

Market Design Initiative

EU Commission
DG Energy

This presentation reflects solely the views of the author
and does not bind the EU Commission

Market Design Reform

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- Retail market reforms
- Wholesale market reforms

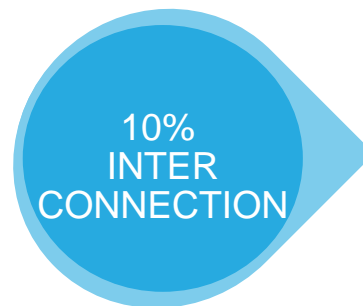
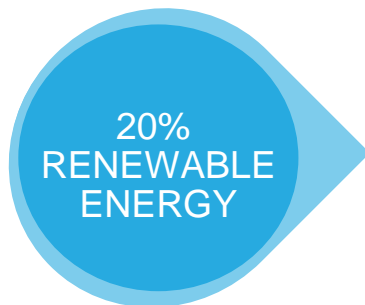
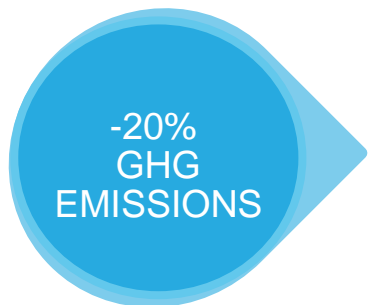
= > Value for consumers



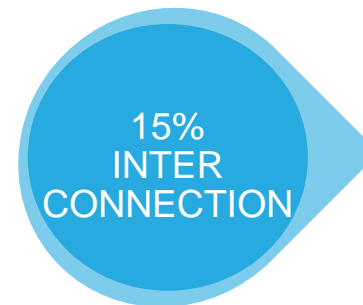
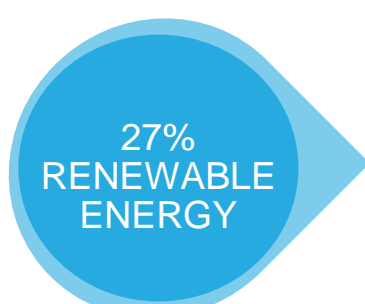
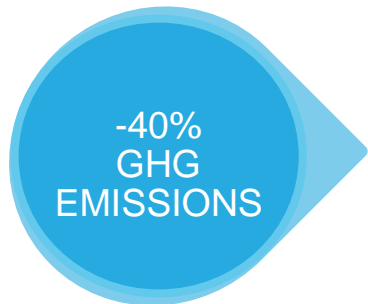
Background

EU POLICY FRAMEWORK 2030

2020



2030



Our energy market needs to be re-designed to integrate a growing share of renewable energy sources at the lowest possible cost.

THE CLEAN ENERGY FOR ALL EUROPEANS Package

Consolidation and prioritisation

Putting energy efficiency first



Delivering a fair deal for consumers



Global leadership in renewables



Energy Union Governance



Energy Efficiency
(Energy Efficiency Directive, European Performance of Buildings Directive)



Renewables
(Revised Renewable Energy Directive)



New Electricity Market Design



Energy prices and costs report

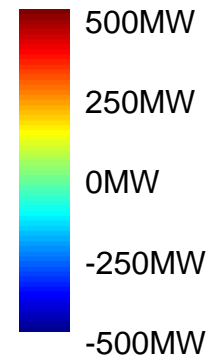
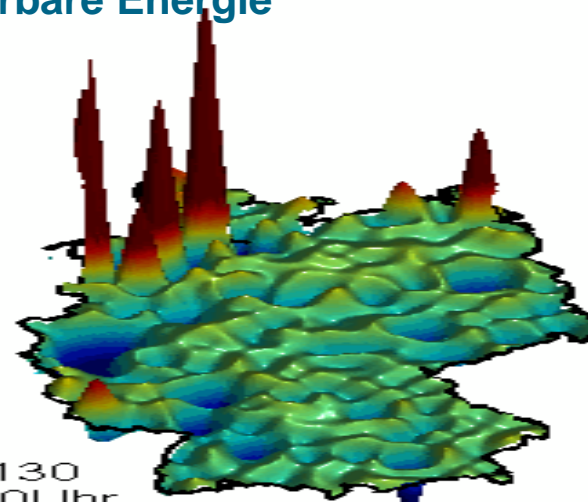


