EASE reply to European Commission's Public Consultation for the Revision of the EU's Electricity Market Design

February 2023

INTRODUCTION

The European Commission's Public Consultation on the electricity market design revision aims to review the current electricity market design and identify areas for improvement that could support the integration of renewable energy sources, while ensuring security of supply and keep prices affordable for consumers.

The Commission recognises that the electricity market design must adapt to accommodate the growing share of renewable energy sources in the energy mix, and to enable the integration of technologies able to provide flexibility and energy shifting, such as energy storage; at the same time, in the view of the geo-political developments of the past year, European policymakers and Member States felt the urgency to tie together the several emergency measures that have been published in order to protect consumers from supply disruption and high electricity prices, and to provide a coherent framework that could address these issues should they arise again in the future, without sacrificing decarbonisation efforts.

Energy storage is seen in the publication as a crucial technology in the transition to a more sustainable energy system: as the current electricity market design in Europe has not yet fully integrated energy storage, there is a need for a more comprehensive and flexible framework to enable its deployment. The Commission's public consultation aims to address this issue and explore ways to incentivise the deployment of energy storage. EASE ensured that its policy recommendations (as outlined in our recent position paper) to foster the business case and integration of energy storage are heard by the European Commission, and can become part of the upcoming Electricity Market Design proposal.

1. Making Electricity Bills Independent of Short-Term Markets

1.1. Power Purchase Agreements (PPAs)

"... To address these barriers, Member States can consider ways of supporting the conclusion of PPAs in line with State Aid rules. The Commission has described in detail the additional measures that could help the development of renewable PPAs in the Commission Staff Working document accompanying the REPowerEU Communication[1].This could be achieved, inter alia, by pooling demand in order to give access to smaller final customers, by providing State guarantees in line with the State Aid Guarantee Notice[2] and by supporting the harmonization of contracts in order to aggregate a larger volume of demand and enable cross-border contracts."

Do you consider the use of PPAs as an efficient way to mitigate the impact of short-term markets on the price of electricity paid by the consumer, including industrial consumers?

- **Yes**
- No

Please describe the barriers that currently prevent the conclusion of PPAs.

24/7 renewable PPAs are difficult to create without hourly time stamped Guarantees of Origin, as well as the lack of EU-wide harmonisation of the GO system, with a well-functioning tracking system, coherent issuance rules and proper timestamping.

Regulatory instability: current cap and clawbacks mechanism in place disincentive the use of PPAs: some countries has set cut off dates for PPAs to be considered (Italy, Spain), other disregard financial instruments.

Lack of off-takers with enough credit risk rating to back up an investment in new capacity, as well as excessive cost of guarantees for PPAs.

Restrictions on the length of retail contracts with some consumers.

Do you consider that the following measures would be effective in strengthening the roll-out of PPAs?

a) Pooling demand in order to give access to smaller final customers

b) Providing insurance against risk(s) either market driven or through publicly supported guarantees schemes (please identify such risks)

c) Promoting State-supported schemes that can be combined with PPAs

d) Supporting the standardisation of contracts: **YES**

e) Requiring suppliers to procure a predefined share of their consumers' energy through PPAs: **NO**

f) Facilitating cross-border PPAs: **YES**

Do you have additional comments?

There are risks entailed in pooling demand: imbalance between suppliers and consumers, flattening the demand, need for different forms of PPAs.

While state support would certainly strengthen the roll-out of PPAs, it would not be the most cost-efficient way to do so.

EASE supports the standardisation of PPA structures on a voluntary basis, but ensuring that these structures remain flexible enough to take into account that different technologies and consumers' needs may entail different contractual forms within the PPA framework

In addition to the measures proposed in the question above, do you see other ways in which the use of PPA for new private investments can be strengthened via a revision of the current electricity market framework?

- **Yes**
- No

Please explain.

