

CHALLENGES OF THE FUTURE ELECTRICITY SYSTEM

Reduce decarbonisation cost with a pan-EU approach to security of supply • Provide investment stability via well-functioning long-term power markets • Ensure sufficient flexibility • Empower consumers in providing flexibility • Develop distribution networks as a gateway to flexibility and decarbonisation • Allocate network costs with fair and cost-reflective tariffs • Enhance transmission infrastructure development • Recognise benefits of infrastructure and share costs accordingly • Increase existing network capacity with non-wire alternatives • Improve EU electricity market governance • Accelerate the implementation of the EU framework



Integrated security of supply with flexibility at its centre

RECOMMENDATIONS

- European Commission to strengthen governance and institutional framework ensuring the availability of cross-border capacities, in particular in times of system stress.
- ENTSO-E and Member States to better reflect the ability of Member States to support each other in times of stress in their electricity resource adequacy assessments.
- Policymakers to remove barriers and to develop market rules supporting the deployment of non-fossil flexibility resources.
- EU legislation with a clear regulatory framework for demand response and distributed flexibility to be further developed and implemented.
- European Commission to develop best practices on the design of CfDs, flexibility support schemes and capacity mechanisms to minimise their market distortions.

COMMITMENTS

- Energy regulators commit to overcoming regulatory entry barriers for market participation in the several timeframes that may be faced by decentralised flexible resources and new business models.



Moving towards European electricity transmission infrastructure development and cost sharing

RECOMMENDATIONS

- Amend the EU legislation to ensure full transparency of the pan-EU assessment of infrastructure needs, and to discontinue the single-sector infrastructure planning in favour of a multi-sectoral one at European level.
- Currently, the TYNDPs are built bottom-up from the national projects. Amend EU legislation to introduce a complementary EU planning approach to identify regional electricity infrastructure solutions with an EU dimension and empower energy regulators to request TSOs to develop proposals for projects to bridge infrastructure gaps.

COMMITMENTS

- Energy regulators commit to consolidate and improve the current regulatory approaches to better share the cost and benefits of electricity network infrastructure arising from cross-border trade.



Enhanced electricity distribution networks and empowered consumers in decarbonised markets

RECOMMENDATIONS

- Establish and continue improving EU legislation for a clear regulatory framework for distribution networks and local markets for distributed flexibility services.
- European Commission and policymakers to strengthen rules ensuring fully neutral role of electricity DSOs.
- EU Commission to develop guidance to ensure that suppliers offer the whole range of pricing schemes (from dynamic to variable to fixed price contracts) tailor-made to incentivise system flexibility as well as providing choice for all types of consumers.
- EU legislation should be reinforced to close the regulatory oversight gap for other retail market participants, e.g. third-party intermediaries, as new types of flexibility offers and services emerge.
- Policymakers should ensure that targeted and tailored support for vulnerable consumers is consistent with wider social policies and where possible, aim to address the root cause of the energy poverty.



'Efficiency first' principle also applies to existing network and generation

RECOMMENDATIONS

- EU Commission to complete the governance rules for the single EU electricity market tailored to system developments.
- EU Commission to propose legislative improvements in electricity congestion management and balancing.

COMMITMENTS

- Energy regulators commit to jointly develop best practices for network tariff structures that are cost-reflective, non-discriminatory and fit for the new challenges facing our energy system, in particular accurately rewarding flexibility and the use of innovative grid technologies.
- Energy regulators commit to develop (further) incentive frameworks for TSOs, NEMOs and other entities for earlier implementation of integration projects and to improve the enforcement of compliance in case of delays.
- Energy regulators commit to (further) develop incentive frameworks for power system operators to apply the most cost-effective solutions to increase the capacity of the network.



Independent regulators can help address these challenges comprehensively and strengthen Member States' trust in the EU electricity market

RECOMMENDATIONS

- Policymakers should therefore safeguard the independence of regulators and should
- provide them with sufficient resources to carry out their mandated tasks.
- EU institutions to strengthen regulators' role in the areas of infrastructure planning and adequacy.