

# The European Clean Energy Transition

## The Electricity Sector's Views

### ELECTRICITY TO BECOME THE KEY ENERGY CARRIER FOR A DECARBONISED AND COMPETITIVE EUROPE

**Strengthen the EU ETS as the cornerstone instrument of EU climate and energy policy, to become the key driver for market-based investments in low-carbon electricity generation.** As power generation decarbonises under an ever-decreasing ETS cap, achieving deep decarbonisation and efficiency through electrification provides a powerful pathway for the transport and heating/cooling sectors.

**Recognise the potential of electro-mobility and of highly efficient electric technologies in buildings to unlock greenhouse gas (GHG) emission reductions.** Measures to enhance energy efficiency make most sense in non-ETS sectors. Member States must retain full flexibility as to how they set and meet energy efficiency targets.



**Ensure that sufficient charging infrastructure for electric vehicles is in place across Europe.** Member States should facilitate the roll-out of public charging points and facilitate private citizens to install charging points at home or at the workplace. Pre-cabling obligations should be introduced and extended to non-residential buildings, to enable the future cost-efficient installation of charging points in such buildings.

**Update the methodology for calculating the Primary Energy Factor** to recognise that electricity is increasingly coming from renewable and carbon-free sources. Specifically, factors of 0 are needed for RES and 1 for nuclear. Electricity use will deliver efficiency benefits which will reduce primary energy requirements.

### A COST-EFFECTIVE AND MARKET-BASED APPROACH TO DECARBONISE THE POWER SECTOR

**Consistency and coherence between the various targets and instruments is key.** We need proper recognition and management of the impact of European policies and implementing instruments on the overall economic efficiency and environmental effectiveness of the EU ETS. We support the proposed EU-wide binding target of at least 27% as the only binding target for renewables. Introducing an Emission Performance Standard through capacity mechanisms may have undesirable impacts on EU competitiveness and decarbonisation efforts.



**A market design fit for the low-carbon transition values energy, flexibility and availability.** This will ensure the necessary price signals to drive investment in demand response, storage and generation, and to value the necessary existing assets. Liquid and well-functioning short-term markets, where prices reflect the actual system situation, will sustain RES integration, decentralised generation and empower consumers.

**All market participants should take up market responsibilities for a cost-efficient energy transition.** We welcome non-discriminatory and competitive dispatch and re-dispatch. To ensure a stable investment climate and to achieve market integration, previously granted exemptions should be respected, and no new exemptions introduced.



**A more regional approach to system adequacy and to system operation to bring important benefits and synergies.** Regional and European system adequacy assessments should complement national assessments to inform Member States when introducing capacity mechanisms. The proposal on Regional Operation Centers is a good framework to go beyond TSOs' current level of coordination, for the benefit of integrated markets.

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### EMPOWERING CONSUMERS IN THE ENERGY TRANSITION

**Address rising policy support costs and tackle retail pricing structures.** For households, the share of taxes and levies in the electricity bill has increased by 70% in the last 7 years, while energy costs went down. This makes electricity less competitive against other, more CO<sub>2</sub> emitting, energy carriers and hampers the potential for electrification and demand response.



**Protect and engage energy consumers with regulation that is fit for purpose.** Member States are best placed to define appropriate policies and financing mechanisms to fight energy poverty. Certified comparison tools will enhance transparency and choice.

**Empower consumers, the market-based way.** Market players can develop new services to help prosumers handle their market responsibilities and to best use the electricity they produce. The proposed framework for prosumers and local energy communities should ensure a level playing field.



**Tap the demand side flexibility potential for the benefit of consumers.** Demand side flexibility must develop in a market-based environment, through dynamic pricing and aggregation. Demand response aggregators should not be exempt from their balancing responsibility and suppliers should be compensated for the energy which they source and which is diverted by aggregators.

### INCREASING THE ROLE OF DSOs

**The creation of a DSO entity is beneficial for enhanced DSOs cooperation.** The EU DSO entity must embrace all types of DSOs across Europe and its tasks should be carefully selected. We commit to take an active role in the establishment of such entity.

**High-level principles proposed for both transmission and distribution grid tariffs are necessary to provide a level-playing field for market players and to minimise market distortions.** While we support further harmonisation of transmission tariffs at European level, distribution tariffs should remain a matter of national regulation as they are closely linked to local specificities and their impact on cross-border trade is low.



**DSOs require a regulatory framework that allows and incentivises them to procure flexibility services from the market.** This may complement or obviate the need to upgrade or replace electricity capacity, supporting both efficient and secure operations. DSOs will access flexibility by a variety of other means including through network tariffs or connection agreements.

**Local Energy Communities play a key role when properly configured on a level playing field where all customers continue to contribute to the costs of the transition and enjoy the benefits.** Furthermore, if a Local Energy Community owns wires or wishes to acquire wires, it is or will become a DSO with all the attendant obligations on a level playing field with all other DSOs.