



Council of the  
European Union

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**NOTE**

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from: General Secretariat of the Council  
to: Delegations

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Subject: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions

- Report on the progress towards the Internal Energy Market

= *Draft Council conclusions*

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Delegations will find in Annex I a further revised version of the draft of the conclusions on the completion of the Internal Energy Market based on the examination by the Energy Working Party on 30 September and the subsequent written comments received from delegations. Changes with regard to the previous text are highlighted in **bold** and deletions are marked with .

This draft version of the conclusions will be examined by the Energy Working Party on 21 October and delegations are invited to provide written comments on the text until **29 October cob**.

All delegations have a general scrutiny reservation on the text.

**Draft Council conclusions on the completion  
of the Internal Energy Market**

The Council of the European Union:

RECALLING:

- the conclusions adopted by the European Council on 4 February 2011, especially with regard to paragraph 4, section I (Energy), noting that the internal market should be completed by 2014 so as to allow gas and electricity to flow freely,
- **conclusions on "strengthening the external dimension of the EU energy policy", adopted by the TTE (Energy) Council on 24 November 2011, and the subsequent Council report on "the follow up to the European Council on 22 May 2013; review of developments on the external dimension of the EU energy policy", adopted by the TTE (Energy) Council on 12 December 2013,**
- the conclusions adopted by the European Council on 22 May 2013, especially with regard to paragraph 2, section I (Energy), reaffirming the objectives of completing the internal energy market by 2014 and developing interconnections so as to put an end to any isolation of Member States from European gas and electricity networks by 2015,
- the conclusions on the Commission communication "Making the internal energy market work", adopted by the TTE (Energy) Council on 7 June 2013,
- the Council report on "progress on the completion of the Internal Energy Market", adopted by the TTE (Energy) Council on 12 December 2013,
- the conclusions adopted by the European Council on 20/21 March 2014, especially with regard to paragraph 19 of Section C (Climate and Energy),
- **the Commission communication, of 28 May 2014, on "European Energy Security Strategy",**
- the conclusions on the Commission communication "Energy prices and costs in Europe", adopted by the TTE (Energy) Council on 13 June 2014,
- **the conclusions adopted by the European Council on 26/27 June 2014, especially with regard to Section B (Climate and Energy).**

CONSIDERING that the completion of the Internal Energy Market is a pre-requisite to achieve, in the most cost-effective way, the main objectives of the EU energy policy: sustainability, competitiveness and security of energy supply and ACKNOWLEDGING that a well-functioning, integrated and competitive internal energy market is an important component of the 2030 policy framework on climate and energy **as well as of the security of energy supply**.

CONSIDERING that Europe is well underway towards the completion of the Internal Energy Market, however, EMPHASISING that further **efforts** are **needed** to remove remaining obstacles for ensuring a well-functioning interconnected and integrated cross-border energy market and the development of interconnections **and NOTING, in this context, that certain Member States might continue to remain isolated beyond 2015.**

WELCOMING the Commission communication, of **13 October** 2014, on "Progress towards **completing** the Internal Energy Market".

**IN ORDER TO COMPLETE THE INTERNAL ENERGY MARKET, THE COUNCIL:**

1. REAFFIRMS the urgent need for effective and consistent implementation and application of the provisions set out in the Third Energy Package by all EU Member States so as to provide a sound and market-driven investment climate throughout the whole European Union based on **stable and transparent European** legal framework **and**.
2. In order to foster cross-border energy exchanges, STRESSES the importance of further development and **timely** adoption and implementation of network codes **and** guidelines for gas and electricity throughout the European Union and CALLS for the continued work **to ensure a commonly agreed operational framework and for the** efficient and non-discriminatory use and development of capacities in gas pipelines and electricity grids with transparent tariffs built on **a common European framework**.
3. **and**

