Introduction

Following Article 20 (3), Member States with identified adequacy concerns develop an implementation plan, in which they set out how they intend to address the root causes of their adequacy problem with market reforms (“Market Reform Plans”). This requirement reflects the recognition that markets, if well designed, free of regulatory distortions and sufficiently connected to the EU electricity grid, can provide the right amount and type of capacity to meet demand. Capacity mechanisms should only be introduced to address residual concerns, i.e. problems or circumstances which cannot be solely resolved by market reforms. Once the residual concerns have been eliminated and market reforms have started to work, adequacy problems are expected to decrease and ultimately disappear. To enable this, regulatory measures to eliminate distortions and to reform markets need to be effective and credible for investors and all other market participants.

The submission of a Market Reform Plan is followed by a review by the Commission, both being a legal condition for the approval of any national capacity mechanism under Article 21(5) of the Electricity Regulation. This was detailed out in the Guidance for Member States on implementation plans1 pursuant Art. 20 (3)-(5) of Regulation (EU) 2019/943 (“Market Reform Plans”).

Article 20 (6)-(8) of Regulation (EU) 2019/9432 (Electricity Regulation) requires all Member States with identified adequacy concerns to monitor the application of their implementation plans and to publish the results of the monitoring in an annual report (“Monitoring Report”) that shall be submitted to the Commission.

In order to make sure that the Market Reform Plans are properly implemented, Member States are required to issue the results of the monitoring in an annual Monitoring Report. This is a yearly assessment of the implementation process. The Commission will review these annual Monitoring Reports and issue a formal opinion on the reform process.

The present document aims at providing guidance to Member States on the elements to be included in Monitoring Reports and on the process governing the submission of those reports and their review by the Commission.

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Developing the plan

Objectives

Article 20 (6) of the Electricity Regulation sets out that the Member States shall monitor the application of their implementation plans and shall publish the Monitoring Report results in an annual report. The Monitoring Report shall address the progress of the measures that are set out in their Market Reform Plans. Those are, as Article 20(3) of the Electricity Regulation mentions, seven specific groups of measures, namely:

(a) removing regulatory distortions;
(b) eliminating wholesale price restrictions ("caps");
(c) making sure that the value of reserves in the system is appropriately reflected in prices;
(d) increasing interconnection and internal grid capacity;
(e) enabling self-generation, storage, demand-side measures and energy efficiency;
(f) ensuring cost-efficient and market-based procurement of balancing and ancillary services; and
(g) that price regulation is phased out or at least it is adjusted to bring it in line with Article 5 of Directive (EU) 2019/9442 (Electricity Directive).

Content

The Monitoring Reports should comprise:

(a) A chronological list of all previously submitted Monitoring Reports with clear references, including a reference to the Market Reform Plan,
(b) An overview of progress since submission of the Market Reform Plan, highlighting the most recent updates, and
(c) A year-by-year overview, providing a forward-looking component to identify possible delays, upcoming issues, and subsequent mitigation measures.

In order to facilitate the analysis of the Monitoring Reports, the Commission invites the Member States to answer the questions annexed to this document. The answers to the attached questionnaire will allow the Commission to understand better the progress of the electricity market reform in the respective Member State.

The Monitoring Report should be concrete and concise.

The Commission invites the respective Member States to use this guidance document as a reference. Moreover, the Commission encourages Member States to keep regular correspondence with the Commission during the process for questions, ambiguities and to send intermediary reports to ease the process as much as possible for the Member State.

Commission opinion

Once a Member State has provided the Commission with a Monitoring Report, the Commission might return to the Member State for questions or ambiguities in the submitted report before issuing the opinion.

During the assessment process, the Commission might seek meetings or written exchanges with Member States to clarify questions or issues as and if they emerge. The Commission will also be open to exchange with Member States at their request.

The Commission shall issue an opinion on whether the implementation plans have been sufficiently implemented and whether the resource adequacy concern has been resolved.
Annex: Questionnaire for Monitoring Report

Section 1 – Policy context

1. What are the changes in the policy environment that have taken place since the implementation plan (or last Monitoring Report), e.g. recent updates/developments/ changes/highlights/ targets of the national electricity market (with reference to the final National Energy and climate plan (NECP))?

2. What are the key figures about the national electricity system (e.g. electricity consumption, production, cross-border trade, etc.)?

Section 2 - Overview of measures provided in the final implementation plan

3. What are the measures provided in the final implementation plan, and were any changes made to those? If yes, why was that change made? Table 1 could be used as a template.

Table 1 Changes made to measures listed in the final implementation plan

<table>
<thead>
<tr>
<th>Measure</th>
<th>Changes (No change/Updated/New measure)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Changes that were made to the measures in comparison to the final implementation plan.</td>
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<tr>
<td>Example</td>
<td></td>
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<tr>
<td>Wholesale market</td>
<td></td>
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<tr>
<td>Price limits</td>
<td></td>
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<tr>
<td>Generation reserves by TSOs</td>
<td>Updated into...</td>
</tr>
</tbody>
</table>

4. What is the status of the measures listed in the final implementation plan? Which actions were taken? Please refer to relevant national regulations, legislation or other documentation describing the concrete measures taken so far. Table 2 can be used as a template.

5. Have there been any updates regarding the resource adequacy level in your country? If yes, how did the measures impact the adequacy concern? Which reforms, in particular, contributed to alleviate those adequacy concerns? Table 2 can be used as a template.

6. Which actions are planned when looking forward, as from the last report? We recommend covering the topics of the Market Reform Plan, including the same sections i) general wholesale market conditions, ii) balancing markets and ancillary services, iii) demand side response, iv) retail markets: regulated prices, v) interconnections and internal grid capacity, etc. Please use the same chronology as used in the Market Reform Plan. Table 2 can be used as a template.
Table 2 Overview of measures listed in the final implementation plan, actions taken & timeline

<table>
<thead>
<tr>
<th>Topic/Measure</th>
<th>Changes</th>
<th>Status&lt;sup&gt;3&lt;/sup&gt;</th>
<th>Action taken</th>
<th>Impact on adequacy concern</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>...</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example</td>
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</tr>
<tr>
<td>Introduction of a shortage</td>
<td>YES/NO/</td>
<td>On time</td>
<td>Offline model for calculation of</td>
<td>None/mild/large</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>price function</td>
<td>UPDATED</td>
<td></td>
<td>scarcity price-adders introduced</td>
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</table>

7. Are any delays expected in implementing the measures? What are the reasons for the delay, and which measures will be taken to address this?

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<sup>3</sup> **On-time**: the measure is (or is being) implemented according to the initial timeline;

**In advance**: the measure has been implemented already (or is being implemented) ahead of the timeline foreseen in the Market Reform Plan;

**Weak delay**: the measure is being implemented but it is lagging behind the timeline;

**Strong delay**: the measure should have been implemented already but no action has been taken yet;

**Not applicable (n/a)**: for measures of which the implementation is planned to start in the future and no action has been taken so far.