Old Electricity World



New Electricity World

80% erneuerbare Energie
2035+



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Market Design Reform

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Retail market measures

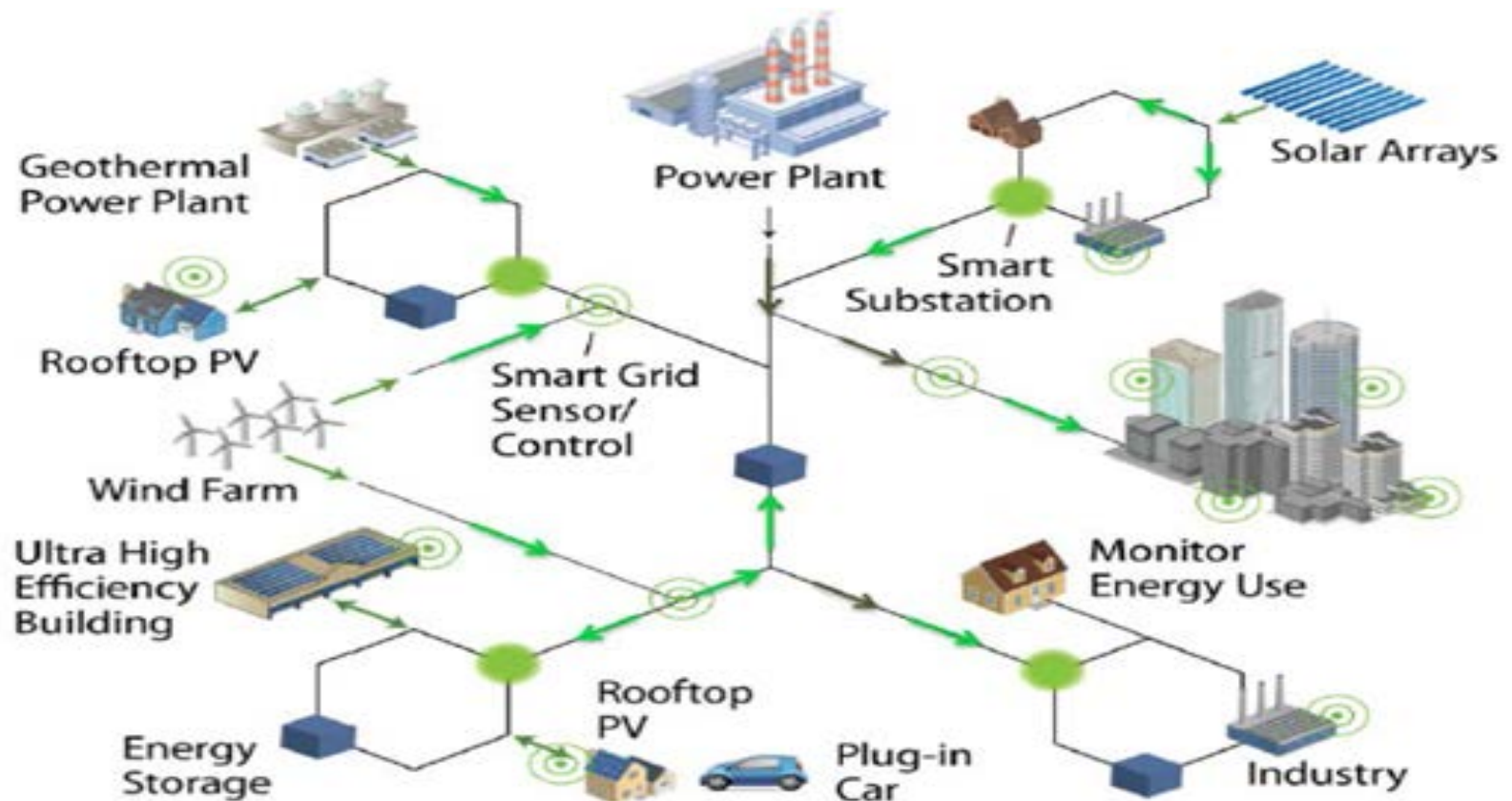
Market Design Reform

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- **Retail market reforms**
- Wholesale market reforms

