

# **EURELECTRIC in Florence: we urgently need less distorted and more integrated European electricity markets**

14 June 2016

*Day two of the Florence Forum focused on renewables development, wholesale market design and market integration. EURELECTRIC intervened in several occasions and called for more regional and ultimately European approaches in order to achieve decarbonisation and market integration in a cost efficient and market based way.*

In the first session EURELECTRIC presented its views on renewables development and reiterated that the EU Emissions Trading System (ETS) should become the main driver for investments in decarbonized assets and therefore needs to be strengthened. If Member States choose to continue support for mature renewables after 2020, it should be done in the most cost-efficient and market-based way, minimising distortions, including those affecting the merit order. This should also involve a more regional approach to increase consistency supported by an improved Energy Union governance system. As decarbonized power markets need high shares of renewables, the market must be “fit” for RES and RES must be “fit” for the market.

Regarding capacity mechanisms, EURELECTRIC welcomes the interim report issued by the DG Competition of the European Commission, and believes that these mechanisms need to be well-designed and sufficiently harmonised in their basic design criteria to allow for a regional approach: they should be market-based, technology neutral, open to cross-border participation and to both new and existing generation, storage and demand. A central element of EURELECTRIC’s proposals is the development of regional adequacy assessments, which should be taken into account when introducing market-based capacity mechanisms. Once again, cross border participation is crucial to move towards a regional approach and EURELECTRIC will contribute with more detailed proposals in the policy debate.

EURELECTRIC also contributed with a number of key principles and concrete proposals to improve capacity calculation and congestion management and ensure the most efficient use of interconnectors. Indeed, achieving an integrated energy market depends on the ability to maximise the cross-border transmission capacity available to the markets. Most importantly, the priority should be given to the efficiency of the dispatch, that is to say that the cross-border capacity should not be limited ex-ante by TSOs, and efficient cross-border redispatching measures should accommodate the associated flows.

EURELECTRIC also called for a holistic approach to distribution and transmission network tariffs to ensure cost recovery for network operators and to provide economic signals to incentivise efficient behaviour and optimal use of the system by both generators and consumers. In this regard, a number of questions should be addressed by the stakeholders and the European Commission, such as the degree of harmonization and the interlinkages with energy price signals. Last but not list, EURELECTRIC remains committed to the completion of the internal energy market and is actively engaged in the development of network codes and related methodologies through stakeholders committees.