The rollout of RES-only PPAs reaches a limitation when flexibility is not factored in. An industry player may take out a renewable PPA to cover 100% of its annual electricity needs, matching electricity consumption to renewable generator over a year. However, there will be periods during which electricity is consumed but not enough renewable energy is being produced by the generators covered under the PPA, an issue which would only become more apparent if PPAs are more widely used. Coupling renewable with energy storage, to form hybrid PPAs, is a method of time-matching to production/available of renewable electricity with the consumption. For 24/7 Renewable PPA to be possible, a definition of 24/7 renewable energy needs to be set where each kWh is guaranteed to be consumed in the same calendar hour as it is produced/injection into the grid. Guarantees of origin with 1 hour time granularity are required, with a mechanism to allow energy storage facilities to absorb renewable energy and the GoO, with a new GoO produced when renewable electricity is reinjected (factoring in energy losses). Longer contracts, 10 years or more, should be encouraged to support project bankability. On top of that, regulatory stability should be pursued to foster investment confidence. A voluntary EU platform for PPAs could also facilitate access to these contracts by

providing a marketplace/forum, as well as facilitating standardisation and facilitating secondary trading.

Do you see a possibility to provide stronger incentives to existing generators to enter into PPAs for a share of their capacity?

- Yes
- **No**

Please explain.

Regulatory stability is key – any incentives should entail overcoming existing barriers and improve access, and not necessarily guarantees/State backed support.

Do you consider that stronger obligations on suppliers and/or large final customers, including the industrial ones, to hedge their portfolio using long term contracts can contribute to a better uptake of PPAs?

- **Yes**
- No

If put in place, these obligations should be open to those who sign all low-carbon PPAs. For example, the Spanish Royal Decree 1106/2020 gives large industrial consumers certain rights to ensure greater certainty over their energy costs. To access this privileged regime (namely, access to the Statute of Energy-intensive Customers and a compensatory support for indirect CO2 emission costs), these industrial electricity consumers must contract at least 10% of their annual power demand via a renewable energy corporate PPA (with a minimum term of five years).

Nonetheless, it is more efficient to create an enabling framework that facilitates the access to PPAs but allows participants to choose the option that better suits them.

Do you consider that increasing the uptake of PPAs would entail risks as regards

a. Liquidity in short-term markets: **No**
b. playing field between undertakings of different sizes: **No**
c. Level playing field between undertakings located in different Member States: **No**
d. Increased electricity generation based on fossil fuels: **No**

e. Increased costs for consumers: **No**

1.2. Forward Markets

…" One possibility to increase the liquidity in forward markets would be to establish virtual trading hubs for forward contracts, as already exist in certain regions.

Such hubs would need to be complemented with liquid and accessible transmission rights to hedge the remaining risk between the hub and each zone.

While hedging up to approximately three years could be improved with better organization of the market, additional measures might be needed to incentivise forward hedging beyond this timeframe (see for example the section above on PPAs)."

Do you consider forward hedging as an efficient way to mitigate exposure to short-term volatility for consumers and to support investment in new capacity?

- **Yes**
- No

Do you consider that the liquidity in forward markets is currently sufficient to meet this objective?

- Yes
- **No**

Do you have additional comments?

Yes, if there is enough liquidity (which is not currently the case).

In your view, what prevents participants from entering into forward contracts?

Energy storage does not have access to forward markets, unlike renewables. Long-term signals are required to roll-out technology which can reduce price volatility, such as storage and demand-side flexibility, where the use of the forward market could be explored to provide long hedging contract.

In your view, would requiring electricity suppliers to hedge for a share of their supply be beneficial for consumers and for retail competition?

- Yes
- No

Do you have additional comments?

No. Forward markets need improvements and hedging may be incentivised (to some extent) for fixed-price contracts, but not imposed: consumers should be able to choose the price structure that better fits their needs and suppliers to choose the hedging structure behind it.

Do you consider that the creation of virtual hubs for forward contracts complemented with liquid transmission rights would improve liquidity in forward markets?

- **Yes**
- No

If yes, do you consider that such virtual hub(s) should be developed at national, regional or EU level?

- National level
- Regional level
- EU level

Do you have experience with the existing virtual hubs in the Nordic countries?

- Yes
- No

In case you have experience with the existing virtual hubs in the Nordic countries, how do you rate this experience? (0 Very Negative, 5 Very Positive)

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Do you have additional comments related to the existing virtual hubs in the Nordic countries?

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In your view, what would be the possible ways of supporting the development of forward markets that could be implemented through changes of the electricity market framework?

- Enhanced long-term transmission rights to allow for cross-border hedging.
- Market-based incentives for agents to voluntarily provide market making services, avoiding inefficient mandatory market making.

