ELECTRICITY MARKET REGULATION

Deeper European integration of the power system is essential as electricity does not respect borders. The risk is that national interventions can lead to a less cost-optimal allocation of resources and not to a common power market with predictable and stable conditions.

Level-playing field

- All energy sources, including renewables, should stand on equal footing in the market. This can be enhanced by removing specific exemptions. The new framework should also strengthen the balancing responsibility of all generation and demand sources and ensure that all market participants have access to competitive balancing markets and services. In this respect, Article 4 of the electricity regulation envisaging general balancing responsibility for all market participants is a positive contribution. At the same time BusinessEurope warns against exemption of small-scale installations in the future, which may contradict the objective of establishing a level playing field. In order to limit the negative impact of these exemptions on electricity consumers and to allow for good market functioning, it is key that in case of derogations to balancing responsibility, Member States make sure that the financial responsibilities of imbalances are fulfilled by another party.

➤ BusinessEurope therefore supports the Commission proposal to remove wholesale market price restrictions. Yet, some proposals may weaken this level-playing field. As an example, priority dispatch rules for some generation capacities should not undermine the objective of gradually removing all restrictions and discriminatory rules, subject to grandfathering for existing facilities.

➤ BusinessEurope also supports the Commission to facilitate the entry of new players to increase competition. This implies proposal to have all sources on an equal footing in the market, in particular in terms balancing obligations, removal of priority dispatch, access of new entrants or rules on curtailment and redispaching of generation sources. In this regard, we support Council wording, which strives to limit exemptions to minimum.

Capacity mechanisms

- As set out in the current state aid guidelines, it is necessary to 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.

- Member States and the European Commission have to work together to ensure other options are exhausted before capacity mechanisms are pursued and if so, that they are 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 costs of these mechanisms.