Internal market for electricity. Recast

2016/0379(COD) - 14/06/2019 - Final act

PURPOSE: to provide a harmonised framework for the update the legislative framework for the Agency for the Cooperation of Energy Regulators (ACER) in order to adapt regulatory supervision to the new realities of an increasingly interconnected European energy market.

LEGISLATIVE ACT: Regulation (EU) 2019/943 of the European Parliament and of the Council on the internal market for electricity.

CONTENT: the Regulation revises the rules and principles of the internal electricity market in order to ensure its proper functioning and competitiveness. It also aims to support the decarbonisation of the EU's energy sector and to remove barriers to cross-border trade in electricity. It shall enable the EU to embark on the transition to clean energy, to complete climate related legislation by 2030 already adopted, and to honour the commitments made in the Paris Agreement.

The Regulation on the electricity market, the Directive on common rules for the internal market in electricity, the Regulation on risk preparedness and the Regulation establishing a European Agency for the Cooperation of Energy Regulators (ACER) are part of the Commission's broader set of initiatives entitled ‘Clean Energy for All Europeans’. This package includes the Commission's main proposals for implementing the Energy Union.

Principles regarding the operation of electricity markets

Electricity markets shall be operated in accordance with the following principles:

- prices shall be formed on the basis of demand and supply;
- market rules shall facilitate the development of more flexible generation, sustainable low carbon generation, and more flexible demand;
- customers shall be enabled to benefit from market opportunities and increased competition on retail markets and shall be empowered to act as market participants in the energy market and the energy transition;
- market rules shall enable the decarbonisation of the electricity system and thus the economy, including by enabling the integration of electricity from renewable energy sources and by providing incentives for energy efficiency;
- market rules shall deliver appropriate investment incentives for generation, in particular for long-term investments in a decarbonised and sustainable electricity system;
- barriers to cross-border electricity flows between bidding zones or Member States and cross-border transactions on electricity markets and related services markets shall be progressively removed;
- market rules shall provide for regional cooperation where effective;
- all producers shall be directly or indirectly responsible for selling the electricity they generate;
- market rules shall allow for the development of demonstration projects into sustainable, secure and low-carbon energy sources, technologies or systems which are to be realised and used to the benefit of society;
- in order to allow market participants to be protected against price volatility risks on a market basis, and mitigate uncertainty on future returns on investment.

Balancing market

New rules on trade and balancing responsibilities ensure that variable electricity generation from renewable energy sources can be taken into account, without creating discriminatory provisions or market distortions.

Network access and capacity management

Member States should take all appropriate measures to remedy congestion. Bidding zones shall therefore be defined in such a way as to ensure market liquidity, efficient congestion management and overall market efficiency.

Capacity mechanism

The new regulation would set out the conditions under which Member States could set up capacity mechanisms and the principles for their creation. These mechanisms aim to ensure that electricity supply is sufficient during peak periods by remunerating resources for their availability. They should be temporary and designed to address an identified problem of resource adequacy.

An emission limit of 550 g of fossil CO2 per kWh of electricity would be put in place. New power plants that emit more than that and start commercial production after the regulation comes into force would no longer be able to participate in capacity mechanisms.

Existing power plants emitting more than 550 g of fossil CO2 per kWh and an average of 350 kg of CO2 per year per kW installed could no longer participate in capacity mechanisms after 1 July 2025. Capacity contracts concluded before 31 December 2019 would not be affected by the new rules.

Regional coordination centres

These centres shall support the regional coordination of transmission system operators. They shall replace the existing Regional Security Coordinators, but shall have additional tasks related to system operation, market operation and risk preparedness.

The Regulation also creates a European entity of distribution system operators. As an expert entity working in the common interest of the Union, the entity of the Union's distribution system operators (DSOs) should not represent any particular interest or seek to influence the decision-making process in order to promote certain interests.

Just transition

The Commission shall support Member States that are putting in place a national strategy to gradually reduce existing capacities for the extraction of coal and any other solid fossil fuels and for the production of energy from these sources in order to allow a fair transition in regions affected by structural changes. It shall help Member States to address the social and economic impacts of the transition to clean energy.

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APPLICATION: from 1.1.2020.