4. UNDERLINES that the  Projects of Common Interest (PCI) **included in the first Union list**, as adopted by the Commission in October 2013, **as well as those projects mentioned in the Commission communication on European Energy Security Strategy**, urgently need to be realised so as to further strengthen the integrated energy market and STRESSES in this regard the continued swift implementation of the "TEN-E Regulation 347/2013 on guidelines for trans-European energy infrastructure" of 17 April 2013 providing fast-track permit authorisation procedures for projects coordinated across borders.
5. REAFFIRMS the need for more investments in strategic, smart and flexible infrastructure as being a precondition to the completion of the Internal Energy Market, in particular sufficient interconnections between Member States and regions **as well as internal grid reinforcements aimed** to improve security of supply **and diversification of both energy routes and sources**, to end energy isolation and integrate the more remote and/or less well connected parts of the single market, to enable the uptake of increasing amounts of variable renewable energy and to foster significant volumes of cross-border trading in gas and electricity.
- 5a. RECALLS the importance of addressing the problem posed by unplanned power flows on electricity interconnections through the implementation of appropriate methodologies of calculation and allocation of transmission capacities and SUPPORTS the revision of existing bidding zones and their optimal setting.**
6. ACKNOWLEDGES that the Agency for the Cooperation of Energy Regulators (ACER) provided opinions and recommendations on Cost-Benefit Analysis (CBA) methodologies elaborated by the European Networks of Transmission System operators for electricity (ENTSO-E) and for gas (ENTSO-G) and notes that PCI selection and cross-border cost allocation will be based on CBA methodologies.
7. INVITES **the Commission** to review and, where needed, to **propose improvements to** the arrangements for regulatory oversight of the European Networks of Transmission System Operators (ENTSOs) and of other bodies **essential to the functioning of the internal energy market**[].

8. To this end, UNDERLINES the continued cooperative efforts at European level of national administrations, **National Regulatory Authorities, under the umbrella of ACER,** and network operators, **[]** associated in ENTSOs, while STRESSING the importance for ENTSOs to **[]** perform their role of monitoring implementation of the network codes **and guidelines,** as they have been entrusted under the Third Energy Package.
9. NOTES that security of supply would benefit from a **[] more coordinated and efficient approach towards system adequacy, which encompasses generation, demand, interconnection and storage.**
10. REAFFIRMS the importance of ensuring stable, competitive and affordable energy prices within the Internal Energy Market and, to this end, RECALLS the Council conclusions of 13 June 2014, especially with regard to paragraphs 3, 4, 6 and 10.

## WHOLESALE MARKETS

11. **While** CONSIDERING regional market integration as a decisive step towards ultimate consolidation of a single energy market across the European Union, CALLS for **the assurance of necessary conditions to** increase of energy exchanges at regional level both in the electricity market, *inter alia* encouraging market coupling, and in the gas market, and UNDERLINES the importance of **[] ensuring adequate** level of cross-border cooperation and integration in balancing markets, **without hampering the proper functioning of the grids,** through the finalisation and **[] timely** implementation of the related network codes **and guidelines,** in order to allow the sharing of balancing resources between Member States and enhance security of supply and generation adequacy at lower costs for the system.

12. RECOGNISES that ensuring generation **and system** adequacy is **[ ] a key** challenges to be **continuously** addressed by Member States as the Union moves towards a low carbon energy system; **Capacity mechanisms design should take cross-border regional effects into account and avoid any disincentives for investment in interconnection.** State intervention in this context should be implemented in compliance with the new State aid Guidelines on energy and environment<sup>1</sup>. In this regard, the Council ENCOURAGES the Commission to undertake detailed studies on the development of a European generation and system adequacy assessment, involving also ENTSO-E, ACER and the Member States' authorities, including through the Electricity Coordination Group.
13. CALLS for the **further** development of the Gas **and Electricity** Target Models **as an essential reference for the coherent development of the Internal Energy Market[ ]**.
14. STRESSES the **[ ] importance** to include in gas supply contracts, the adoption of gas pricing formulas linked to hub prices in the destination markets in order to **address the issue of the contractual linkage of gas and oil prices[ ]**.
15. REAFFIRMS the importance of ensuring an adequate **market and price** transparency level **[ ]** for creating a level playing field between market participants and avoiding the scope for market power to be abused. To this aim, **while RECOGNISING** the improvement made thanks to the implementation of the Regulation on wholesale energy market integrity and transparency ('REMIT Regulation'), INVITES regulators and ACER to **[ ] effectively** monitor the trading activities and welcomes the establishment of ENTSO-E and ENTSO-G Transparency Platform.

