

Brussels, 3 September 2018

Dear Energy Attachés,  
Dear Members of the European Parliament,  
Dear all,

The European electricity sector is committed to be a driving force in delivering on the Paris Agreement and has recently announced its pledge to be carbon-neutral well before 2050<sup>1</sup>. Going forward, electricity will be the key energy carrier to support and accelerate the decarbonisation of the transport, heating and other industry sectors.

The Clean Energy Package is a key opportunity to get the regulatory framework right and deliver the energy transition. As the trilogue negotiations on market design progress rapidly, Eurelectric calls upon you to tackle the following key elements in order to ensure a cost-effective decarbonisation through well-functioning electricity markets, accelerated electrification, and increased opportunities for all customers:

### **Capacity allocation and congestion management**

Increasing the availability of commercial capacity across borders is crucial to allow for further market integration and energy transition. The principle of “economic efficiency first” proposed by the Commission should be preserved. Eurelectric is therefore supportive of the Commission’s original proposal on Article 14 whereby TSOs have to explore the most efficient congestion management options from the system perspective.

In addition to the prerogatives of ACER already foreseen in the Capacity Allocation and Congestion Management Guideline (CACM) Guideline, we propose that Article 14.7 explicitly introduces the possibility for ACER to request a minimum level of interconnection capacity to be made available to the market in the form of a minimum threshold. For each capacity calculation region where all national regulatory authorities (NRAs) could not agree on a harmonised capacity calculation methodology, it would be the ACER’s role to decide if and where to establish a minimum threshold. This threshold would be set at 75% of the thermal capacity, or another value in case ACER can demonstrate that it would improve the economic welfare at the EU level.

### **Capacity markets & resource adequacy**

While we welcome the clear framework provided by the Council for the design and implementation of capacity markets (CMs), we stress that CMs should not be considered as temporary. Limiting capacity contracts to one year contradicts the objective of CMs to provide investment signals for firm capacity needed to ensure the security of supply (SoS). European adequacy assessments are essential, and they should not be the only binding factor to introduce SoS measures. Finally, the Council’s distinction between new and existing plants with regard to the emissions performance standard in CMs, as well as its new proposed provisions constitute a step forward for the upcoming negotiations.

### **Regulated prices**

Eurelectric is in favour of a complete phase out of regulated prices and is fully supportive of the original Commission’s proposal. If prices continue to be regulated by national authorities, then the benefits brought by the Clean Energy Package will be considerably reduced. While we understand that several Member States would like to delay the phase out, we truly believe that the Directive should indicate a clear process and timeline to put an end to regulated prices. We also endorse the European Parliament’s approach to explicitly mention social policy as a way of tackling energy poverty and welcome the flexibility given to the Member States by the proposal.

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<sup>1</sup> [Eurelectric Vision for the electricity industry, December 2017](#)

### **Demand response aggregation**

A stable regulatory framework providing a level playing field for all market actors is key to stimulating sustainable innovation. Thus, Eurelectric welcomes the European Parliament's clarification that aggregators shall be financially responsible for the imbalances they cause in the electricity system. We also support the withdrawal of the Commission's proposal that aggregators shall not pay compensation to suppliers or generators. There is always a need to ensure the remuneration for the energy injected into the system and this must be the rule by default.

### **Dynamic prices**

We support the framework proposed by the Council that would enable suppliers to offer dynamic price contracts and clarify that only final customers who have a smart meter installed can request such a contract from at least one supplier. Suppliers should remain free to offer dynamic price contracts to their customers. However, the dynamic pricing definition (Article 2.11) imposing reflection of day-ahead and intraday spot prices is too restrictive. Dynamic pricing should refer to retail electricity prices passing through at least a part of wholesale price volatility.

### **Local energy communities (LECs)**

Eurelectric agrees with the definition of LECs proposed by the European Parliament (Article 2.7). As for the rest, the Council's approach towards Article 16 is preferable. Indeed, it does not only require that LECs contribute to network costs fairly, but also provides more clarity in terms of ownership structure, rights and obligations of LECs. Last but not least, a reference to the definition included in the Renewable Energy Directive is necessary to ensure consistency across the Clean Energy Package.

### **DSO entity**

We welcome the fact that the participation of differently sized DSOs and a geographical representation of different countries is promoted both by the Parliament and the Council. However, we do not support prescribing the detailed governance structure and voting rights in the Regulation. Doing so would indeed require amending the EU law if changes are necessary at a later stage. Corresponding details should be carefully analysed and incorporated in the statutes under the scrutiny of ACER and the Commission<sup>2</sup>. Furthermore, we do not support the proposed composition of the Board of Directors with nine seats for DSOs with an equal distribution among small, medium and large DSOs as it gives two thirds of the voting power to the small and medium-sized DSOs connecting only 25% of European customers. We therefore support the 14/7/7 representation per DSO size group in the entity's Board as originally proposed by the Commission in order to establish the entity as a strong and trusted expert-based organisation<sup>3</sup>.

We thank you for your consideration and wish you a fruitful meeting.

Yours sincerely,



Kristian RUBY  
Secretary General

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<sup>2</sup> [Joint side-letter on the EU DSO Entity, April 2018](#)

<sup>3</sup> [Joint statement on the EU DSO Entity, February 2018](#)