

Restoring confidence in electricity markets

Amendment suggestions to the Commission's EMD proposal

Brussels, 27 April 2023 - EFET welcomes the publication of the draft Regulation to improve the Union's electricity market design. **The European Commission's proposals are a good basis for targeted evolutions of the European electricity market design.** Still, certain areas of the proposal require further consideration:

1. Hedging in the market enables price stabilisation for consumers and revenue predictability for investors

We appreciate the attention of the Commission to commercial PPAs and forward contracts: they can underpin new investments and provide a hedge against price volatility for consumers. On the other hand, untested regional virtual hubs risks making hedging less efficient and more costly.

- **support the EC text restricting the application of two-way CfDs to new investments, and only those applying for public financial support** in art.19b Regulation 2019/943
- **approve and broaden the framework for the removal of barriers to PPAs** in art.19a Regulation 2019/943
- **support EC text to improve existing forward markets with voluntary market making and longer-term transmission rights (3 to 5 years before delivery)** in art.9 Regulation 2019/943
- **resist regulated regional virtual hubs and keep the original spirit of maximisation of forward transmission capacity** in art.9 Regulation 2019/943

2. Consumers have a central role to play in the transition and legislation needs to balance protection and active contribution

Consumers are at the heart of this reform. Better information, more diverse contractual offers, and appropriate risk management strategies will improve consumer choices and trust. And while vulnerable consumers may need specific protection, this should not deter the others to contribute with, and benefit from, demand response.

- **approve the right to access both fixed and flexible price contracts, as well as greater standards for consumer information** in art.11 Directive 2019/944
- **ensure that risk hedging obligations for suppliers are aligned with the commitments they have towards consumers** in art.18a Directive 2019/944
- **phase out national interventions impacting energy markets adopted since September 2021** (439 national measures according to ACER)
- **strengthen the framework for national interventions: trigger and coordination by the European Commission, applicable to vulnerable consumers only, and without negative effects on demand response** in art.66a Directive 2019/944

3. Flexibility in all its forms and available technologies is necessary to integrate renewables as they continue to grow

The electricity market is and will remain the main tool to value minute, hourly, daily and seasonal flexibility provided by a wide range of assets and services. It is the ideal tool to guide investments and allocate resources efficiently according to future and changing flexibility needs – regulated instruments should only complement them.

- **allow cross-border optimisation even closer to delivery, and longer sharing of intraday order books** in art.7.2 and 8.1 Regulation 2019/943
- **support standardised, technological-neutral, cost-efficient, and transparent assessments of flexibility needs** in art.19c Regulation 2019/943
- **ensure that the indicative targets and/or regulated flexibility schemes – where implemented – only complement the market and are technology-neutral** in art.19d-19e Regulation 2019/943
- **only allow the establishment of TSO peak shaving products after implementation of all EU market and energy efficiency rules, and prevent their activation in parallel to the intraday market** in art.7a Regulation 2019/943

This reform is about restoring the confidence of consumers and investors, while keeping on track with the EU's decarbonisation objectives. Strengthening the existing market design is essential to ensure that markets adapt to the changing needs of consumers and foster the development of renewables and other technologies needed for the energy transition. Doing so will require an unambiguous political commitment to a coherent, European market-led approach to decarbonisation. We look forward to contributing to the work of the co-legislators to help them on this path.

See our detailed amendment suggestions and justifications at:

<https://efet.org/home/documents?id=696>

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