

“Summer package”: market approach welcomed but measures fall short on market design and customers’ bills

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As part of its “summer package”, the European Commission today released guidance and consultation documents on **retail energy markets**, **market design** and **self-consumption**. These documents allow stock taking of the lessons learned from the current regulatory framework and the changing reality of electricity markets. Yet, the lack of concrete ideas on how to free the retail bill from an ever-growing amount of unrelated taxes and the misconceptions on market design are elements that need addressing.

EURELECTRIC sees the consultation on market design as a useful opportunity to build on lessons learned from the third liberalisation package, the renewables (RES) directive and the electricity target model. In this respect, we fully agree on the need to further develop regional cooperation, accelerate the integration of the energy and flexibility markets while optimising their operation. We also support the calls for further integration of RES into the market and for long-term price signals which deliver the necessary investments for security of supply. As in many markets the introduction of a capacity element is becoming increasingly important, EURELECTRIC recognises that properly designed capacity markets can be an integral part of a future market design. We appreciate that the Commission opens the debate on the rules for cross-border participation on capacity mechanisms (CRMs), but regret the negative approach taken on the more fundamental question of whether they are needed. This negative approach contrasts with the welcomed recognition elsewhere in the package* that the need for an evolved market design is the direct consequence of the decarbonisation agenda. *“Where applied, CRMs can – and should be – well-designed market-based instruments for long-term security of supply, working hand in hand with energy, flexibility and CO₂ markets”* insisted EURELECTRIC Secretary General Hans ten Berge.

Concerning retail markets, EURELECTRIC fully supports the European Commission’s call on national governments to step up the implementation of existing EU legislation and phase out regulated prices for end consumers. We stand ready to cooperate with the Commission and regulators to sketch out ‘phase-out roadmaps’ on regulated prices. We are also pleased to see that the need to design remuneration schemes which incentivise distribution operators (DSOs) to engage in innovative solutions and manage their grids more actively is clearly spelled out. However, we deeply regret the silence around the overregulation affecting retail markets and often preventing companies from offering customers better deals. Equally worrying, *“today’s communication barely mentions the ever-growing share of taxes and policy support costs that governments ask customers to shoulder. How can we seriously think of delivering the “new deal for energy consumers” when on average in the EU less than half of the bill is the result of market dynamics?”* questioned Hans ten Berge.

Adoption of recommendations on renewable energy self-consumption is timely. Europe is beyond early deployment of distributed generation; energy companies are becoming increasingly active in offering services to prosumers. Member States should therefore review the regulatory framework to allow for more innovative, market-based and customer-friendly solutions for prosumers and help the cost-effective deployment of distributed generation and avoid the burdening of non-prosumers’ bills, while ensuring that prosumers contribute equitably to the grid and system costs.

EURELECTRIC will further analyse today’s package in the coming weeks, respond to the market design consultation and continue the debate with policymakers and stakeholders on distributed generation and the future of retail markets.

***Investment perspectives in the electricity market, DG ECFIN**

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