= > Value for consumers

Update Retail Markets



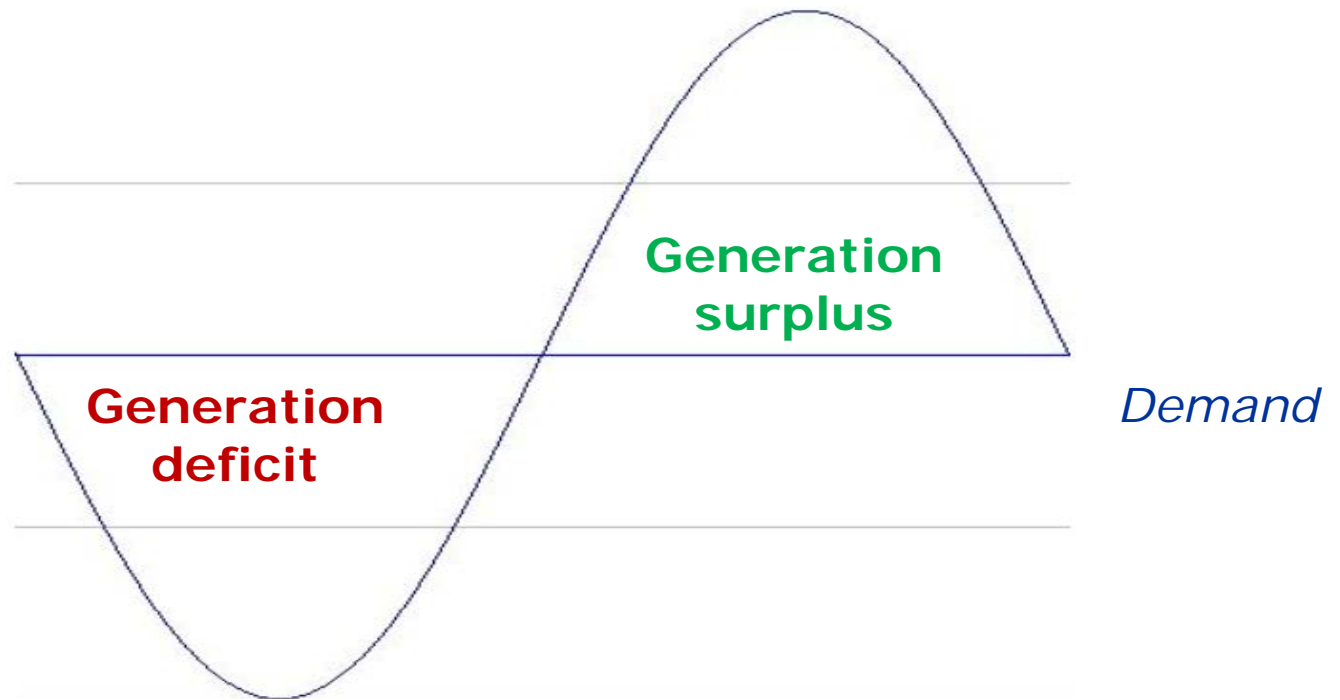
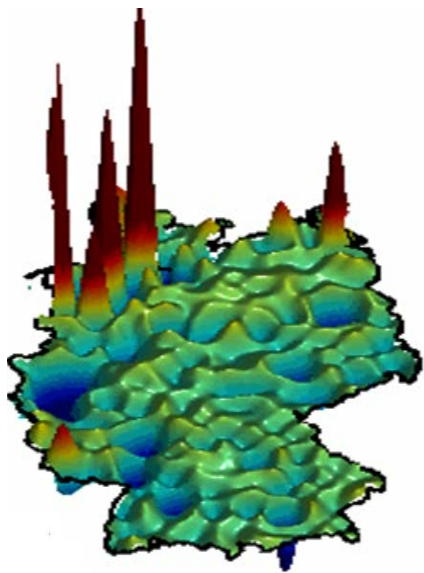
Retail: Three main measures

- ❖ **EMPOWER ENERGY CONSUMERS** - facilitate access to **relevant and timely information** and provide **tools for active participation in the market**.
- ❖ **REMOVE BARRIERS TO MARKET COMPETITION** – open markets to **new actors**, introduce **price signals** and **incentivise** innovation.
- ❖ **ENSURE CONSUMER PROTECTION AND SOUND MANAGEMENT OF CONSUMER DATA** – set common **principles**, **monitor** and **assist** Member States.

