

31st EU ELECTRICITY REGULATORY FORUM

13-14 June 2016

DRAFT CONCLUSIONS

Upgrading the retail markets

1. The Forum recognises that the development of a holistic EU framework is key to unlocking the potential of demand response and to enabling it to provide flexibility to the system. It notes the large convergence of views among stakeholders on how to approach the regulation of demand response, including:
 - the need to engage consumers,;
 - the need to remove existing barriers to market access, including to third-party aggregators;
 - the need to make available dynamic market-based pricing;
 - the importance of both implicit and explicit demand response; and
 - the cost-efficient installation of the required technology.
2. The Forum supports the cooperation of TSOs and DSOs on data management, considering it an important step in finding common solutions to system operation and system planning. It acknowledges the need to identify at EU-level a set of common principles, roles, responsibilities and tasks concerning data management, which will enable the development of new services and the active participation of consumers in the future energy system while ensuring data protection and leaving room for implementation at national level.
3. The Forum stresses the importance of innovative solutions and active system management in distribution systems in order to avoid costly investments and raise efficiencies in system operation. It highlights the need for DSOs to be able to purchase flexibility services for operation of their systems whilst remaining neutral market facilitators, as well as the need to further consider the design of distribution network tariffs to provide appropriate incentives. The Forum encourages regulators, TSOs and DSOs to work together towards the development of such solutions as well as to share best practices.
4. The Forum takes note of the announcement from the Commission of the establishment of an EU-level DSO entity that can serve to provide expertise in advancing the EU market. The Forum invites the Commission, in the design of any entity, to ensure a balanced representation of DSOs and maximum independence and neutrality.

Revision of the Renewables Directive

5. The Forum agrees on the importance of developing a robust and stable regulatory framework for renewables to ensure a cost-effective achievement of the at least 27 % by 2030 EU-level binding renewables target. The Forum underlines the importance of reducing capital costs for renewables investments in the least distortive way.

6. The Forum stresses that the renewables framework for the post 2020 period should be based on an enhanced market design, fit for the full integration of renewables, a strong carbon price signal through a strengthened ETS, and specific support for renewables, that when and if needed, should be market based and minimise market distortions. To this end, the Forum encourages the Commission to develop common rules on support schemes as a part of the revision of the Renewables Directive that facilitate a market based and more regionalised approach to renewables.
7. The Forum highlights the importance of enabling cost effective self-consumption of renewable energy while ensuring a fair contribution of self-consumers to grid costs.
8. The Forum notes the importance of including complementary measures in the Directive revision so that we ensure the EU level target is timely met in a way that early efforts are considered, in case Member States do not manage to meet collectively the EU target.

Coordinating State intervention in system adequacy

9. The Forum acknowledges the preliminary findings and conclusions of the State aid inquiry on capacity mechanisms. It notes the need to improve overall market design to enhance system adequacy and that the ultimate goal should be a well-functioning market that ensures security of supply. It nevertheless recognises that, due to security of supply concerns, Member States are introducing capacity mechanisms. Therefore, it supports the Commission's intention to develop a clear framework applicable to state interventions in system adequacy that minimises market distortions while providing stability to investors and an appropriate role for regional cooperation.

Upgrading the wholesale markets

10. The Forum notes the Commission's intention to address the issues of price zones, tariffs design, capacity calculation and congestion in the market design initiative in order to complement the CACM Regulation. It notes the Commission's intention to clarify the bidding zone decision-making process and calls for improvement in the capacity calculation process, including enhancing its transparency. With regards to tariffs, it considers it important that distribution and transmission tariffs are coherent and calls on the Commission to ensure a consistent framework.
11. It stresses the importance of considering wholesale and retail markets holistically and that price formation is key; efficient prices will address many of the obstacles that exist to a flexible market, including the incentivisation of demand response. It therefore believes that a fundamental question concerns the health of the price formation process and calls for this to be at the heart of the debate on the future market design.

Progress on implementation of network codes and guidelines

12. The Forum notes ACER's commitment to decide as quickly as possible on the proposal on capacity calculation regions so that the ensuing steps that depend on this decision are taken swiftly and the CACM Regulation is implemented on time.
13. The Forum encourages the CWE-CEE project to continue the effort to move to flow-based market coupling based on a single methodology.
14. The Forum calls on project parties to continue the momentum on the XBID project, including local implementation projects, and, together with NRAs, provide for the necessary cost sharing and cost recovery arrangements under CACM, with a view to its urgent implementation.