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Subject:	Orientation debate on Market Design (TTE Council 26 November) - Information from the Presidency

The Commission Framework Strategy to develop a resilient Energy Union with a forward-looking climate policy, as presented on 25 February 2015, is a one of the key strategic objectives of the Commission and outlines five interlinked dimensions for action: Energy security solidarity and trust; *a fully integrated internal energy market*; energy efficiency as a contribution to the moderation of energy demand; decarbonisation of the economy and an Energy Union for research, Innovation and Competitiveness.

In its conclusions of 19 and 20 March 2015 the European Council endorsed the above Framework Strategy which, together with the October 2014 European Council endorsement of the 2030 climate and energy targets, set a frame for the redesign of the European Union's electricity markets. Already today the European electricity system is subject to fast and fundamental changes. It will increasingly be based on renewable energy, energy efficiency and smart and flexible technologies and infrastructure.

Electricity must continue to be produced in sufficient quantities to deliver energy to consumers at all time. In parallel, electricity markets have to send the right signals to investors in order to make sure that the necessary long-term investments will take place and are done as cost-effectively as possible. The markets must be accessible to new players, reward innovative technologies, products and services and stimulate competition.

The redesign of the electricity markets must also reassess and adjust the roles, responsibilities and powers of the system operators. In the expected evolution of the electricity system, the role of Distribution System Operators (DSOs) will significantly change. The majority of new installed RES capacity, in particular from variable sources such as wind and solar, has to be integrated into the network at distribution level. Likewise, the projected increasing demand generated through growing electrification of mobility, heating and air conditioning, local storage and other energy intense appliances will be connected through this level. The distribution level is also the main entry door to the system for demand side flexibility, and DSOs are today already central in the data collection and management process – data which are essential for the further enabling of the smart system. While their roles and functions in a changing system and markets need to be clarified, DSOs will remain the connecting link to consumers in the electricity system.

The Energy Union strategy places *‘the citizen at its core, where citizens take ownership of the energy transition, benefit from new technologies to reduce their bills, participate in the market, and where vulnerable consumers are protected.’* The strategy paper also says that *‘we have to empower consumers through providing them with information, choice and through creating flexibility to manage demand as well as supply.’*

Therefore, the reformed electricity market has to provide the right framework and incentives for consumers to become more active and to reap the full benefits of market integration, while actively contributing to the electricity system transformation and its stability.

Following the above, the Commission submitted on 15 July 2015 its Communication "Launching the public consultation process on a new energy market design" (doc.11018/15) with the view to adapting the current electricity market design rules to the new challenges. This consultative process is a first step allowing the Commission to later discuss the results of the consultation with Member States and stakeholders. Legislative proposals are expected to follow during the second half of 2016.

The above Communication was adopted alongside the Communication "Delivering a New Deal for Energy Consumers" (doc.11017/15) with the aim at putting the consumers at the centre of the future energy system while taking advantage of new technology, new and innovative energy service companies to enable all consumers to fully participate in the energy transition as well as managing their consumption to deliver energy efficient solutions which save them money and contribute to overall reduction of energy consumption.

In light of the above, the Presidency suggests the following questions in order to structure the orientation debate on a new energy market design, including a new deal for energy consumers, to be held at the TTE (Energy) Council on 26 November 2015:

Question 1 – While considering adjusting the roles, responsibilities and powers of Distribution System Operators (DSOs) in the future electricity system and reformed electricity market:

- *What do Ministers think the role, responsibilities and powers of DSOs should have in the future electricity system and reformed market design?*
- *What could the EU do to enhance the possibilities of that role?*

Question 2 – To support consumers to better control their energy costs is a core objective of the Energy Union.

- *To what extent do Ministers consider that retail energy markets should be reformed in order to achieve this goal?*
- *Which measures should be implemented in order to concretely empower consumers and reduce their energy bills, even in times of high energy prices?*
- *Having in mind the need for more flexibility in the energy system, how do Ministers see the role of demand response and self-generation?*