Basic information

2023/0077A(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	Procedure completed
Union's electricity market design Amending Regulation 2019/942 2016/0378(COD) Amending Regulation 2019/943 2016/0379(COD) Amending Directive 2019/944 2016/0380(COD) Amending Directive 2018/2001 2016/0382(COD) See also 2023/0077B(COD) **Subject** 3.60 Energy policy 3.60.03 Gas, electricity, natural gas, biogas 3.60.05 Alternative and renewable energies 3.60.06 Trans-European energy networks 3.60.15 Cooperation and agreements for energy **Legislative priorities** Joint Declaration 2023-24	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ITRE Industry, Research and Energy	GONZÁLEZ CASARES Nicolás (S&D)	11/04/2023
	Shadow rapporteur CARVALHO Maria da Graça (EPP) PETERSEN Morten (Renew) BLOSS Michael (Greens/EFA) KRASNODĘBSKI Zdzisław (ECR) BORCHIA Paolo (ID) MESURE Marina (The Left)	

Committee for opinion	Rapporteur for opinion	Appointed
BUDG Budgets	VAN OVERTVELDT Johan (ECR)	28/03/2023
ECON Economic and Monetary Affairs	SILVA PEREIRA Pedro (S&D)	20/04/2023

	ENVI Environment, Public Health and Food Safety	The committee decided not to give an opinion.	
	IMCO Internal Market and Consumer Protection	Chair on behalf of committee CAVAZZINI Anna (Greens /EFA)	28/03/2023

Council of the European Union	
European Commission	

Commission DG	Commissioner
Energy	SIMSON Kadri

European Economic and Social Committee
European Committee of the Regions

Key events

Date	Event	Reference	Summary
14/03/2023	Legislative proposal published	COM(2023)0148	
29/03/2023	Committee referral announced in Parliament, 1st reading		
19/07/2023	Vote in committee, 1st reading		
19/07/2023	Committee decision to open interinstitutional negotiations with report adopted in committee		
27/07/2023	Committee report tabled for plenary, 1st reading	A9-0255/2023	Summary
11/09/2023	Committee decision to enter into interinstitutional negotiations announced in plenary (Rule 71)		
14/09/2023	Committee decision to enter into interinstitutional negotiations confirmed by plenary (Rule 71 - vote)		
15/01/2024	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	PE757.986 GEDA/A/(2024)000028	
11/04/2024	Decision by Parliament, 1st reading	T9-0284/2024	Summary
11/04/2024	Results of vote in Parliament		
11/04/2024	Debate in Parliament		
21/05/2024	Act adopted by Council after Parliament's 1st reading		
13/06/2024	Final act signed		
26/06/2024	Final act published in Official Journal		

Technical information

Procedure reference	2023/0077A(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	Amending Regulation 2019/942 2016/0378(COD) Amending Regulation 2019/943 2016/0379(COD) Amending Directive 2019/944 2016/0380(COD) Amending Directive 2018/2001 2016/0382(COD) See also 2023/0077B(COD)
Legal basis	Treaty on the Functioning of the European Union TFEU 194-p2
Mandatory consultation of other institutions	European Economic and Social Committee European Committee of the Regions
Stage reached in procedure	Procedure completed
Committee dossier	ITRE/9/11547

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE747.032	15/05/2023	
Specific opinion	IMCO	PE747.029	23/05/2023	
Amendments tabled in committee		PE749.126	25/05/2023	
Amendments tabled in committee		PE749.127	25/05/2023	
Amendments tabled in committee		PE749.128	25/05/2023	
Amendments tabled in committee		PE749.130	25/05/2023	
Amendments tabled in committee		PE749.133	25/05/2023	
Specific opinion	BUDG	PE748.960	12/06/2023	
Committee opinion	ECON	PE749.215	30/06/2023	
Committee report tabled for plenary, 1st reading/single reading		A9-0255/2023	27/07/2023	Summary
Text agreed during interinstitutional negotiations		PE757.986	22/12/2023	
Text adopted by Parliament, 1st reading/single reading		T9-0284/2024	11/04/2024	Summary

Council of the EU

Document type	Reference	Date	Summary
Coreper letter confirming interinstitutional agreement	GEDA/A/(2024)000028	22/12/2023	
Draft final act	00001/2024/LEX	13/06/2024	

European Commission

Document type	Reference	Date	Summary
	COM(2023)0148		

Legislative proposal		14/03/2023	Summary
Document attached to the procedure	SWD(2023)0058	14/03/2023	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES1739/2023	14/06/2023	
CofR	Committee of the Regions: opinion	CDR2118/2023	05/07/2023	

Additional information

Source	Document	Date
European Commission	EUR-Lex	

Meetings with interest representatives published in line with the Rules of Procedure