1.3. Contracts for Difference (CfDs)

"....As it may be difficult for regulators to estimate the actual investment costs, the possibility to determine the remuneration of supported generators through a competitive bidding process is an important instrument to avoid long-lasting excessive costs."

Do you consider the use of two-way contracts for difference or similar arrangements as an efficient way to mitigate the impact of short-term markets on the price of electricity and to support investments in new capacity (where investments are not forthcoming on a market basis)?

- Yes
- No

Do you have additional comments?

CfDs should remain a possibility to develop new capacities, on a voluntary basis.

Should new publicly financed investments in inframarginal electricity generation be supported by way of two-way contracts for differences or similar arrangements, as a means to mitigate electricity price spikes of consumers while ensuring a minimum revenue?

- Yes
- No

What power generation technologies should be subject to two-way contracts for difference or similar arrangements?

Current CfD set up for renewables are not suited for energy storage (they do not allow to capture the benefits of price volatility, which is key for the storage business case). Regarding

co-located RES+storage facilities, the CfD should distinguish between the RES and the storage facility, and be set up differently.

Why should those technologies be subject to two-way contracts for differences or similar arrangements?

When market failures arise (meaning, when the energy storage capacity deployed through market mechanisms is not enough to guarantee the functioning of the system without recurring to fossil fuels), energy storage should be able to access CfDs. It's important to note that existing CfD frameworks for renewables are normally unsuited to cover energy storage: including storage technologies in such mechanisms would disincentivize storage assets to optimize against scarcity pricing in markets and hence reduce their impact on making markets more efficient. When covering standalone energy storage, the CfD need to be structured according to the technology and its contribution to the energy system the shifting of renewable energy over time. Therefore a CfD for energy storage should provide a state-backed long revenue stream to improve project bankability, by guaranteeing a long-term volatility spread, and in turn, facility operators should give up some of the revenue based on the actual price volatility in the market, measured against the CfD strike price set in the auction. Co-located energy storage facilities benefitting from any support schemes must also be able to charge electricity from the grid to participate in other markets and provide ancillary services.

Additionally, safeguards should be deployed to ensure grid-supportive behaviour from producers who benefit from CfDs. To prevent generators from injecting electricity into the grid when there is risk of congestion, safeguards (such as penalties, or a "soft cap" as an incentive) should be set.

What technologies should be excluded and why?

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What are the main risks of requiring new publicly supported inframarginal capacity to be procured on the basis of two-way contracts for difference or similar arrangements, for example as regards the impact in the short-term markets, competition between different technologies, or the development of market based PPAs?

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What design principles could help mitigate the risks identified in your reply to the question above, in particular, in terms of procurement principles and pay out design? Should these principles depend on the technology procured?

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How can it be ensured that any costs or pay-out generated by two-way CfDs in high-price periods are channelled back to electricity consumers? Should a default approach apply, for example, should these revenues or costs be allocated to consumers proportionally to their electricity consumption?

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What should be the duration of a two-way CfD for new generation and why? Should this differ depending on the technology type?

For new assets, it should be related to its technical life (e.g. 10-15 years for battery storage, 20-25 for long duration storage). Importantly, no time extension beyond what was expected at the beginning of the CdD should be possible (regulatory stability necessary).

Should generation be free to earn full market revenues after the CfD expires, or should new generation be subject to a lifetime pay-out obligation?

After the end of the contract, new generation should be exposed to the market.

Without prejudice to Article 6 of Directive (EU)2018/2001[1], should it be possible for Member States to impose two-way CfDs by regulatory means on existing generation capacity?

- Yes
- No

If such possible use of regulated CfDs for existing generation is deemed appropriate, should the obligation apply to all types of existing inframarginal generation or be limited to certain types of generation (and if so, which types)?

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Under what terms and conditions could regulated two-way CfDs on existing generation capacity be imposed?

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How would you rate the following potential risks as regards the imposition of regulated CfDs on existing generation capacity?

	Negligible risks	Low risks	Medium risks	High risks	Very high risks
Legitimate expectations/legal risks					x
Ability of national regulators/governments to accurately define the level of the price levels envisaged in these contracts				x	
Locking in existing capacity at excessively high price levels determined by the current crisis situation			x		
Impact on the efficient short-term dispatch			x		

Would it be enough for existing generation to be subject only to a simple revenue ceiling instead of a revenue guarantee?