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<sup>1</sup> Commission's Communication " Guidelines on State aid for environmental protection and energy 2014-2020" of 9 April 2014.

16. **While** RECOGNISING that investments in energy infrastructure are capital intensive and require stable and predictable regulatory conditions, STRESSES the **[ ] importance of eliminating existing market distortions to provide for** more market-driven investment signals **accompanied, where necessary, by EU financial instruments** to optimize the use of existing infrastructure and ensure investments in the most economically sensible projects for the future, without prejudice to the possibility for Member States to take measures to secure supply or **the right for the Member State to determine their energy mix and the conditions for exploiting its energy resources**[].

## RETAIL MARKETS

17. UNDERLINES the importance of strengthening the role, rights and awareness of consumers in line with the Council conclusions of 7 June 2013 and REAFFIRMS the use of a coordinated and balanced combination of social, energy and consumer policy, as determined by each Member State, to **[ ] combat** energy poverty and to assist consumers in vulnerable situations, as set out in the Council conclusions of 13 June 2014.
18. SUPPORTS the empowerment of consumers to participate actively in energy markets; including establishing stakeholder panels of energy actors and consumer representative bodies **with the aim of increasing the awareness and the involvement of the consumers**. In this context, UNDERLINES **the importance of retail market designs** that **support the move of** consumers [ ] from passive to active consumption habits **[ ] in order to** lower **their** energy **[ ] costs**. To that effect consumers should have better access to their consumption data, better tools to make informed choices in a simple manner and to adjust the time and amount of their consumption **while taking into account the costs and benefits of these measures**.
19. STRESSES **[ ] that** innovation **is** a key factor for enabling the retail market **to be** designed in a way that [ ] allows all possible innovative business models and technologies. In that regards UNDERLINES the importance of **deploying available [ ]** technologies such as smart meters to [ ] exploit, **in a cost-effective manner**, and reward the potential of demand response and energy efficiency.

20. EMPHASISES the role of the National Regulatory Authorities **and the Competition Authorities** in ensuring that markets are open and transparent to new **services** and service providers **so as** to guarantee a **more competitive** retail market **EU**. UNDERLINES the need to maintain and develop a secure, reliable, and **cost**-efficient distribution system taking into account possible network constraints and impacts on technical operation.

21. **EU**

22. **EU**

### **NEXT STEPS**

23. ACKNOWLEDGES the impact of the above measures on the completion of the Internal Energy Market and CALLS for a follow-up review by the Commission on its progress by [2017].

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**PROVISIONAL TIMETABLE**

22 July	WP ENER: update on preparation of draft Council conclusions
16 September	WP ENER: presentation of outline of conclusions / reactions
23 September	deadline for comments on outline
30 September	WP ENER: examination of 1st draft conclusions
<b>6 October</b>	<b>Informal Energy Ministerial</b>
10 October	deadline for comments on 1st draft
21 October	WP ENER: examination of 2nd draft conclusions
29 October	deadline for comments on 2nd draft
4 November	WP ENER: examination of 3rd draft conclusions
11 November	deadline for comments on 3rd draft
18 November	WP ENER: final examination of draft conclusions
<b>26 November</b>	<b>Coreper</b>
<b>9 December</b>	<b>TTE</b>