

Internal market for electricity. Recast

2016/0379(COD) - 27/02/2018 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Industry, Research and Energy adopted the report by Krišjnīs KARIŠ (EPP, LV) on the proposal for a regulation of the European Parliament and of the Council on the internal market for electricity (recast).

The committee recommended that the European Parliament adopt its position at first reading under the ordinary legislative procedure, taking into account the recommendations of the Consultative Working Party of the legal services of the European Parliament, the Council and the Commission.

The main changes to the Commission's proposal are as follows:

Aim: the Regulation shall set the basis for an efficient achievement of the objectives of the European Energy Union by enabling market signals to be delivered for increased **flexibility, efficiency, decarbonisation, innovation and a higher share of renewable energy sources**.

Members pointed out that **electricity markets** shall be operated according to the following principles:

- actions which prevent price formation on the basis of demand and supply shall be avoided;
- the development of more flexible generation, sustainable low carbon generation, and more flexible demand shall be promoted;
- **customers** shall be enabled to benefit from market opportunities and increased competition on retail markets and be empowered to act as participant in the energy market and the energy transition;
- encourage **free price formation** to deliver appropriate investment incentives for generation, in particular long-term investments for a decarbonised and sustainable electricity system storage, energy efficiency, demand response and facilitate fair competition;
- **barriers to cross-border electricity flows** and cross-border transactions on electricity markets and related services markets shall be **removed**;
- electricity generation operators shall bear **full financial and legal responsibility** deriving from their assets.

Just transition: the Commission shall:

- support Member States that put in place a **national strategy for the progressive reduction of installed coal** and other solid fossil fuel generation and mining capacity through all available means, including targeted financial support to enable a “just transition” in regions affected by structural change;
- assist Member States to **address the social, skills and industrial impacts** of the clean energy transition.

Definition of bidding zones: the proposed Regulation describes the process of defining bidding zones in a coordinated manner. The amended text stipulated that the configuration of bidding zones in the Union shall be designed in such a way as to **ensure liquidity of day ahead and intraday markets**, and thus to maximise economic efficiency and cross-border trading opportunities while maintaining security of supply.

Members stated that the transmission system operators participating in the bidding zone review shall submit a proposal to the relevant Member States whether to amend or maintain the bidding zone configuration

After the bidding zone review, **relevant Member States shall agree unanimously** on the bidding zone structure and concrete commitments where necessary. When an agreement cannot be reached, **the Commission shall step in to resolve the disagreement**.

Network access, use of networks and network reinforcements: charges shall be **transparent**, take into account the need for network security and flexibility and reflect actual costs. They shall not discriminate against energy storage, specifically not double charging energy storage, and aggregation and shall not create disincentives for self-generation, self-consumption, nor for participation in demand response.

Adequacy of capacity and capacity mechanisms: the proposal lays down new general principles for Member States to respond in a coordinated manner to concerns about resource adequacy.

The amended text foresees that a Member State with identified adequacy concerns shall **publish an implementation plan** with a timeline for adopting measures to eliminate any identified regulatory distortions and/or market failures. When addressing resource adequacy concerns, the Member States shall in particular:

- remove regulatory distortions;
- remove price caps;
- introduce an administrative shortage pricing for balancing energy;
- increase interconnection and internal grid capacity;
- enable self-generation, energy storage, demand side measures and energy efficiency by removing regulatory obstacles;
- ensure cost-efficient and market-based procurement of balancing and ancillary services;
- remove regulated prices.

Member States shall submit the implementation plan to the Commission for review. The Commission may decide whether the measures are sufficient.

Members considered that a **capacity mechanisms** shall only be introduced if ENTSO's assessment of ENTSO's adequacy of resources at EU level has identified adequacy issues or the Commission has taken an affirmative decision on the implementation plan.

Capability mechanisms shall only be introduced by Member States as a **last resort**, subject to certain conditions and EU State aid rules, when the elimination of existing market distortions does not solve the problems of adequacy means.

Regional cooperation: Members consider that market rules shall provide for strong regional cooperation where effective.

To ensure system security, Members considered it essential that transmission system operators cooperate more at regional level.

Regional coordination centres shall carry out functions where their regionalisation brings added value compared to functions performed at national level. All transmission system operators shall adhere to a single regional coordination centre. The functions carried out by regional coordination centres should exclude real time operation of the electricity system.