Union’s electricity market design: Regulation

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The Committee on Industry, Research and Energy adopted the report by Nicolás GONZÁLEZ CASARES (S&D, ES) on the proposal for a regulation of the European Parliament and of the Council amending Regulations (EU) 2019/943 and (EU) 2019/942 as well as Directives (EU) 2018/2001 and (EU) 2019/944 to improve the Union’s electricity market design.

The committee responsible recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the proposal as follows:

The amended text stressed that a well-integrated market should enable the Union to reap the economic benefits of a single energy market in all circumstances, including in the event of an electricity price crisis, guaranteeing security of supply and supporting the decarbonisation process to achieve the objective of climate neutrality.

The Commission should consider strengthening the obligation to make 70% of interconnection capacity available for **cross-border trade** in order to make the electricity market fit for an energy system primarily based on renewable energy, which requires more and better interconnection to sustain a high security of supply.

Modernising the electricity network

Strengthening the internal energy market and achieving the climate and energy transition objectives require a substantial upgrade of the Union’s electricity network to be able to host substantial increases of renewable capacity, variability on generation amounts, changing electricity flow patterns across Europe and new demand such as electric vehicles and heat pumps.

Any reform of the EU electricity market should contribute to a **more integrated European electricity network**. Therefore, the Union and Member States should strengthen their cooperation to remove barriers, facilitate financing and accelerate all procedures to ensure that the minimum 15 % electricity interconnection target for 2030 is met.

Anticipatory investment

Regulatory authorities should promote the use of anticipatory investments, encouraging the acceleration of grid development to meet the accelerated deployment of renewable generation and smart electrified demand, such as **electric vehicles**, **charging infrastructure and heat pumps deployment**, where applicable, while taking careful consideration of the electricity network needs reflected in national or local development plans for energy, electric transport and heating sectors.

Transmission and distribution system operators should offer the possibility of establishing **flexible connection agreements** in those areas where there is limited or no network capacity availability for new connections.

Power purchase agreements

Members highlighted the importance of Power Purchase Agreements (PPAs) in providing consumers with stable prices and renewable energy providers with reliable revenues.

Member States should **remove barriers** and facilitate power purchase agreements (PPAs), in particular renewables power purchase agreements with a view to reaching the objectives set out in their integrated national energy and climate plan with respect to the dimension decarbonisation and to ensure more predictable electricity prices while preserving competitive and liquid electricity markets. In order to ensure the removal of barriers to PPAs, the Commission may draw up specific guidance on how to alleviate administrative obligations and accounting complexities related to PPAs.

By 31 December 2024, the Commission, in cooperation with Nominated Electricity Market Operators should establish a **market platform** for PPAs, to be used on a voluntary basis, including the optional standardised PPAs while avoiding that such trade lowers liquidity in existing electricity markets. It is necessary to establish an EU database facilitating the collection of relevant information on the PPAs concluded in the Union.

Members backed wider use of so-called '**Contracts for Difference**' (CFDs) to encourage energy investments and suggested leaving the door open for equivalent support schemes after approval by the Commission. They also advocated in favour of 'non-fossil flexibility' (the ability of the power grid to adjust to changes in supply and demand without relying on fossil fuels) and flexibility on the demand side.

Better consumer protection

The reform of the organisation of the electricity market should aim to achieve affordable and competitive prices for all consumers. The amended text stressed the need to respect consumer choice, protect domestic consumers from high prices, manipulation and abuse, and to allow consumers to benefit from a variety of contractual offers. Consumers should have the right to fixed price contracts, dynamic price contracts, as well as more information on the options they subscribe to, prohibiting suppliers from unilaterally changing the terms of a contract.

Adequate protection from disconnections

The amended text stated that Member States should prohibit electricity disconnections of vulnerable household customers and customers affected by or at risk of energy poverty, while also ensuring that disconnections are prohibited during ongoing judicial or out-of-court disputes between supplier and customers for a period of eight weeks. Member States should complement those rights with the adoption of specific measures for the winter and summer seasons, to enable household customers to help manage their consumption and avoid high settlement bills.

Moreover, Member States shall also ensure:

- that electricity suppliers regularly invite household customers without smart meters to send self-readings to help them manage their consumption and avoid high settlement bills;

- suppliers do not require household customers unable to pay their energy bills, vulnerable customers and customers affected by or at risk of energy poverty, to use prepayment systems;

- identify appropriate means to guarantee compensation for losses incurred by the relevant suppliers.