- Yes
- No

Do you have additional comments?

No. Any intervention in that price formation mechanism creates further distortions across the different parts of the power market.

What are the relative merits of PPAs, CfDs and forward hedging to mitigate exposure to short-term volatility for consumers, to support investment in new capacity and to allow customers to access electricity from renewable energy at a price reflecting long run cost?

Regarding energy storage specifically, enabling facilities to access long term contracts and forward hedging would make projects more bankable and allow to deploy much-needed capacity faster. At the moment, the main revenue streams for storage rely on arbitrage and balancing, that while important for the well-functioning of the markets do not provide sufficient investment security to investors and developers. More storage facilities (=more flexibility and energy shifting ability) will be necessary to ensure enough renewables will be rolled out to witness a significant decrease in price (reflective of the low marginal costs).

1. 4. Accelerating the deployment of renewables

"Within the framework of the Electricity Market legislation, accelerating the deployment and facilitating the uptake of renewables is one of the guiding principles of the Clean Energy Package and of this consultation paper. For example, a transmission access guarantee could be envisaged to secure market access for offshore renewable energy assets interconnected via hybrid projects, where the relevant TSO(s) would compensate the renewable operator for any hours in which the actions of the TSO led to not enough transmission capacity being accessible to the offshore wind farm to offer their export capabilities to the electricity markets.

Also, removing the barriers for the uptake of renewable PPAs or generalising two-way CfDs, enhancing consumer empowerment and protection, and increasing demand response, flexibility and storage should contribute to the accelerated deployment of renewables."

Do you consider that a transmission access guarantee could be appropriate to support offshore renewables?

- Yes
- No

Do you see any other short-term measures to accelerate the deployment of renewables?

a. At national regulatory or administrative level (Yes/No)

b. In the implementation of the current EU legislation, including by developing network codes and guidelines (Yes/No)

c. Via changes to the current electricity market design (Yes/No)

d. Other

(a) Yes, namely easier and faster permitting

(b) Yes regarding the implementation (namely, local flexibility markets and market-based congestion), but there is no need for new network codes.

(c) via changes to the current electricity market design? Yes

In general, all measures aimed at accelerating the deployment of renewables should allow to deploy flexibility and energy shifting technology to match the pace of the renewables roll-out. Failing to prepare for the build-out of flexibility technologies and grid infrastructure to match the pace of the roll out of renewables will result in increasing congestion on power grids, curtailment of renewable generation, continued CO2 emissions from the power sector, and increased cost to consumers.

How should the necessary investments in network infrastructure be ensured? Are changes to the current network tariffs or other regulatory instruments necessary to further ensure that the grid expansion required will take place?

As renewables increasingly penetrate the energy mix, transparency from SOs on how much electricity is curtailed yearly is necessary to allow flexibility and energy shifting providers to operate efficiently. Moreover, to enable a stronger usage of these smart and economic alternatives to traditional grid reinforcements, rules around storage ownership need to be clarified and clearer processes for TSO and DSO storage ownership on member state level need to be established.

Further grid planning processes need to be more transparent and storage as fully integrated network component (see Gridbooster Project in Germany) as well as other smart grid solutions should be required to be considered as a possible tool in any grid planning processes.

1. 5. Limiting revenues of inframarginal generators

"...The question to be addressed in the context of the reform of the electricity market rules is whether, in addition to relying on long-term pricing mechanisms such as forward markets, CfDs and PPAs, such revenue limitations for inframarginal generators should be maintained."

Do you consider that some form of revenue limitation of inframarginal generators should be maintained?

- Yes
- **No**

How do you rate a possible prolongation of the inframarginal revenue cap according to the following criteria: (0 being "Not at all preferable" and 10 "being Definitely preferable")

(a) the effectiveness of the measure in terms of mitigating electricity price impacts for consumers

(b) its impact on decarbonisation

(c) security of supply

(d) investment signals

(e) legitimate expectations/legal risks

(f) fossil fuel consumption

(g) cross border trade intra and extra EU

(h) distortion of competition in the markets

(i) implementation challenges

In case you consider maintaining such a revenue limitation warranted, in what situations should it apply? How should the level of the cap be defined?

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Should the modalities of such revenue limitation be open to Member States or be introduced in a uniform manner across the EU?

