

## Florence Forum 2024 – Conclusions

### **EMD: Session 1:**

*On Capacity Mechanisms, the Forum welcomes the Commission mandate following up the EMD reform and the update from the Commission and ACER to speed up the approval process for Capacity Mechanisms and simplify the ERAA methodology. The Forum acknowledges the recent approval of the ERAA 2023 and acknowledges that preserving a robust ERAA is key to anticipate electricity security of supply concerns across the EU and to highlight the benefits that an interconnected and integrated system brings by relying on neighbours at times of need. The Forum expects that the process to streamline the ERAA will lead to simplifications of the assessment where possible, without jeopardising its robustness, and being mindful of the legal framework. The Forum welcomes the new rules which make Capacity mechanisms as a more structural element of the Electricity market and highlights that these mechanisms have the potential to distort the competition of the markets. Therefore, a global reassessment of their necessity and design should occur periodically in light of the evolving regulatory framework and market circumstances.*

*On renewables, a strong focus should be put on fast implementation of the existing legislative framework, in topics such as permitting. Continued focus is needed on necessary investments, grid infrastructure and the deployment of flexibility assets to integrate renewables. Promotion of PPAs and smart design of support schemes, together with the use of locational signals and flexibility assets, have an important role to play in managing electricity costs. This entails addressing the implications of excessive negative prices, incentivising investments and limiting market distortions. Good auction design for renewable energy sources is key in the buildout of renewable energy and can be supportive of sustainable industrial growth in the EU if designed well.*

*Energy sharing has the potential to drive decentralised renewable production, consumer empowerment and flexibility provision and the Forum looks forward to the upcoming EC Guidance. DSOs, or the body responsible for metering in Member States, need to put in place the necessary IT and data management infrastructure to realise these opportunities. Suppliers will need to develop business models that facilitate consumers who actively participate and contribute to the energy transition.*

*The Forum welcomes the cooperation between NRAs in identifying best practices for the implementation of the new rules on supplier risk management.*

### **EMD Session 2:**

*Any barriers hindering non-fossil flexibility resources participation in electricity markets should be lifted, through the implementation of the Electricity Directive and Regulation. The development of the proposal for the Network Code on Demand Response by EU DSO entity and ENTSO-E established a constructive environment with open and transparent discussions with the main affected stakeholders in the context of the drafting committee. The thorough review of the proposal submitted to ACER should ensure sufficient level of clarity for*

*implementation and of ambition at EU level to develop distributed energy resources, and build a consistent framework for market participants.*

*The newly adopted Electricity market design reform contains important elements for development of non-fossil flexibility solutions to support decarbonisation. The development of the single EU wide coordinated methodology by ENTSO-E and the EU DSO Entity that will be used for the national assessment is a key first step, where coordination with stakeholders will be important to cover all types of non-fossil flexibility solutions, including at local scale.*

### **EMD Session 3:**

*The Forum welcomes the restart of the revision of the CACM Guideline. It is crucial to ensure that the framework for Market Coupling is adequate to ensure that the system remains fit for purpose and future-proof considering the upcoming market developments. The Forum recalls the importance of electricity markets for the future electrification of the economy and invites decision-makers to address the issues identified.*

*The Forum acknowledges the importance of improving the forward markets and looks forward to the Commission proposals.*

### **REMIT:**

*The Forum highlights the importance of the REMIT revision for the internal energy market in the EU. The Forum takes note of the key elements of the revised REMIT and highlights the importance and a need for effective implementation. The Forum calls for close involvement of all relevant stakeholders and authorities in the development of REMIT-related Delegated and Implementing Acts.*

### **Looking ahead:**

*The Forum takes note of the Commission's request to ACER and NRAs to make a recommendation on how to strengthen the regulatory framework to reduce implementation delays, looking into enforcement, incentives as well as governance.*

*The Forum acknowledges the system operation and integration challenges which are a consequence of moving to a decarbonised electricity system and expressed concern about the potential future costs, such as redispatch costs. The identified system inefficiencies add costs to the consumer bill, which could jeopardise public acceptance and the affordability of the clean energy transition. The Forum therefore stresses the urgency of this issue and invites the Commission and Member States to reflect on ways to address these challenges, remove inefficiencies, limit unnecessary system costs and hence ensure an efficient transition.*

### **Energy Community:**

*The Forum acknowledges the great strides taken by the Energy Community countries to further integrate with the European electricity market and encourages them to continue with the necessary market reforms. The market coupling will take place upon the full*

*transposition and implementation of the Electricity integration package. This reciprocal commitment provides a unique opportunity for the Contracting Parties to integrate into the single day-ahead coupling (SDAC) and single intraday coupling (SIDC) well ahead of the expected accession of each Contracting Party to the EU. Given the current delays that Contracting Parties have already accumulated, a timely completion of market coupling seems to be at risk. The Forum encourages all parties to continue their work on agreeing transparent, non-discriminatory and harmonised rules for trade. In particular, the Forum welcomes the significant work by TSOs regarding the electricity trading arrangements between Ukraine, Moldova and the continental European Network.*