Rapporteurs, Shadow Rapporteurs and Committee Chairs

Transparency

Name	Role	Committee	Date	Interest representatives
GONZÁLEZ CASARES Nicolás	Rapporteur	ITRE	21/03/2024	Representatives of the French senate
MESURE Marina	Shadow rapporteur	ITRE	22/02/2024	Agence Jarod

Other Members

Transparency

Name	Date	Interest representatives
GRUDLER Christophe	27/11/2023	ELECTRICITE DE FRANCE

Final act

Corrigendum to final act 32024L1711R(01)
OJ OJ L 17.11.2025

Regulation 2024/1747
OJ OJ L 26.06.2024 Summary

Union’s electricity market design

2023/0077A(COD) - 14/03/2023 - Legislative proposal

PURPOSE: to revise the Union's electricity market design to boost renewables, better protect consumers and enhance industrial competitiveness.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: very high prices and volatility in electricity markets have been observed since September 2021. This is mainly a consequence of the high price of gas, which is used as an input to generate electricity. The Russian invasion of Ukraine has also caused uncertainty on the supply of other commodities, such as hard coal and crude oil, used by power-generating installations. This has resulted in substantial additional increases in the volatility of price levels of electricity.

The EU reacted swiftly by introducing a wide range of measures to mitigate the impact of high and volatile wholesale energy prices on households and businesses. However, the European Council has called on the Commission to work on a structural reform of the electricity market, with the dual objective of securing European energy sovereignty and achieving climate neutrality. The proposed reform forms part of the Green Deal Industrial Plan aimed to enhance the competitiveness of Europe's net-zero industry and accelerate the transition to climate neutrality.

CONTENT: the Commission proposal foresees **significant revisions to several pieces of EU legislation**, notably the Electricity Regulation, the Electricity Directive and the REMIT Regulation. It includes a set of measures aimed to make electricity bills less dependent on fossil fuel prices by creating a buffer between short-term markets and the electricity bills paid by consumers.

Proposal's objectives

Protecting and empowering consumers

High and volatile prices, such as those seen in 2022 provoked by Russia's energy war against the EU, have put an excessive burden on consumers. To protect them from volatile prices, the proposal will provide for the right to **fixed price contacts** as well as **dynamic price contracts**, the right to **multiple contracts** and to better and clearer contract information. Consumers will be offered variety of contracts that best fits their circumstances. In this way, consumers, including small businesses, can **lock in secure, long-term prices** to mitigate the impact of sudden price shocks, and/or they may choose to have dynamic pricing contracts with suppliers if they wish to take advantage of price variability to use electricity when it is cheaper (e.g., to charge electric cars or use heat pumps). Such a combination of both dynamic and fixed pricing allows to keep market incentives for consumers to adjust their electricity demand, while providing more certainty also for those who wish to invest in renewable energy sources (rooftop solar panels for instance) and stability of costs.

The protection of **vulnerable consumers** is also significantly enhanced. Under the proposed reform, Member States will protect vulnerable consumers in arrears from being disconnected. Also, it allows Member States to extend regulated retail prices to households and SMEs in case of a crisis.

The proposal will empower consumers by creating the right to **share renewable energy directly**, without the need to create energy communities. Greater energy sharing (e.g., sharing surplus roof top solar power with a neighbour) can improve the use made of low cost renewable energy and provide greater access to direct use of renewable energy for consumers who might not otherwise have such access.

Improve competitiveness of EU industry

Over the past year, many companies have struggled with excessively volatile energy price. To enhance the competitiveness of EU industry, the reformed electricity market design would improve access to more stable longer-term contracts and markets. Power purchase agreements (**PPAs**) - long-term private contracts between a generator (typically renewable or low carbon) and a consumer - can protect against price volatility, but they are currently mostly available only to large energy consumers in very few Member States. A barrier to the growth of this market is the credit risk that a consumer will not always be able to buy the electricity over the whole period. To address this, Member States should ensure that instruments to **reduce the financial risks** associated to off-taker payment default in the framework of PPAs, including guarantee schemes at market prices, are accessible to companies that face entry barriers to the PPA market and are not in financial difficulty.

To **stabilise prices**, investment support should be structured as "two-way" (**two-way contract for difference**), which set a minimum price but also a maximum price, so any revenues above the ceiling are paid back. The proposal will apply to new investments for the generation of electricity, which include investments in new power-generating facilities.

A further means of guarding against volatile prices is to use long term contracts that lock in future prices ("**forward contracts**"). This market shows low liquidity in many Member States but could be boosted across the EU, so that more suppliers or consumers can guard against excessively volatile prices over longer periods of time. The proposal will create regional reference prices via a hub to increase price transparency and oblige system operators to allow transmission rights longer than a year, so that if a forward contract is between parties across regions or borders, they can ensure transmission of the electricity.

In addition, to ensure markets that behave competitively and prices are set transparently, regulators' ability to monitor energy market **integrity and transparency** will be enhanced.

