

Key Recommendations for the Clean Energy Package

ENTSO-E agrees with the Clean Energy Package objectives to improve market design, increase transparency and empower the consumer. However, the proposals also significantly shift roles and responsibilities across various actors (ENTSOs, ACER, NRAs, TSOs, DSOs, ROCs) and across different levels (national, regional, European) shaking up the carefully crafted checks and balances that the Third Legislative Energy Package had established. Several proposals add significant process complexity (e.g., Electricity Reg., Arts 18,19, 22), and potential duplication of existing legislation – esp. the most recently adopted network codes and guidelines (e.g. Electricity Reg., Arts 5(7), 14, 32-44) risking to add regulatory uncertainty and inconsistency as well as raising concerns about the overall objective of *better regulation*.

ENTSO-E welcomes the proposed Energy Union governance framework and fully supports the provisions for streamlining of planning, reporting, and monitoring of integrated national energy and climate plans to ensure that the EU reaches its ambitious 2030 energy and climate goals through joint efforts. This framework should offer an ambitious instrument for ensuring coherence, avoiding undue burden, and fostering robust regional cooperation mechanisms to work towards achieving those common objectives. These governance proposals should be consistent with the other proposals in the Clean Energy Package and should be in line with better regulation principles and with the objective of making the EU a global leader in this field.

Key Recommendation 1: Regional Operation Centres (ROCs)

- Regional cooperation is in TSOs' DNA. Introduced over ten years ago on the basis of voluntary initiatives of the TSOs, regional TSO coordination is now mandatory through EU regulations (System Operation Guideline). In the past years, TSOs have successfully developed several regional centres (e.g., CORESO, TSC), which provide TSOs with a set of crucial services for operation coordination.

Whilst we welcome the Commission's support for regional cooperation, **there is a need to improve several provisions in the design of ROCs:**

- The current proposals risk interfering with the effective implementation of the System Operation Guideline, according to which all Regional Security Coordinators will provide five regionally coordinated services for market and security by 2019 (Electricity Reg, Art 55 (p); Art 31-44).
- Splitting the liability of the operation of the power system between national TSOs and regional entities introduces a very risky legal and political gap with concerns over the operational security of the power system. First, having binding powers given to ROCs is incompatible with Member State responsibilities in terms of security of supply. Secondly, technically speaking, liability cannot be split by different time-horizons, nor by extracting a subset of elements and processes strongly interdependent with elements and processes under TSO responsibility (Art 44).
- The feasibility and benefits of transferring the five existing standard services and new functions to the ROCs has not been properly assessed. Such assessment is critical and should be carried out with TSOs who have the experience and know-how, both from national power systems and from regional coordination.
- The proposals concerning regional delimitation lead to some very large regions covered by one regional centre. Given the system complexity and uncertainty, this requirement could lead to significant operational risks affecting system reliability and resilience. (Art 33)
- Mandatory regional cooperation of TSOs through Regional Security Coordinators, which TSOs are implementing today, is dynamic and flexible and can be enhanced further when the need arises.

Key Recommendation 2: Market Design

We welcome the proposals (Electricity Regulation) to foster scarcity pricing, increase competition and ensure that all market participants compete on a level-playing field. However, more could be done to deliver benefits for consumers. In particular, we have concerns with the following:

- Restrictions on the ownership of TSOs from assets providing ancillary services put at risk the integrity of the energy system, as many assets of the transmission grid do provide such services (for instance substations) (cf. Art 54).
- The prohibition for TSOs to use congestion income to lower transmission tariffs to consumers will hamper investments and member states support for interconnectors, with detrimental effects for the overall social welfare (Art 17).
- The requirements on TSOs capacity calculation to ignore internal congestions and loop flows and instead use costly remedial actions to increase cross-border capacity would lead to outcomes not reflecting the physical reality of European grids and significantly increase congestion management costs to be paid by end-consumers via transmission tariffs (Art. 14).
- The proposed provisions on balancing go well beyond the requirements being agreed in the Electricity Balancing Guideline in many areas, bringing elements and constraints that could negatively impact consumers (Art. 5).
- Interconnectors should be allowed to participate directly in national capacity markets. The current proposals could hamper cross-border investments (Arts 21 and 23).

Key Recommendation 3: Resource adequacy assessment (Arts 18, 19)

ENTSO-E welcomes the coordinated European resource adequacy assessment and the new risk-preparedness framework for cooperation between Member States. However, **the proposed coordinated European resource adequacy assessment should complement and challenge analysis done at a national level, but it should not substitute it.** These national assessments, as the EC has rightly stated, need to be standardised: one methodology for all EU Member States.

Key Recommendation 4: Wholesale-retail integration

ENTSO-E is concerned that the proposals could unintentionally create separate wholesale and local markets. This move would be detrimental to the functioning of the Internal Energy Market, and the active customer who should be able to participate in all markets. In order to achieve this, TSOs and DSOs have to cooperate closely with a single set of rules, involving market parties. This applies to:

- The design of market rules for demand-side response and especially the definition of standard flexibility products. This task cannot be considered as the exclusive DSO area, given the growing need for coordinated use of flexibility in more and more interdependent transmission-distribution system and integrated retail market-wholesale market (Electricity Directive Art 32.; Electricity regulation, Art 55).
- Data management or digitalisation which are a matter to all parties, TSOs and market parties, and are not the exclusive sphere of DSOs. TSOs should work jointly with DSOs on the drafting of new network codes that are currently allocated to the 'EU DSO entity'. These issues should be discussed holistically and not at the local level only. Co-creation among DSOs, TSOs and stakeholders is crucial (Electricity Regulation, Art 55).