SMART
TECHNOLOGIES

MARKET-
BASED
PRICES

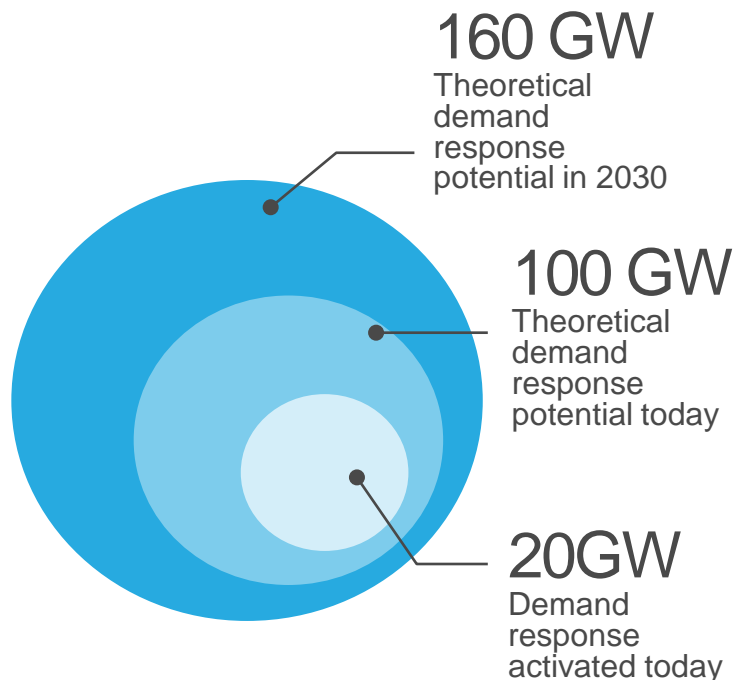
Active consumers can save & even earn money



- Classic: Pay backup generation
- **Alternative: Postpone consumption...**
(...and earn money...)

- Classic: Curtail generation
- **Or: Activate consumption**
(and save money...)

ENGAGEMENT: COMPETITIVE PRICES, DEMAND-RESPONSE, SELF-GENERATION, NEW SERVICES



- 17 Member States maintain some form of price regulation for either electricity or gas services for households.
- In some Member States self-generating and self-consuming electricity is effectively banned.
- Most consumers in the EU do not have access to independent aggregators which are the gateway to trading self-generated electricity and to effectively benefit from demand response schemes.

- Progressively **phase-out energy price regulation** and encourage **dynamic price contracts** for consumers.
- Grant consumers the **entitlement to generate** electricity and either **consume, store or sell back** on the market.
- Ensure **fair and full market access for independent aggregators** and other third party service providers.

WAY FORWARD

Competition within the retail energy market is key for unlocking efficient consumer behaviour and keeping the cost of the energy transition at check.

INFORMATION: SMART METERS, CLEARER BILLS, RELIABLE PRICE COMPARISON TOOLS & SWITCHING



- Planned roll-out of smart meters by 2020
- Existing access to smart meters

- Smart meters are currently only widely available in 4 Member States. 14 Member States plan large scale roll-out by 2020.
- Stakeholders across the EU report on difficulty in reading energy bills, lack of access to and quality of price comparison tools
- Switching rates remain extremely low in many Member States.

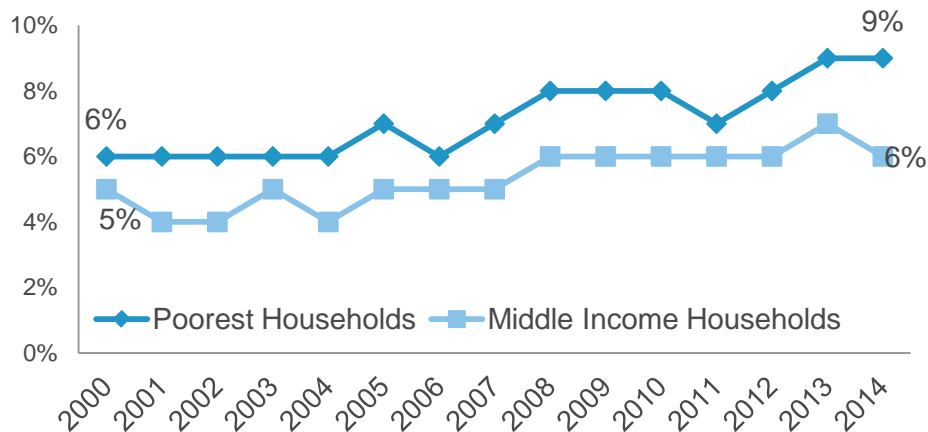
- Give **all consumers the right to a smart meter** equipped with fit for purpose **minimum functionalities**.
- Ensure that all consumers have free-of-charge access to at least one **certified energy price comparison tool**.
- Ensure all **energy bills are clear, understandable and contain key information** for consumers.
- **Prohibit all switching related charges.**

