Union’s electricity market design: Directive

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

The European Parliament adopted by 473 with 80, with 27 abstentions, a legislative resolution on the proposal for a directive of the European Parliament and of the Council amending Directives (EU) 2018 /2001 and (EU) 2019/944 as regards improving the Union’s electricity market design.

The proposed directive aims to improve the design of the integrated electricity market, in particular to prevent unduly high electricity prices.

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.

Free choice of supplier

Member States should ensure that all customers are free to purchase electricity from suppliers of their choice. Where technically feasible, smart metering systems deployed may be used to allow customers to have more than one electricity supply contract or more than one energy sharing agreement at the same time.

Flexible connection agreements

The regulatory authority, or another competent authority where a Member State has so provided, should develop a framework for transmission system operators and distribution system operators to offer the possibility of establishing flexible connection agreements in areas where there is limited or no network capacity availability for new connections. Flexible connection agreements should be converted from flexible to firm connection agreements once the network is developed is ensured on the basis of established criteria.

Entitlement to a fixed-term, fixed-price electricity supply contract and to a dynamic electricity price contract

Member States should ensure that the national regulatory framework enables suppliers to offer fixed-term, fixed-price electricity supply contracts and dynamic electricity price contracts. Member States should ensure that final customers who have a smart meter installed can request to conclude a dynamic electricity price contract and that all final customers can request to conclude a fixed-term, fixed-price electricity supply contract with a duration of at least one year, with at least one supplier and with every supplier that has more than 200 000 final customers.

Prior to the conclusion or extension of any contract, final customers should be provided with a **summary** of the key contractual terms and conditions in a prominent manner and in clear and concise language. That summary should set out (a) the total price and its breakdown; (b) an explanation as to whether the price is fixed, variable or dynamic; (c) the supplier's email address and the details of a consumer support hotline; and (d) where relevant, information on one-time payments, promotions, additional services and discounts.

Right to energy sharing

Member States should ensure that all households, small enterprises and medium-sized enterprises, public bodies and, where a Member State has so decided, other categories of final customer have the right to participate in energy sharing as **active customers** in a non-discriminatory manner, within the same bidding zone or a more limited geographical area, as determined by that Member State.

Participation in energy sharing should not constitute the primary commercial or professional activity of active customers engaged in energy sharing. The energy sharing organiser or another third party may own or manage a storage or renewable energy generation facility of up to 6 MW, without being considered to be an active customer, except where it is one of the active customers participating in the energy sharing project.

Member States should ensure that energy sharing projects owned by public authorities make the shared electricity accessible to vulnerable or energy poor customers or citizens. When doing so, Member States should do their utmost to promote that the amount of that accessible energy is at least 10 % on average of the energy shared.

Supplier of last resort

Where Member States have not already put in place a regime with regard to suppliers of last resort, they should introduce such a regime to ensure continuity of supply at least for household customers.

Protection from disconnections

Member States should ensure that **vulnerable customers and customers affected by energy poverty are fully protected** from electricity disconnections, by taking the appropriate measures, including the prohibition of disconnections or other equivalent actions.

Member States should take appropriate measures to enable customers to avoid disconnection, which may include: (a) promoting voluntary codes for suppliers and customers on preventing and managing cases of customers in arrears; (b) promoting customers' education and awareness of their rights with regard to debt management; (c) access to finance, vouchers or subsidies to support the payment of bills; (d) encouraging and facilitating the provision of meter readings every three months.

Access to affordable energy during an electricity price crisis

The Council may, acting on a proposal from the Commission, by means of an implementing decision declare a **regional or Union-wide electricity price crisis**, if the following conditions are met:

- the existence of very high average prices in wholesale electricity markets of at least two and a half times the average price during the previous five years, and at least 180 EUR/MWh which is expected to continue for at least six months, the calculation of the average price during the previous five years not taking into account those periods where a regional or Union-wide electricity price crisis was declared;

- sharp increases in electricity retail prices in the range of 70 % occur which are expected to continue for at least three months.

Member States must transpose the directive within six months of its entry into force.