



- Consultation response -

Europex response to the EC Targeted Consultation for the Evaluation of the Guidelines on State Aid for Environmental Protection and Energy 2014-2020 (EEAG)

Brussels, 10 July 2019 | Europex, the Association of European Energy Exchanges, welcomes the opportunity to respond to the European Commission's consultation in the context of the Evaluation of the Guidelines on State Aid for Environmental Protection and Energy 2014-2020. Europex supports the European Commission's goal to bring the guidelines in line with new electricity market developments and to ensure the market integration of renewables, a stable regulatory framework for investments in renewables and a cost-efficient achievement of the set renewable targets.

It is worth recalling that power exchanges are increasingly central to the cost-efficient integration of renewable energy sources in Europe. Transparent price signals and the possibility to trade ever closer to real-time across coupled markets have allowed increasing amounts of renewable energy, in particular intermittent sources like wind and solar, to be efficiently integrated into the system and to ensure that production and consumption needs are met at all times.

Europex believes that existing RES support schemes continue to distort the market. Such distortions can prevent the price formation mechanism from delivering efficient outcomes, hamper innovation and interfere with local investment decisions.

The state aid guidelines have been a key driver in the transition from traditional renewable support schemes to market-based instruments aiming to minimise these distortions. The cost-efficiency of market-based mechanisms in a competitive environment, such as direct marketing and tendering, has been demonstrated in many circumstances.

With regard to the post-2022 guidelines, Europex would like to highlight the following:

Clear regulatory conditions and reliable market mechanisms will provide the stability needed to deliver the necessary investments and to drive innovation to decarbonise rapidly and in a cost-efficient manner. In the interest of avoiding regulatory uncertainty and potential regulatory arbitrage, additional rules and guidelines should only be developed when absolutely necessary.

Moreover, it is essential to ensure consistency of the revised state aid guidelines with the detailed rules and principles related to state aid included in the recently adopted *Clean Energy for All Europeans* (CEP) package and to uphold the commitment to market-based mechanisms. In line with what has been agreed under the revised Renewable Energy Directive (RED II), Europex believes that support schemes must be market-based (generally through premiums), involve open, transparent and non-discriminatory tenders and be technology neutral. Full consistency must also be ensured with the new rules adopted on capacity remuneration mechanisms (CRMs) under Chapter IV of the recast Electricity Regulation.

The guidelines should further ensure that the 2030 climate and energy targets are achieved in a cost-effective way. To this end, as noted in the 2014-2020 guidelines, subsidies and exemptions from balancing responsibilities should be phased out in a degressive way as established renewable energy sources have become increasingly cost-competitive. With this in mind, Europex calls for timely implementation of the electricity market rules as revised in the CEP, including on balance responsibility, technology neutrality and market-based dispatch.

The revised state aid rules should also enable the market-based provision and deployment of flexibility as set out in the Clean Energy Package. Indeed, in the context of growing RES production, power exchanges have pioneered market-based solutions to manage and reduce local congestions, allow the further integration of renewables and foster flexibility as a complement to the European internal electricity market. Local flexibility markets managed by independent power exchanges can provide a clear and transparent price signal allowing more optimal activation of the local flexibility sources for, among others, local DSO and DSO-DSO and DSO-TSO level congestion management.

Finally, further coordination will be needed for state interventions in support of resource adequacy and renewables development.

Europex will continue its work to facilitate the efficient integration of RES and to help shape European solutions to European challenges. This includes the aforementioned initiatives of coupled day-ahead, intra-day and balancing markets in addition to developing local flexibility markets, which will facilitate the integration of RES at lowest cost.

About

Europex is a not-for-profit association of European energy exchanges with 27 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

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