WAY
FORWARD

Better access to relevant and timely information is a prerequisite for fair competition and more active consumer engagement with the market .

CONSUMER PROTECTION & SOUND DATA MANAGEMENT

SHARE OF HOUSEHOLD INCOME SPENT ON DOMESTIC ENERGY



Smart meters generate roughly 3000 times as much information as the analogue meters

- The affordability of energy services is becoming a concern in many Member States.
- Progressive digitalisation of the retail electricity market requires sound management of data to ensure level playing field for all market actors and to deliver benefits from sharing data to consumers.

- **Monitoring** of energy poverty.
- Investments in domestic **energy efficiency** which benefit those in greater need.
- **Set principles for granting access to consumer data**, with the explicit consent of the consumer, including non-discrimination, transparency and easy access.

WAY FORWARD

Inactive consumers should not be left behind.

Phasing out regulated retail prices

General principle:

All consumer prices shall be freely set by the suppliers after the entry into force of the Directive

Transition period for vulnerable and energy poor consumers

- **A sufficient timeframe (5 years after entry into force) to allow a smooth transition from regulated prices to an adequate protection**

Permanent exception in case of extreme urgency

- **Price regulation for vulnerable household**
- **Subject to scrutiny by the Commission**

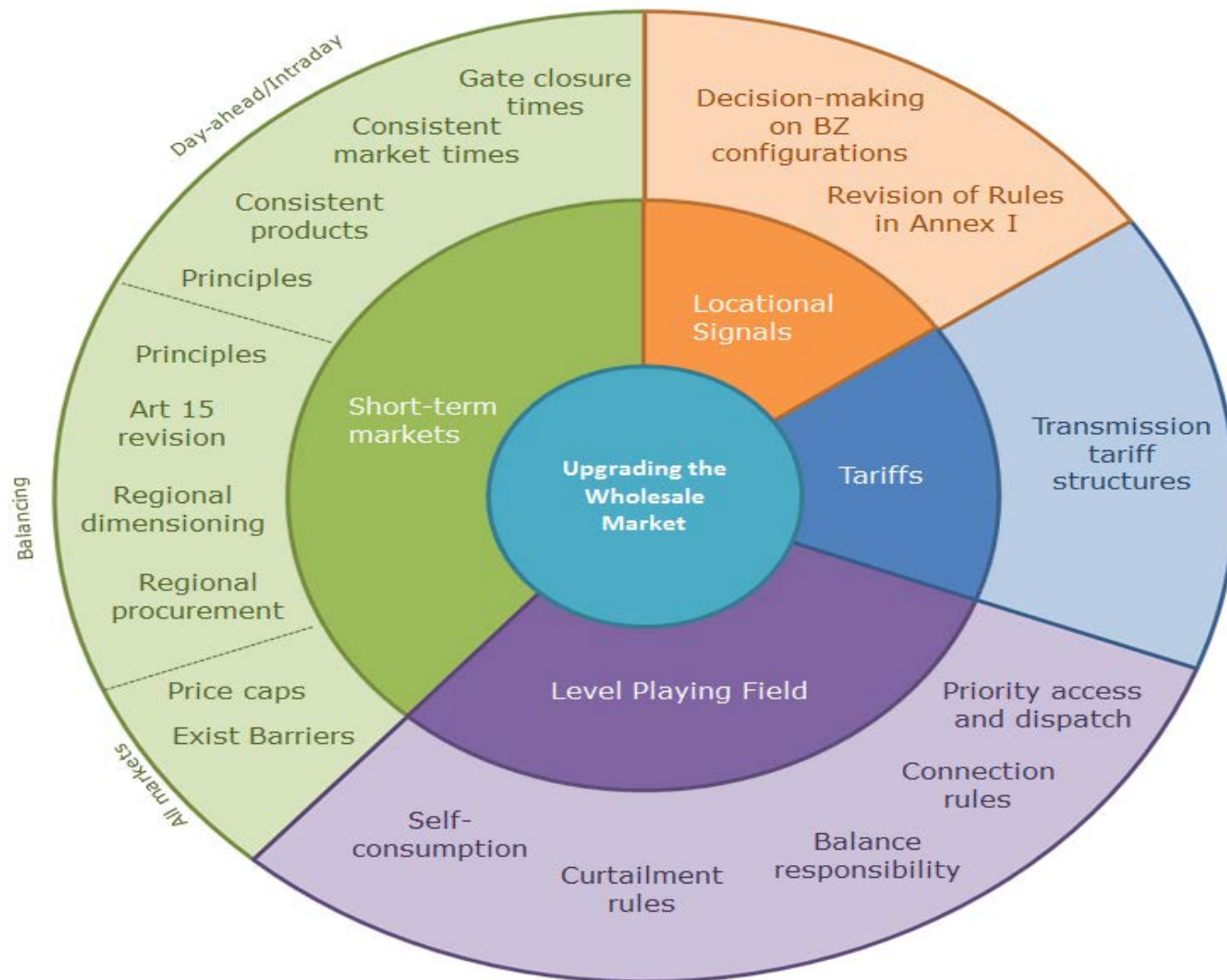
Market Design Reform

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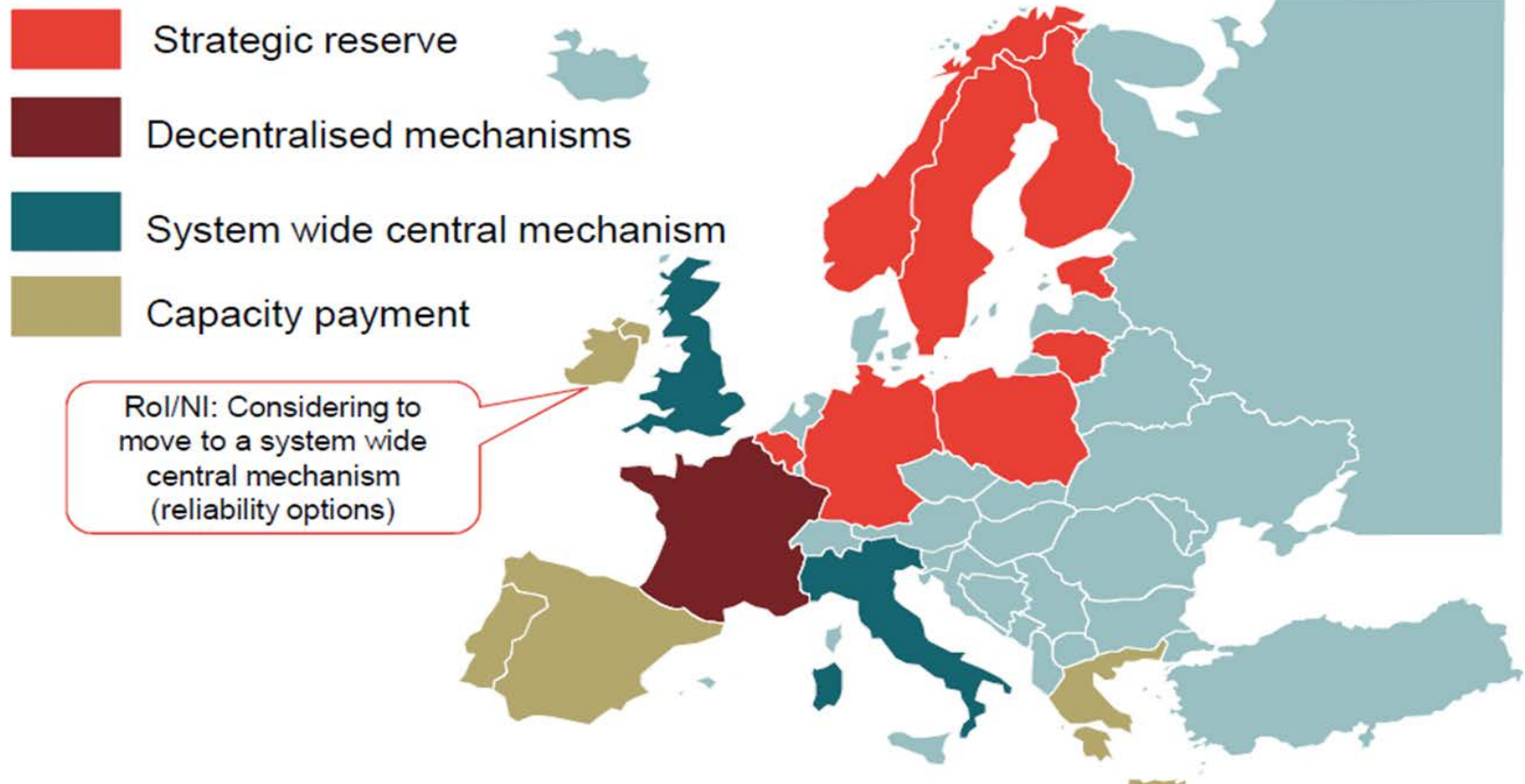
- Retail market reforms
- **Wholesale market reforms**
(update)

