



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 18 February 2013

**17607/1/12
REV 1**

ENER 528

NOTE

from: General Secretariat of the Council
to: Delegations

No. Cion prop.: 16202/12 ENER 467 + ADD 1-4

Subject: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions
- Making the internal energy market work
= *Draft Council conclusions: draft outline of topics & tentative timetable*

On 16 November 2012, the Commission presented the above Communication, together with accompanying Staff Working Documents. A first presentation in the Council Energy Working Party took place on 27 November. On 3 December, at the TTE (Energy) Council, the Commission presented the Communication, which formed a basis for the exchange of views on the topic "Follow-up to the European Council" ¹. This exchange of views took place in the context of the deadlines set by the European Council: "*Recalling the need to complete the internal energy market fully by 2014 (...) and to ensure that no Member State remains isolated from the European gas and electricity networks after 2015*".

An in-depth discussion on the Communication is scheduled to take place at the TTE (Energy) Council on 22 February 2013.

¹ On the basis of doc. 16203/12.

The results of this discussion will feed into draft Council conclusions which will:

- a) contribute to the preparation of the European Council on Energy, held on 22 May 2013;
- b) be presented for adoption at the TTE (Energy) Council on 7 June 2013.

In due course, these conclusions will reflect the orientations set by the European Council.

With a view to the preparation of draft Council conclusions, in Annex A the Presidency suggests a series of possible topics, based on the Commission's Communication, comments received from Member States¹ and with the objective to facilitate future comments by Member States on the Communication. This tentative list of topics does not prejudge the issues which will ultimately be retained for draft conclusions, nor the direction of any such elements.

The provisional timetable in Annex B sets out the main steps in the run up to the June 2013 TTE Council.

* * * * *

¹ Delegations' comments on the Communication (16202/12) (and possibly on section 2.2 "The energy markets" of the report on the State of the Single Market Integration 2013 (17281/12) were invited by 18 January.

1. Introduction

- recall that completion of IEM is priority action under the Single Market Act II
- recall contribution of completed IEM to sustainability, competitiveness and security of supply at affordable prices etc.
- stress the need for a more consistent approach between different policy strands (climate, renewable energy, energy efficiency, IEM)
- 2014 and 2015 deadlines (European Council conclusions February 2011)

2. Completing the internal energy market and achieving the 2014 and 2015 deadlines

- Commitment for **implementation of the third energy package**
- **Primary role of the market** (consumers, investors, etc.) to optimise the internal energy market: removal/phasing out of distortions in order to ensure proper price signals; **phasing out of existing price regulation**, with timetables; accelerated **phasing out of existing direct and indirect support for fossil fuels**, with timetables
- Implementing the Target models for electricity and for gas, from balancing to long-term markets: role of framework guidelines and network codes as well as regional initiatives
- ensuring **generation adequacy**; investment incentives and investment in **new generation capacity**, including unintended effects of unbundling provisions on investment; enabling large-scale **micro-generation of renewable energy** and **micro-storage**
- **Enhancing cooperation and coordination at policy as well as operational level:** role of new **Electricity Coordination Group**; synergies and potential scope for cooperation between actors: energy and telecom companies, DSOs, TSOs, regulators, Member State authorities, retailers, ICT companies and system developers; strengthening of **regional initiatives**, regional cooperation and planning, further **interconnections** and **market coupling**, and preventing and addressing loop flows / unplanned power flows
- **Infrastructure:** addressing capacity utilisation issues in gas networks and improving consistency in cross-border transportation tariffs

role in helping to solve challenges facing the internal energy market; analysis of option of local public participation in infrastructure projects; swift implementation of Regulation on guidelines for trans-European energy infrastructure and adoption of first Union list of Projects of Common Interest

- **Energy efficiency:**

role in helping to solve challenges facing the internal energy market

- **External aspects:**

the need to keep the IEM adequately supplied, including from external suppliers, bearing in mind competitiveness work on creating a level playing field for business and industry, *inter alia* as regards the impact of climate policy and carbon leakage

3. *The rights and roles of consumers*

- **the consumer as driving force for market integration:** switching rates and switching tools; price and quality comparison tools
- **the consumer as producer** ("prosumer"): stimulating and enabling micro-generation of RES and micro-storage
- the role of **smart meters**, home automation and smart appliances, data protection and consumer acceptance; actual costs vs. benefits for consumers
- potential role of **innovative services, new actors; role of DSOs**
- **awareness, communication and education**, transparency and comparability of information, e.g. on prices and service quality, and consumer-friendly information
- **vulnerable consumers:** importance of protecting vulnerable consumers either through energy policy or through social policy; scope for exchange of best practice at EU level to aid in policy development; underlining particular role of energy efficiency
- **rights of consumers** to transparency, equality and predictability requirements for **billing and flexible pricing**; ensuring that transmission and distribution charges and taxes and levies do not burden households more than other customer groups

4. *An internal energy market for the future: contributing to the transition*

- development of **smart grid standards**; development of cross-border smart grids; R&D on smart grids; Commission guidelines and instruments for the roll-out of smart meters
- facilitate the development of storage and flexible generation

Optimising state intervention:

- **capacity mechanisms (and their alternatives)**, including the need to discuss thoroughly at EU level the need for them, and if so, the conditions for their use and their design; the roles of different types of **storage**; choices of national fuel mix and possibilities for minimising negative repercussions on neighbouring states and the region; review by the Commission of **guidelines on State aid for environmental protection**; ensuring level playing field and ensuring respect of competition rules (antitrust and State aid);

5. Priority actions and Review

- Invite Commission to present soon its announced Communication on energy technologies and innovation also with respect to storage and micro-generation
- Standardisation, roll-out of smart meters and smart grids, including possible national action plans; support, establishing standards and framework for smart appliances
- General support for the Action Plan for Europe as set out in Annex 1 to the Communication, taking due account of the messages contained in these Council conclusions
- Review the implementation of these conclusions by end 2014

* * * * *

PROVISIONAL TIMETABLE

19 February	WP ENER: presentation of outline of conclusions / reactions
22 February	TTE discussion
4 March	WP ENER: presentation of draft conclusions / reactions
8 March	deadline for comments on draft conclusions
18 March	WP ENER: examination of 2nd draft conclusions
21 March	deadline for comments on 2nd draft
16 April	WP ENER: examination of 3rd draft conclusions
18 April	deadline for comments on 3rd draft
23-24 April	Informal Energy Ministerial
(Friday) 3 May	WP ENER: <u>final</u> examination of draft conclusions
22 May	European Council on Energy
24 May (or earlier)	Coreper
7 June	TTE