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Minister of Energy
Ministry of Energy of Bulgaria
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Triologue negotiations on Electricity Market Regulation and Energy Efficiency Directive

Dear Minister,

While Europe's energy landscape is profoundly changing, the Clean Energy for All Europeans package is a crucial step in that process. European business is fully committed to stand at the core of this transformation adapting to new realities and solutions. The objective is a model that realizes unhindered flows of sustainable, clean and affordable energy and empowers consumers, a model based on more cooperation, competition and integration. In the context of the ongoing triologue process, I would like to convey BusinessEurope's key messages on two main legislative proposals - the Electricity Market Regulation and the Energy Efficiency Directive.

Electricity Market Regulation

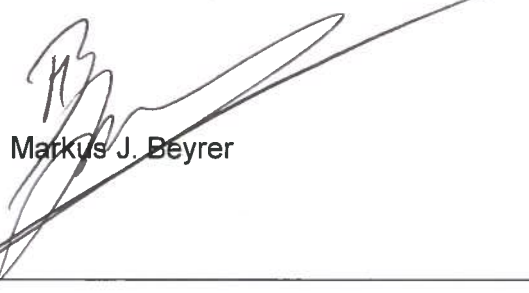
The proposal for the electricity market regulation correctly intends to strengthen the market-based approach as the main means to deliver the new market design. Together with the climate objective, the priorities must be security of supply and affordable prices, ensuring that price convergence is reached across the EU so that all consumers can benefit from a single internal market.

Energy Efficiency Directive

BusinessEurope agrees that energy efficiency should be a guiding principle for all activities in the society. As such, it will contribute to security of supply and the EU's objective to tackle energy and climate challenges.

You will find more details on each of these points in the annex. We count on the Parliament, the Council and the Commission to address these key issues in their triologue deliberations.

Yours sincerely,



Markus J. Beyrer



ELECTRICITY MARKET REGULATION

Deeper European integration of the power system is essential as electricity does not respect borders. The risk is that national interventions can lead to a less cost-optimal allocation of resources and not to a common power market with predictable and stable conditions.

Level-playing field

- All energy sources, including renewables, should stand on equal footing in the market. This can be enhanced by removing specific exemptions. The new framework should also strengthen the balancing responsibility of all generation and demand sources and ensure that all market participants have access to competitive balancing markets and services. In this respect, Article 4 of the electricity regulation envisaging general balancing responsibility for all market participants is a positive contribution. At the same time BusinessEurope warns against exemption of small-scale installations in the future, which may contradict the objective of establishing a level playing field. In order to limit the negative impact of these exemptions on electricity consumers and to allow for good market functioning, it is key that in case of derogations to balancing responsibility, Member States make sure that the financial responsibilities of imbalances are fulfilled by another party.
- *BusinessEurope therefore supports the Commission proposal to remove wholesale market price restrictions. Yet, some proposals may weaken this level-playing field. As an example, priority dispatch rules for some generation capacities should not undermine the objective of gradually removing all restrictions and discriminatory rules, subject to grandfathering for existing facilities.*
- *BusinessEurope also supports the Commission to facilitate the entry of new players to increase competition. This implies proposal to have all sources on an equal footing in the market, in particular in terms balancing obligations, removal of priority dispatch, access of new entrants or rules on curtailment and redispatching of generation sources. In this regard, we support Council wording, which strives to limit exemptions to minimum.*

Capacity mechanisms

- As set out in the current state aid guidelines, it is necessary to ensure that capacity mechanisms comply with the internal energy market, have least distortive effects and would not disincentivise interconnections. This includes obligations for all capacity mechanisms to be open to cross border participation and demand-side response, to be technology neutral and to be derived based on shared reliability standards.
- Member States and the European Commission have to work together to ensure other options are exhausted before capacity mechanisms are pursued and if so, that they are limited in time and fully comply with the state aid guidelines. Lastly, it is also important that the impact on competitiveness of energy-intensive industries exposed to international competition is duly assessed and, where appropriate, that those sectors are shielded from costs of these mechanisms.