Boost renewables and low carbon investment

The proposal seeks to boost renewable energy investment, in order to ensure that deployment triples, in line with European Green Deal goals. This will be achieved partly by improving the markets for long term contracts. **Power purchase agreements** and contracts for difference not only provide consumers with stable prices, they also give renewable energy suppliers reliable revenues. This lowers their financial risk and greatly reduces their cost of capital. This creates a virtuous circle where stable revenues lower costs and boost demand for renewable energy.

Renewable energy is also a better investment when its ability to produce power is not curtailed due to technical constraints in the system. The more flexible the system is (generation that can rapidly turn on or off, storage that can absorb or put power onto the system, or responsive consumers who can increase or decrease their demand for power) the more stable prices can be and the more renewable energy the system can integrate. For this reason, the proposal requires Member States to assess their needs for power system flexibility, establish objectives to deliver on these needs. Member States can design or redesign capacity mechanisms in order to promote low-carbon flexibility. Moreover, the proposal opens the possibility for Member States to introduce **new support schemes for non-fossil flexibility** such as demand side response and storage.

Union’s electricity market design

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.

Union’s electricity market design

2023/0077A(COD) - 27/07/2023 - Committee report tabled for plenary, 1st reading/single reading

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.

Union’s electricity market design

2023/0077A(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: Regulation (EU) 2024/1747 of the European Parliament and of the Council amending Regulations (EU) 2019/942 and (EU) 2019 /943 as regards improving the Union’s electricity market.

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 regulation 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.

Regulation (EU) 2019/943 on the internal market in electricity, as amended, aims to lay the foundations for the effective achievement of the objectives of the Energy Union and the Union's objective of climate neutrality by 2050 at the latest, including the 2030 climate and energy policy framework, by making it possible to produce market signals encouraging efficiency, a greater share of renewable energy, security of supply, flexibility, system integration through multiple energy carriers, sustainability, decarbonisation and innovation.

The amending Regulation also aims to establish the fundamental principles underpinning efficient and integrated electricity markets, which:

- ensure non-discriminatory market access for all resource suppliers and electricity customers;

- enable the development of forward electricity markets to allow suppliers and consumers to hedge or protect themselves against the risk of future volatility in electricity prices, empower and protect consumers;

- ensure competitiveness on the global market;

- enhance security of supply and flexibility through demand response, energy storage and other non-fossil flexibility solutions;

- ensure energy efficiency, facilitate aggregation of distributed demand and supply, and

- enable market and sectoral integration and market-based remuneration of electricity generated from renewable energy.

The regulation aims to support: (i) long-term investment in renewable energy generation, flexibility and grids to enable consumers to make their energy bills affordable and less dependent from fluctuations of short-term electricity market prices, in particular fossil fuel prices in the medium to long-term; (ii) lay down a framework for the adoption of measures to address electricity price crises.

Power purchase agreements (PPAs)

Power Purchase Agreements (PPAs) are long-term contracts providing stability for consumers and investors. Member States will encourage the use of PPAs in order to ensure price predictability and to achieve the objectives set out in their integrated national energy and climate plans as regards the decarbonisation dimension, including renewables, while preserving the competitiveness and liquidity of electricity markets and cross-border trade.

Member States will ensure, in a coordinated manner, that instruments, such as guarantee schemes at market prices, to reduce the financial risks associated to offtaker payment default in the framework of PPAs are in place and accessible to customers that face entry barriers to the PPA market and that are not in financial difficulty.

The regulation also provides an assessment from the European Union Agency for the Cooperation of Energy Regulators (ACER) on the market for PPAs based on the information from the database provided for in the REMIT regulation.

Direct price support schemes in the form of two-way contracts for difference for investment

Direct price support schemes for investment in new power-generating facilities for the generation of electricity from wind energy, solar energy, geothermal energy, hydropower without reservoir and nuclear energy will take the form of two-way contracts for difference or equivalent schemes with the same effects.

All contracts will be designed to: (a) preserve incentives for the power-generating facility to operate and participate efficiently in the electricity markets, in particular to reflect market circumstances; (b) avoid undue distortions to competition and trade in the internal market.

The rules for two-way contracts for difference will only apply after a transition period of three years after the entry into force of the regulation, in order to maintain legal certainty for ongoing projects. The provisional agreement provides flexibility as to how revenues generated by the state through two-way contracts for difference would be redistributed. Revenues would be redistributed to final customers, and they may also be used to finance the costs of the direct price support schemes or investments to reduce electricity costs for final customers.

Indicative national objective for non-fossil flexibility

Each Member State will define an indicative national objective for non-fossil flexibility, including the respective specific contributions of both demand response and energy storage to that objective. The regulation defines design principles of non-fossil flexibility support schemes.

ENTRY INTO FORCE: 16.7.2024.