Union’s electricity market design: Directive

2023/0077B(COD) - 26/06/2024 - Final act

PURPOSE: to improve the design of the integrated electricity market, in particular to prevent unduly high electricity prices.

LEGISLATIVE ACT: Directive (EU) 2024/1711 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.

CONTENT: very high prices and volatility in electricity markets have been observed since September 2021. The escalation of the Russian military aggression against Ukraine, a Contracting Party of the Energy Community, and related international sanctions since February 2022 have disrupted global energy markets, exacerbated the problem of high gas prices, and have had significant knock-on impacts on electricity prices.

This directive is part of a package of measures aimed at **reforming the organisation of the electricity market**. The aim of this reform is to make electricity prices less dependent on the volatility of fossil fuel prices, to protect consumers against price spikes, to accelerate the deployment of renewable energies and to improve consumer protection.

Free choice of supplier

Member States will ensure that all customers are free to purchase electricity from suppliers of their choice. Member States will ensure that all customers are free to have more than one electricity supply contract or energy sharing agreement at the same time, and that, for that purpose, customers are entitled to have more than one metering and billing point covered by the single connection point for their premises. 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

Consumers should have access to a wide range of offers so that they can choose a contract that corresponds to their needs. Dynamic price contracts remain essential and an increasing penetration of renewable energy sources can help consumers to reduce their energy bills. Member States should be able to exempt suppliers with more than 200 000 final customers who offer only dynamic price contracts from the obligation to offer fixed-term, fixed-price electricity supply contracts, provided that such an exemption does not have a negative impact on competition and retains sufficient choice of fixed-term, fixed-price electricity supply contracts.

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. Active customers will be entitled to share renewable energy between themselves based on private agreements or through a legal entity.

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. Suppliers of last resort shall be appointed in a fair, transparent and non-discriminatory procedure. Final customers who are transferred to suppliers of last resort will continue to benefit from all of their rights as customers as laid down in this Directive.

Protection from disconnections

Member States will 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 will take measures such as promoting voluntary codes of conduct for suppliers and customers on preventing and managing cases of customers in arrears. These agreements may cover support for customers in managing their energy consumption and costs, including reporting high energy peaks or unusual usage in winter and summer, with the provision of flexible and appropriate payment schedules, debt counselling, customer metering, and improved communication with customers and support organisations.

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.

Where the Council has adopted an implementing decision, Member States may for the duration of the validity of that decision, when applying targeted public interventions in price setting for the supply of electricity to SMEs.

ENTRY INTO FORCE: 16.7.2024.

TRANSPOSITION: at the latest from 17.1.2025.