= > *Value for consumers*

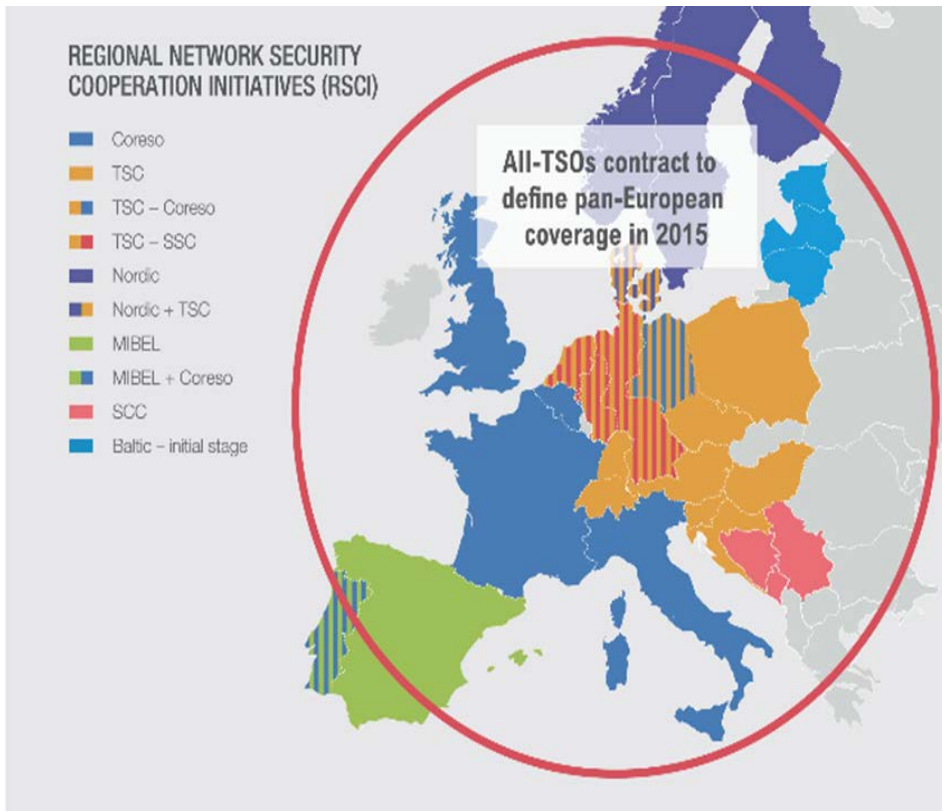
Upgrading Wholesale Markets => Saving consumers' money!



Coordinate State Interventions (capacity mechanisms/RES subsidies) => Saving consumers' money!



Foster Regional TSO-Cooperation => Saving consumers' money!



Centres organising regional cooperation between the 43 TSOs ("ROC"), e.g.
Central ROC
Nordic ROC
BI ROC
Iberian ROC
SEE ROC

Source: European Commission



Adapt Institutional Framework

Avoiding fragmented regulatory solutions

=> saves consumers' money!





Thank you