- Member States
- EU

How can it be ensured that any revenues from such limitations on inframarginal revenues are channelled back to electricity consumers? Should a default approach apply, for example, should these revenues be allocated to consumers proportionally to their electricity consumption?

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2. Alternatives to Gas to Keep the Electricity System in Balance

"...Well-functioning short-term markets require healthy competition between market participants so that they are incentivised to bid at their true cost and regulators have the necessary tools to detect any kind of abusive or manipulative behaviour. Demand response,

storage and other sources of flexibility must be put in a situation where they can compete effectively so that the role of natural gas in the short-term market to provide flexibility is progressively reduced, which will bring multiple benefits including lower electricity prices for consumers. To ensure this, targeted changes to the functioning of short-term markets could be envisaged, which could include:

- *Incentivising the development of flexibility assets*
- *Adapt incentives in the System operators tariff design*
- *Using sub-meter data for settlement and observability*
- *Developing new products to foster demand reduction and shift energy at peak times*
- *Coordinating demand response in periods of crisis*
- *Improving the efficiency of intraday markets*
- *Shifting the cross-border intraday gate closure time closer to real time*
- *Mandating the sharing of the liquidity at all timeframes until the time of delivery."*

Do you consider the short-term markets are functioning well in terms of:

(a) accurately reflecting underlying supply/demand fundamentals (Yes/No)

(b) encompassing sufficiently liquidity (Yes/No)

(c) ensuring a level playing field (Yes/No)

(d) efficient dispatch of generation assets (Yes/No)

(e) minimising costs for consumers (Yes/No)

(f) efficiently allocating electricity cross-border (Yes/No)

Do you see alternatives to marginal pricing as regards the functioning of short-term markets in terms of ensuring efficient dispatch and as regards the determination of cross border flows?

- Yes
- **No**

Do you have additional comments?

To the previous question: Yes to all, if we keep short term markets into considerations. The issue we need to solve are regarding long-term revenue streams/markets.

How can the EU emission trading system and carbon pricing incentivize the development of low carbon flexibility and storage?

The EU Emission trading scheme and the internalization of carbon emissions into dispatch signals is an important tool to decarbonize the European power system. Carbon emissions should play a stronger role in underlying power market products, especially including capacity mechanisms which should be progressively decarbonised. It also highlights the role of energy storage as a provider of carbon-neutral flexibility (from shorter periods to seasonal, or even multiannual) able to provide services that until now has been provided through higher emission technologies.

Do you consider that the cross-border intraday gate closure time should be moved closer to real time (e.g. 15 minutes before realtime)?

- **Yes**
- No

Do you consider that market operators should share their liquidity also for local markets that close after the cross-border intraday market?

- **Yes**
- No

What would be the advantages and drawbacks of sharing liquidity in local markets after the closure of the cross-border intraday market?

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Would a mandatory participation in the day-ahead market (notably for generation under CfDs and/or PPA's) be an improvement compared to the current situation?

- Yes
- No

What would be the advantages and drawbacks of such an approach?

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What would be the advantages and drawbacks of having further locational and technology-based information in the bidding in the market (for example through information on the composition of portfolio, technology-portfolio bidding or unit-based bidding)?

Locational signals are not strong in many markets, especially big price zones like Germany, resulting in high congestion management costs. Today price signals from markets can be directly counterintuitive to grid availability.

A clearer incentive would be to strengthen local flexibility markets and create mechanisms for market-based congestion management in all member states across Europe, implementing the existing Electricity Market Directive.

This would enable clearer signals for new loads, generation and flexible technologies like storage to be built at locations where they help overcome existing congestion issues in the grid.

What further aspects of the market design could enhance the development of flexibility assets such as demand response and energy storage?

When proven necessary by congestion management issues, the introduction of congestion management/flexibility platforms, such as Piclo Flex in the UK, and GOPACS in the Netherlands, allow system operators to more easily procure flexibility to manage congestion and ensure better integration of renewable energy and reduce renewable curtailment. These platforms also better help support aggregation of many smaller flexibility units. Contracts should be a minimum of one year, with multiple year contracts preferable.

When proven necessary for system stability, in particular in island regions, the further rollout of faster Frequency Response products such as Dynamic Containment in the UK, Fast Frequency Response in Ireland, and the pilot project on Fast Reserve in Italy.

