Enhancing resource adequacy in Europe and avoiding the distorting nature of capacity mechanisms

BusinessEurope welcomes the Commission’s views on the role of capacity mechanisms in Europe. The approach involves several dimensions, from the requirement of full implementation of the acquis to the removal of all regulatory distortions. Hence, member states should ensure that capacity mechanisms comply with the internal energy market, have least distorting effects and would not disincentivise interconnections. This includes obligations for all capacity mechanisms to be open to cross border participation and demand-side response, to be technology neutral and to be derived based on shared reliability standards.

BusinessEurope stresses that member states and the European Commission have to work together to ensure other options are exhausted before capacity mechanisms are pursued. They should also be limited in time and fully comply with the state aid guidelines. Lastly, it is also important that the impact on competitiveness of energy-intensive industries exposed to international competition is duly assessed and, where appropriate, that those sectors are shielded from additional costs of these mechanisms.

In terms of the resource adequacy, BusinessEurope supports an enhanced system of monitoring by member states in their territory, based on the European assessment of capacity management and planning. At the same time, they would have an obligation to cope with any kind of distortions and bottlenecks that may lead to resource adequacy concerns.

The ultimate goal of an EU-wide solution has the potential to contribute to an efficient use of resources and capacities. This implies a common methodology and closer cooperation among involved transmission system operators (TSOs) and national regulatory authorities (NRAs), as well as an adequate level of cross border interconnection. Combined use of adequacy assessments on different levels shall contribute to informed decisions at EU and national level on market design.

Accelerating the energy transition from coal, without putting security of supply at risk

BusinessEurope supports the need to progressively phase out coal from the EU power generation market. The transition to a low carbon energy supply, together with the deployment of innovative and smart technologies, brings stronger benefits on flexibility to the power market, in particular with the growing share of intermittent renewable energy sources. To incentivise such a transition, BusinessEurope prefers market-based mechanisms such as carbon markets.
With regard to proposed rule of the 550g CO2/kWh (Emission Performance Standard) for capacity mechanisms, we remained concerned about its impact. Such system risks undermining the EU ETS due to double regulation.

Furthermore, the European Commission has failed so far to bring sound evidence on the expected impacts of the proposed rule i.e. in terms of achieving EU emissions reduction objectives, costs implications and impacts on security of supply on the EU power market.

However, should co-legislators agree on a EPS rule, it is of utmost importance to adjust the text proposal in order to mitigate the impact, in particular on energy costs and security of supply.

> **Bringing more Europe into power transmission**

BusinessEurope has previously called for more integration of power system operation (instead of mere coordination of system operation) over borders. A more integrated approach to transmission system operation is necessary given the expected medium- to long-term transformation of the European electricity system, as well as the obligations stemming from the EU network codes.

Respecting the adopted System Operation Guideline and the existing Regional Security Coordination initiatives, it is necessary to further enhance the system coordination towards operation on the regional level. Bottom-up collaboration of transmission system operators (TSOs), with gradual increase of competences at regional level, stipulated in the article 38, is the first important step. With the horizon of 2030, the EU should thus go beyond coordinated actions and recommendation to take full benefit of the regional level, without violating operational security. To strengthen the liability aspect, the introduction of the governance of regional centres must go hand in hand with better coordination on the regulatory authorities' side and an increased role of ACER.

BusinessEurope also calls on the member states to increase the transparency of the actions on the transmission operators' side. Any deviation from the recommendations or coordinated actions shall be published and sufficiently justified by the relevant TSO.