission System Operators (ENTSO-E). It called for the transmission system operators (TSOs) of neighbouring markets to devise a common methodology, approved by the Commission, to that end. It also stressed the importance of coordinated long-term planning for the efficient development of transmission infrastructure and electricity markets in Europe.

Any **capacity mechanism in the EU** must be designed from the perspective of cross-border cooperation following the completion of thorough studies on its necessity, and must comply with EU rules on competition and State aid.

Interconnection: Parliament regretted that there are still **large gaps** in the interconnections within and between some Member States, leading to network bottlenecks and significantly impairing operational security and cross-border energy trading. It called for **new approaches to be developed with a view to overcoming bottlenecks** and achieving a smart distribution grid that allows the smooth integration and provision of services by decentralised generators, prosumers and consumers. It also reiterated support for **EU regional interoperability** targets.

Storage: Parliament stressed the need to promote the **deployment of energy storage systems** and to create a level playing field on which energy storage can compete with other flexibility options, on the basis of a technology-neutral design of the energy market.

It called on the Commission to clarify the position of storage in different steps of the electricity chain, and to allow transmission and distribution operators to invest in, use and exploit energy storage services for the purpose of grid balancing and other ancillary services.

Renewable energies: stressing that **full integration** of renewables into the electricity market is essential, Parliament called for the completion of the integration of internal market and balancing and reserve services by fostering liquidity and cross-border trading in all market timeframes. Members stressed the importance of stable and cost-effective renewable support schemes for long-term investment that remain responsive and adaptable in the short term and are tailored to national needs and circumstances, allowing the gradual phasing-out of subsidies for mature renewable technologies.