Include a definition of "renewable peaker" which are designed as hybrid plants (solar-storage, wind-storage, solar-wind-storage). Each Member State should investigate the opportunity to introduce market-based mechanisms, regulations or (when market failures arise) incentives that allow new and/or existing renewable plants (including storage) to offer peaking power aside their original purpose. This is key to set alternative or additional revenue streams to incentivise grid-supporting assets. These mechanisms should always be technology neutral (below a certain carbon cap).

Developing appropriate hedging products against spot-market volatility, by creating a dedicated market mechanism, such as CfD structures for energy storage or flexibility assets. These mechanisms should aim at accelerating investments into flexible technologies, by

reducing investment risk though allowing them to receive a guaranteed revenue stream but still fully participating in the spot markets.

In particular, do you think that a stronger role of OPEX in the system operator's remuneration will incentivize the use of demand response, energy storage and other flexibility assets?

- **Yes**
- No

Do you have additional comments?

A stronger role of OPEX in SO remuneration could bring value to grid reinforcement alternatives when relevant, and notably to the use of flexibilities such as storage. These mechanisms should ensure sufficient visibility and guarantees on revenues, in particular a sufficient contract length (around 7 years). But while a TOTEX approach is welcomed, the possible use of energy storage as a fully integrated network component should not be hampered by any change.

Do you consider that enabling the use of sub-meter data, including private sub-meter data, for settlement/billing and observability of demand response and energy storage can support the development of demand response and energy storage?

- **Yes**
- No

Do you have additional comments?

The use of sub-meter data should nevertheless be regulated with appropriate rules to ensure that sub-meter data are used in consistency with main meter data. Sub-meter data should also be utilized at utility scale storage + renewable assets and provide a clearer path on the more efficient integration of such assets into energy markets.

Do you consider it appropriate to enable a product to foster demand reduction and shift energy at peak times as an ancillary service, aiming at lowering fuel consumption and reducing the prices?

- **Yes**
- No

Do you have additional comments?

In any proposed product it will be important to define it in a technology neutral way. While demand reduction can lower peak demand during high price periods and take gas assets out of the market, the same can be achieved by carbon-neutral peaking capacity, in including utility scale energy storage. Hence the reduction of load should always be seen in parallel with the provision of zero-carbon peaking power, which has the advantage that its location can also be incentivized by locational price signals, such as local flexibility markets. Additionally, utility scale storage as a market asset does not have other primary use cases, as most demand response assets, which can limit their ability to fully optimize against market signals.

Do you consider that some form of demand response requirements that would apply in periods of crisis should be introduced into the Electricity Regulation?

- Yes
- **No**

Do you see any further measure that could be implemented in the shorter term to incentivize the use of demand response, energy storage and other flexibility assets?

- **Yes**
- No

Do you have additional comments?

In the shorter term, a pre-requisite to enhance the development of flexibility assets is to ensure that they are entitled to participate in all existing markets and that appropriate rules are defined, or implemented (where full implementation of the Clean Energy Package is still lacking), including full access to wholesale and ancillary service markets for energy storage in all member states. In particular, the market-based procurement of balancing capacities should be generalised since it allows all kinds of assets to compete on these services. Moreover, further transparency on grid connection (connection timelines, reasons for refusing connection) is needed from SOs. This would allow energy storage to efficiently act as a flexibility tool in the grid (through local flexibility markets and/or congestion management).

Do you consider the current setup for capacity mechanisms adequate to respond to the investment needs as regards firm capacity, in particular to better support the uptake of storage and demand side response?

- Yes
- **No**

Do you have additional comments?

The current CM setup does not adequately respond to the challenges of the energy system, and it should become part of the structural market design to balance the urgency of achieving emission targets with security of supply concerns. It is urgent to guarantee access in all markets to carbon neutral facilities such as storage and demand response, but other measures can be put in place to decarbonise CM without hindering security of supply:

- Progressively set the carbon cap to 250 g/kWh and gradually decrease the annual cap of kg/CO2 per installed kWe through milestones. The CRM's role is to provide security of supply; however, the recent energy supply crisis has shown that fossil fuels, especially imported, do not provide this. 250 g/kWh is in line with the European Investment Bank's own energy lending policy.
- Carbon-neutral facilities (i.e. facilities with carbon-neutral operations) should receive a favourable treatment when providing the requested capacity in compliance with the State Aid Guidelines. This would especially support innovative technologies capable of supplying firm capacity and provide a baseline remuneration in order for them to be immediately bankable:
    - Award longer contracts (15-20 years) to technologies below a certain CO2 limit with longest contracts to be awarded to newly-built facilities with carbon-neutral operations.
    - Establish a scalar approach based on carbon content for capacity payments: higher remuneration for carbon neutral facilities (up to 200% of Capacity Mechanism clearing price) and lower remuneration for facilities that emit the maximum allowed carbon emission (down to 50% of CM clearing price).

