

---

## ENTSO-E statement on the Council proposal for Art. 14, Electricity Regulation

**The European Council's position for article 14, on capacity calculation (Electricity Regulation recast), as adopted on 18 December 2017, challenges the well-functioning of the internal electricity market and the secure operation of the power system.**

If implemented as agreed on 18 December between Member States, the proposal for Art. 14 would drive the markets and the physical reality of the power system further apart. Most importantly, the target value of minimum 75% that should be given to the market on cross-border lines seems arbitrarily chosen and lacks physical and economic justification. To achieve this target for cross-border lines, TSOs would have to employ significantly more re-dispatching. This would drive up CO<sub>2</sub> emissions across the EU since inefficient plants which wouldn't normally be dispatched would have to be used. This would also create artificial market outcomes and artificially (low) wholesale market prices, while skyrocketing re-dispatching costs would have to be borne by end-consumers. Rather than driving forward the integration of the internal electricity market, the effect of this proposal would be very much the opposite as market signals would be all but distorted.

Therefore, ENTSO-E does not support any such arbitrary pan-European minimum capacity target. Minimum capacity targets, as the one proposed by the Council, should be defined and regularly reviewed based on economic and physical analysis and it should be regionally differentiated. TSOs also must be allowed to derogate from achieving this capacity target when system security is at stake (for instance due to insufficient re-dispatch resources) **and** when it is not demonstrated that the overall socio-economic efficiency is higher by achieving the target. Especially the latter point is not considered in the Council position, which is a serious shortcoming since it is by no means certain that the 75% target value would result in an increase of socio-economic welfare in either short or long-term. Conversely, it certainly would increase grid tariffs borne by consumers.

ENTSO-E urges policy makers to re-consider these proposals for the sake of a well-functioning internal electricity market and for the benefit of European consumers.