

CEER Citizens' Q&A

Regulatory Aspects of Self-Consumption and Energy Communities

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1 What is an “Energy Community”?

Energy communities are citizen-led initiatives wherein citizens, small and medium enterprises (SME) and local authorities come together to be an active player in the energy sector. Citizen energy initiatives are not a new phenomenon – cooperatives have developed renewable assets and even grids for many years.

The Clean Energy Package introduces new provisions to enable consumers to formally engage in such initiatives. Two different Directives introduce two related but slightly different types of communities: Citizen Energy Communities and Renewable Energy communities. Both types of communities provide a framework for citizens, SME and local authorities to create an entity through which they can collectively produce, buy, sell and store electricity, and provide various forms of energy services to their members, shareholders or the community.

- Citizen Energy Communities – defined in the Electricity Market Directive – can have a wide membership and are also not restricted geographically. They are, however, limited to activities in the electricity sector, and the aim of the legal framework is to put them at an equal footing with commercial actors.
- The membership of Renewable Energy Communities – defined in the Renewable Energy Directive – is more limited, for instance geographically – to shareholders located in the proximity of the community’s assets; and actors whose main business is in the energy sector are excluded. On the other hand, they can be active in the entire energy sector – not limited to electricity, as long as the activity is renewable in nature. The Directive foresees that Member States create an enabling framework for these communities – actively removing any barriers for them and, where necessary, creating a framework that establishes proportionate rules for them.

2 Which regulatory aspects does the report identify?

In this report, CEER defines energy communities and dives into the main regulatory aspects it identified with respect to communities. The structure of the report builds upon the key functions an energy community might deliver. Within these key functions, the report analyses questions linked to business models and market design, technical and network considerations and, of course, consumer rights and protection:

- **Self-consuming, selling and sharing of electricity**
This can take varying forms that require different levels of commitment (e.g. ranging from acting as a fully licensed supplier to cooperating with an already-established supplier), usually harnessing various contractual tools in order to allocate production to its stakeholders. In many Member States, suppliers fulfil public service obligations, which are financially recovered through the energy supplied. Member States need to decide whether energy communities need to carry out these obligations as well. If energy is shared through the public grid, fees need to still be cost-reflective. Consumer rights addressing participation in general, adequate information on terms and conditions as well as their right to switch supplier without undue barriers, need to be safeguarded.

- **Managing electricity consumption and providing flexibility**
Energy communities can be a gateway for consumers to access flexibility mechanisms and become more active in the sense of overseeing and managing their consumption. While this can be beneficial for the members of the energy community, it has to be ensured that there won't be undue restraints on the supply system as a whole. Many regulatory aspects are not necessarily specific to energy communities, they have already been encountered in the context of aggregators, for instance.
- **Owning, operating and managing electricity networks**
If a Member State decides to allow energy communities to operate networks, these need to ensure security of supply and guarantee quality standards regardless of their structure and size. These community-led grid operators need to be able to handle data and assure data security. Their operation has to be cost-efficient, supporting the overall system and non-discriminatory towards other market actors and connected consumers who are not members of the energy community. The operation of parallel networks is deemed unfavourable.

3 How does it work?

The practical implementation of energy communities will strongly depend on the national law that transposes the Directives. The Directives provide considerable flexibility to Member States to adapt the concept to local specificities, for instance, by defining the conditions for qualifying as an energy community and the geographic scope of renewable communities

For this reason, it is not possible to define on a European level how communities work. In some Member States, where cooperative energy projects are already prevalent, the legal change may not be very big. In other Member States, a more proactive enabling framework might enable citizens to engage in new activities

4 What is the impact on energy customers?

The Clean Energy Package introduces energy communities into European legislation and formally recognises definitions for Citizens Energy Communities, Renewable Energy Communities as well as self-consumers.

Certain aspects of energy communities, such as community ownership of simple generation assets or direct services to the local community (e.g. advice on energy efficiency or initiatives to help reduce energy poverty) are largely unproblematic from a regulatory point of view.

However, energy sharing, be it directly or within energy communities, in some respects defies the classical supplier-customer relationship. Energy communities may act as a supplier, as a service provider (e.g. providing aggregation services) or, if allowed by the relevant MS, as a grid operator. These activities fall under the realm of the Electricity Market Regulation, and consequently need particular attention from a regulatory point of view.

When it comes to consumer rights, the new Electricity Market Directive and Renewable Energy Directive do not define a full framework for energy communities or their members. This framework needs to be specified by each Member State in accordance with the new Electricity Market Directive and within general principles set by both Directives.