

Joint reaction to the Electricity Market Design Consultation

Dear Vice-President Šefčovič, Dear Commissioner Arias Cañete,

The signatories of the present letter gather the leading associations, NGOs and industry groups from Europe's energy sector. They share the common objective of promoting the prompt, affordable and green transition of Europe's energy system. This is our joint reaction to the European Commission's (EC) public consultation on the new electricity market design.

We strongly agree with the vision outlined in the summer package's public consultation – one describing the evolution to the energy system to allow for the integration of a large share of renewables and a stronger involvement of consumers – and agree with the diagnostic that such a transformation would require key changes to the market model. We thus welcome the concrete steps the EC is taking to implement the Energy Union.

Our broad group of signatories knows that **delivering the new energy system cost effectively can only be achieved through enhanced flexibility**. We believe that such sources of cost savings and flexibility can be delivered through adequate and coordinated European legislation as well as through the provision of a predictable and stable market environment.

We recommend that the new market design have a **clear and ambitious timeline** in order to create an attractive long-term investment climate facilitating the development of the needed infrastructure and to foster the deployment of innovative technologies. Only then can the European Union (EU) succeed in **strengthening its leadership in the global energy transition**.

Given the importance of the task, we have identified **no-regret solutions** to be implemented as priorities:

1. Creation of a strong, integrated and flexible market

A strong and integrated European internal energy market (IEM) is the best tool to achieve a sustainable transition at the lowest cost. Two aspects related to the IEM need to be urgently tackled in all EU regions:

- The IEM needs to provide an **efficient price signal** that reveals the true **value of flexibility**. The new market design should remove current market barriers to unlocking existing, and attracting the development of more, flexibility by:
 1. Ensuring that energy storage, interconnections, demand-side management and all energy resources have non-discriminatory access to this flexibility value in markets of all timescales; and
 2. Adapting market rules accordingly to reward this flexibility by creating new products, harmonising gate closure times, innovating risk management options, independent market monitoring and enabling consumer participation.
- Since the grid development will determine the reliability and cost-efficiency of the entire power system, Europe needs to urgently build a strong grid as a backbone for the IEM, and energy storage facilities which enhance system flexibility, adequacy and efficiency. Pan-European **interconnections** and a cost efficient upgrade of the existing grid using innovative technologies are essential and need to be complemented by smart and intelligent

national transmission and distribution grids. This requires a **revision of the Energy Infrastructure Regulation** in order to rapidly implement:

1. A **one-stop shop for European interconnections permitting** processes, which speeds up permitting procedures while ensuring public participation and protecting citizens' rights;
 2. A simplified and harmonised **cross-border regulatory framework**, including for grid support services; and
 3. **Effective incentives** for the deployment of the **European technologies** of the future.
2. **Establish a common European approach to assess power system adequacy**
- The current national generation **adequacy approach** should be enhanced through a **more European/regional approach**, which considers consumption and all potential sources of capacity including interconnections, demand-side management, energy storage and all energy sources in order to identify the flexibility needs of the system. **Unified metrics** for power system adequacy assessment should be **defined at European level**.
3. **Provide solutions for a European approach**
- **Removing inconsistencies** across different national electricity markets will bring immediate benefits to the consumers and should be a priority. More **coordination of national policies** and increased result-oriented regional cooperation initiatives are key and should be a step towards more European cooperation.
 - **ACER should play a key role** in this European approach working towards better coherence between national regulations. **ACER should therefore become more active – by means of adequate and independent responsibilities - in facilitating cross-border coordination and resource sharing.**

We would be happy to provide our assistance and support to your respective services in order to facilitate the effective implementation of the key priorities for the future and so much needed new European energy market.

Yours sincerely,

