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MEETING DOCUMENT

From: General Secretariat of the Council
To: Working Party on Energy

Subject: Electricity Market Design
- Discussion paper

In view of the Working Party on Energy on 17 January, delegations will find in the annex a discussion paper on the Electricity Market Design.

Electricity Market Design – Energy Working Group Discussion Paper

While Europe's integrated electricity market has served European consumers well, Russia's war on Ukraine has exposed important issues with the market structure that need to be addressed to ensure that the integrated electricity market can maintain its legitimacy. In parallel, we need to accelerate the clean energy transition to ensure Europe's energy autonomy and meet our climate goals.

The main objectives of the EU's response to the energy crisis can be described as

- shield consumers and industry from excessive price volatility to ensure affordable and competitive energy for EU consumers
- increase the EU's energy security of supply and preparedness in the event of emergencies
- improve investments incentives to accelerate the clean energy transition to meet decarbonisation objectives

The Commission has announced that a revision of the electricity market design will be presented during Q1 of 2023. The Commission's public consultation prior to this legislative proposal is planned to open in January.

This meeting aims to gather the thoughts of Member States on this topic as part of the preparatory work of the Presidency.

Part I – New production – stabilising prices and enabling the energy transition

A significant amount of new clean energy production is needed to increase our security of supply, diminish our energy import dependency, and accelerate the clean transition of industry and transport to meet our climate goals.

Today's electricity market consists of two main components: the short-term physical markets, and the financial markets which reduce risk inherent in the physical markets. While physical markets offer incentives for efficient real-time balancing, certainty around revenues from the financial markets is essential to enable investment in new electricity production.

Questions

1. Are the current price signals and market structures sufficient to ensure that we meet the goals of affordable, secure and clean energy?
2. If not, what elements in the market could be improved to ensure efficient revenue stability and investment predictability for new production, and how?
3. How can we ensure that this is done in a way that ensures affordable electricity prices for consumers?
4. How do we ensure a level playing field for new clean production and technology neutrality when we make improvements to the market design?

Part II – Existing production – restructuring financing of existing producers

The current crisis has highlighted vulnerabilities in the current market structure to fuel-price shocks, leading to unexpectedly high electricity prices. This has had a negative wider impact on the European economy. The EU has taken extraordinary measures by adopting Council Regulation 2022/1854, which includes temporary mechanisms with the aim of limiting the impact of wholesale prices on consumers.

Questions

5. Do Member States see the need for any elements of the emergency regulation to be reflected in the upcoming revision of electricity market legislation?
6. If so, should the elements be activated only in crisis situations or become a continuous feature of the market structure? If so, do you see any risks to investments?
7. What changes, if any, are needed in the financial markets to remedy the vulnerabilities of the existing market structures?

Part III – Consumer protection

High consumer bills due to unprecedented price spikes have caused an uneven spread of negative social and economic impacts in and between Member States. Consumers need reliable access to electricity at the lowest possible prices. This is particularly the case for vulnerable consumers but is also essential for many parts of European industry.

8. How do we ensure that changes to the electricity market design offer all Member States the tools needed to protect their consumers, while not distorting the efficiency of the internal market in both the long and short-term?
9. What can be done to promote access to and liquidity in forwards markets (for instance, PPA-markets, availability options and other instruments) to protect consumers from price shocks?
10. Do Member States see need of any additional measures to increase the protection of consumers? And if so, what measures?