Union’s electricity market design: Regulation

2023/0077A(COD) - 11/04/2024 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 433 votes to 40, with 15 abstentions, a legislative resolution 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 position adopted by the European Parliament at first reading under the ordinary legislative procedure amends the proposal as follows:

Modernising the Union's electricity network

The amended text highlights that strengthening the internal energy market and achieving the climate and energy transition objectives requires a substantial upgrade of the Union’s electricity network to be able to host vast increases of renewable generation capacity, with weather-dependent variability in generation amounts and changing electricity flow patterns across the Union, and to be able to address new demand such as electric vehicles and heat pumps. Any reform of the Union’s electricity market should contribute to a **more integrated European electricity network**, with a view to ensuring that each Member State reaches a level of electricity interconnectivity in accordance with the **electricity interconnection target for 2030 of at least 15 %.** The reform of the electricity market design aims to achieve **affordable and competitive electricity prices** for all consumers.

Day-ahead and intraday markets

Intraday markets are particularly important for the integration of variable renewable energy sources in the electricity system at the least cost. **The gate closure time of the cross-zonal intraday market** should therefore be shortened and set closer to real time in order to maximise the opportunities for market participants to trade shortages and surplus of electricity and contribute to better integrating variable renewable energy sources into the electricity system.

In order to ensure that order books are shared between nominated electricity market operators (NEMOs) in the day-ahead and intraday market coupling time frames, NEMOs should submit all orders for day-ahead and intraday products, and products with the same characteristics to the single day-ahead and intraday coupling and should not organise the trading of day-ahead or intraday products, or products with the same characteristics outside the single day-ahead and intraday coupling.

Peak-shaving product

Where a regional or Union-wide electricity price crisis is declared, Member States may request system operators to propose the procurement of peak-shaving products in order to achieve a **reduction of electricity demand during peak hours**. The regulatory authority concerned should assess the proposal for a peak-shaving product as regards achieving a reduction of electricity demand and the impact on wholesale electricity price during peak hours.

As the peak-shaving product is intended to be applied only in limited situations of regional or Union-wide electricity price crisis, its procurement may take place up to one week ahead of releasing additional demand response capacities. System operators should be able to activate the peak-shaving product before or within the day-ahead market time frame. Alternatively, it should be possible for the peak-shaving product to be activated automatically based on a pre-defined electricity price.

Dedicated measurement devices

It is imperative that Member States improve the conditions for the installation of smart metering systems, with the objective of reaching a full coverage as soon as possible. However, transmission system operators, distribution system operators and relevant market participants, including independent aggregators, should be able to use, upon the consent of the final customer, data from dedicated measurement devices.

Forward markets

In accordance with Regulation (EU) 2016/1719, transmission system operators should issue long-term transmission rights or have equivalent measures in place to allow market participants, including owners of power-generating facilities using renewable energy, to hedge price risks, unless an assessment of the forward market on the bidding zone borders performed by the competent regulatory authorities shows that there are sufficient hedging opportunities in the bidding zones concerned.

Long-term transmission rights should be allocated, on a regular basis, in a transparent, market based and non-discriminatory manner through a single allocation platform. The frequency of allocation and the maturities of the long-term cross-zonal capacity should support the efficient functioning of the Union's forward markets.

Specific investment incentives to achieve the Union's decarbonisation objectives

Member States should promote the uptake of **power purchase agreements** (PPAs), including by removing unjustified barriers and disproportionate or discriminatory procedures or charges, with a view to providing price predictability and reaching the objectives set out in their integrated national energy and climate plans with respect to the decarbonisation dimension, including with respect to renewable energy, while preserving competitive and liquid electricity markets and cross-border trade.

Direct price support schemes for investments in new electricity generation facilities to produce electricity from wind; solar; geothermal; hydropower without reservoir; nuclear energy sources should take the form of **two-way contracts for difference or equivalent mechanisms** with the same effect. Such contracts should be designed in such a way as to (i) preserve the incentives for the electricity generating installation to operate and participate efficiently in the electricity markets, and in particular to reflect market conditions; (ii) avoid undue distortions of competition and trade in the internal market.