- In terms of the resource adequacy, EU needs an enhanced system of monitoring of the capacity management (capacity market and strategic reserve) and planning. Combined use of adequacy assessments on different levels (i.e. both EU and national assessments) shall contribute to informed decisions at EU and national level on market design. Member States should have an obligation to cope with any kind of distortions that may lead to resource adequacy concerns.
- *In this sense BusinessEurope favours the adopted position of the European Parliament (see below on the EPS), respecting the aforementioned guiding principles for the design of capacity mechanisms, including strategic reserve, in harmonized manner across the EU as mentioned in the current state aid guidelines. Regarding resource adequacy assessments, BusinessEurope supports the Council's approach.*

Emissions Performance Standard (EPS)

- With regard to proposed rule of the 550g CO₂/kWh (Emissions Performance Standard) for capacity mechanisms, BusinessEurope remains concerned about its impact. It is of utmost importance to adjust the text proposal to mitigate the impact, in particular on energy costs and security of supply.
- *In line with the Council, BusinessEurope thus proposes that EPS rule should apply to future capacity, while some existing plants that are critical for grid operation should be exempted (on the basis of running hours or specific conditions).*

Regional Cooperation

- The expected medium- to long-term transformation of the European electricity system, as well as the obligations stemming from the EU network codes, will necessitate more integrated approach to transmission system operation over borders. That implies a more institutionalized cooperation of the transmission system operators (TSOs).
- *BusinessEurope supports the alternative proposal of the European Parliament in setting up Regional coordination centres (RCSs), except for the issuance of binding decisions. The centres should build upon the existing regional security coordinators to complement the role of the national TSOs on issues of regional relevance.*
- *While more enhanced cooperation will emerge bottom-up and voluntarily, it is necessary to have extended list of actions, as proposed by the Commission and the Parliament. Safety of the system needs to be the top priority at all times.*
- *Lastly, the Parliament and Commission positions rightly increase transparency as a precondition for more efficiency and better implementation. The decisions on the basis of coordination within and between the centres, ensuring equitable treatment between members of the centres and facilitating consensus are a must.*



ENERGY EFFICIENCY DIRECTIVE

European industry is strongly committed to the principle of energy efficiency, i.e. doing more with less, rather than absolute limits to energy consumption. It is important to look into ways to use the energy more economically and effectively, respecting the physical limits of materials and processes.

Energy efficiency targets

- While increasing the efficiency target may trigger more investments in energy efficient projects and accelerate the implementation of innovative technologies and services, it could also have an adverse impact on cost-competitiveness and the leading role of the EU ETS in reaching the climate objectives. It is therefore important to complement the different policies aimed at improving the competitiveness and the climate objectives. To support further economic growth, the target in the article 3 of the energy efficiency directive has to be set realistically and economically.
- Furthermore, more flexibility regarding the formulation of the energy efficiency target by allowing adjustments in line with macro-economic developments (rather than putting limit on energy consumption) is needed. The following wording would provide higher flexibility to Member States and economic delivery:
“The national targets may be subsequently adjusted to take into account unforeseen circumstances. Any adjustment of the national targets shall be done regularly through the updated national energy and climate plans and be based on Eurostat data.”
- *Regarding the EU headline target, BusinessEurope stresses not to go beyond 30% and keep the indicative nature of the targets on EU and national level. BusinessEurope proposes to include adjustment mechanism to adapt the target on the basis of economic development and specific circumstances.*

Early measures and flexibility

- Maintaining the flexibility of the proposal in achieving the energy efficiency measures in the Member States, will secure most cost-efficient and optimal set of measures in different parts of Europe. Member States should continue to set their national energy targets on bottom-up potential and have sufficient flexibility to achieve these using variety of measures.
- *BusinessEurope calls for more flexibility in achieving the efficiency measures, such as to count early measures in savings calculation. BusinessEurope fully supports the agreed position of the Council on the article 7, in particular to allow Member States to continue, up to a maximum of 35% of the amount of energy savings, to exclude specific energy use (especially energy consumption from ETS sectors) and count savings resulting from other measures, beyond 2020.*
- *All measures resulting in an increase in energy efficiency during 2021-2030 should be accountable, including those implemented before 2021, and renewables for own consumption as a measure under article 7.*