Alternatively, introduce a regulated additional premium for carbon-neutral facilities. The calculation would include the estimated RES investment savings (i.e. avoided investment due to a reduction in renewable electricity curtailment), a value which is not captured in the energy markets and leads to underinvesting in (e.g.) storage capacity.

Do you see a benefit in a long-term shift of the European electricity market to more granular locational pricing?

- Yes
- No

3. Better Consumer Empowerment and Protection

3.1 Energy sharing and demand response

Would you support a provision giving customers the right to deduct offsite generation from their metered consumption?

- Yes
- No

If such a right were introduced:

(a) Would it affect the location of new renewable generation facilities? (Yes/No)

(b) Should it be restricted to local areas? (Yes/No)

(c) Should it apply across the Member State/control/zone? (Yes/No)

Would you support establishing a right for customers to a second meter/sub-meter on their premises to distinguish the electricity consumed or produced by different devices?

- Yes
- No

3.2 Offers and contracts

Would you support provisions requiring suppliers to offer fixed price fixed term contracts (ie. which they cannot amend) for households?

- Yes
- No

If such an obligation were implemented what should the minimum fixed term be?

(a) less than one year

(b) one year

(c) longer than one year

(d) other

Cost reflective early termination fees are currently allowed for fixed price, fixed term contracts:

(a) Should these provisions be clarified? (Yes/No)

(b) If these provisions are clarified should national regulatory authorities establish ex ante approved termination fees? (Yes/No)

Do you see scope for a clarification and possible stronger enforcement of consumer rights in relation to electricity?

- Yes
- No

3.3 Prudential supplier obligations

Would you support the establishment of prudential obligations on suppliers to ensure they are adequately hedged?

- Yes
- No

Would such supplier obligations need to be differentiated for small suppliers and energy communities?

- Yes
- No

3.4 Supplier of last resort

Should the responsibilities of a supplier of last resort be specified at EU level including to ensure that there are clear rules for consumers returning back to the market?

- Yes
- No

Would you support including an emergency framework for below cost regulated prices along the lines of the Council Regulation(EU) 2022/1854 on an emergency intervention to address high energy prices, i.e. for households and SMEs?

- Yes
- No

(a) If such a provision were established, should price regulation be limited in time and to essential energy needs only? (Yes/No)

(b) Would such provisions substitute on long term basis for direct access to renewable energy or for energy efficiency? (Yes/No)

Can this be mitigated? (Yes/No)

(c) Would such contracts reduce incentives to reduce consumption at peak times? (Yes/No)

Can this be mitigated? (Yes/No)

4. Enhancing the Integrity and Transparency of the Energy Market

What improvements into the REMIT framework do you consider as most important to be addressed immediately?

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With regards to the harmonization and strengthening of the enforcement regime under REMIT: what shortcomings do you see in the existing REMIT framework and what elements could be improved and how?

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With regards to better REMIT data quality, reporting, transparency and monitoring, what shortcomings do you see in the existing REMIT framework and what elements could be improved and how?

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About EASE

The European Association for Storage of Energy (EASE) is the voice of the energy storage community, actively promoting the use of energy storage in Europe and worldwide. It supports the deployment of energy storage as an indispensable instrument within the framework of the European energy and climate policy to deliver services to, and improve the flexibility of, the European energy system. EASE seeks to build a European platform for sharing and disseminating energy storage-related information and supports the transition towards a sustainable, flexible and stable energy system in Europe.

For more information please visit www.ease-storage.eu

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Disclaimer

This response was elaborated by EASE and reflects a consolidated view of its members from an energy storage point of view. Individual EASE members may adopt different positions on certain topics from their corporate standpoint.

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