

Clean energy for all Europeans



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Cyprus Energy Regulatory Authority

Maria-Eleni Delenta

Head of International Affairs and Energy Policy Department

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EU-nergy: A paradigm Shift

Clean Energy for All Europeans



On 30 November 2016 the European Commission presented a package of measures to keep the European Union competitive as the clean energy transition changes global energy markets.

Why do we need this package?

The energy system of tomorrow will look differently

2030

50% of electricity to come from renewables



2050

Electricity completely carbon free



Thanks to EU-ambitious **energy and climate commitments**



Unique opportunity to **modernize our economy** and to ...

Boost competitiveness

Create the growth and jobs we need

What are the main goals of the package?

Aimed at enabling the EU to deliver on its [Paris Agreement](#) commitments, the 'Clean Energy for All Europeans' proposals are intended to help the EU energy sector become more stable, more competitive, and more sustainable, and fit for the 21st century. With a view to stimulating investment in the clean energy transition, the package has three main goals:



How do we get there? (1)



How do we get there? (2)

Energy Union Governance

Energy Efficiency

(En.Efficiency Directive,
Energy Performance of
Buildings)

Renewables

(RES Directive)

New Electricity Market Design

(Electricity Directive, Electricity
Regulation, Risk Preparedness
Regulation, ACER, Regulation)

What does the package include?

The package includes 8 different legislative proposals (each with a linked impact assessment) covering:

- Governance
- Energy Performance in Buildings
- Energy Efficiency
- Renewable Energy
- Electricity Market Design (the Electricity Regulation, Electricity Directive, and Risk-Preparedness Regulation)
- Rules for the regulator ACER

EU's ordinary decision-making process

As with all legislative proposals under the [EU's ordinary decision-making procedure](#), the proposals in this package are currently being discussed by the co-legislators - the European Parliament and the Council of the European Union.

	European Commission Proposal	EU Inter-institutional Negotiations	European Parliament Adoption	Council Adoption	Official Journal Publication
Energy Performance in Buildings	30/11/2016	Political Agreement	17/04/2018	14/05/2018	19/06/2018 - Directive (EU) 2018/844
Renewable Energy	30/11/2016	Political Agreement	-	-	-
Energy Efficiency	30/11/2016	Political Agreement	-	-	-
Governance	30/11/2016	Political Agreement	-	-	-
Electricity Regulation	30/11/2016	Ongoing	-	-	-
Electricity Directive	30/11/2016	Ongoing	-	-	-
Risk Preparedness	30/11/2016	-	-	-	-
ACER	30/11/2016	-	-	-	-

*Source: European Commission –DG ENERGY

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Regulation on the Governance of the Energy Union -1

- **On June 20, 2018 an ambitious political agreement on the governance of the Energy Union was reached between negotiators from the Commission, the European Parliament and the Council.**
- This regulation will ensure that the objectives of the Energy Union, especially the EU's 2030 [energy and climate targets](#)-
 - ✓ reduction of 40% of greenhouse gas emissions,
 - ✓ a minimum of 32 % renewables in the EU energy mix and
 - ✓ the 32.5 % goal of energy efficiency savings
- are achieved by setting out a political process defining how EU countries and the Commission work together, and how individual countries should cooperate, to achieve the Energy Union's goals.

Regulation on the Governance of the Energy Union-2

Main achievements:

- Calls for each Member State to prepare a national energy and climate plan for the period 2021 to 2030, covering all the five dimension of the Energy Union and taking into account the longer-term perspective. These national plans would be comparable throughout the EU. Assessments of the draft plans, and recommendations by the Commission, will result in final plans that ensure that the 2030 climate and energy targets will be reached in a coherent, collaborative and least-cost way across the EU.
- Aligns the frequency and timing of reporting obligations across the five dimensions of the Energy Union and with the Paris Climate Agreement, significantly enhancing transparency and delivering a reduction of the administrative burden for the Member States, the Commission and other EU Institutions.
- Ensures that EU and Member States can work together towards further enhancing the ambition set up in the Paris Climate agreement and strengthens regional cooperation across the Energy Union dimensions.
- Introduces the necessary flexibility for Member States to reflect national specificities and fully respects their freedom to determine their energy mix.
- Ensures the follow-up of the progress made at Member State level to the collective achievement of the binding EU renewables target, the EU energy efficiency target and the 15% interconnection target.
- Introduces a robust mechanism to ensure the collective attainment of the EU renewable and energy efficiency targets.
- Establishes a clear and transparent regulatory framework for the dialogue with civil society in Energy Union matters and enhances regional cooperation.

Next steps

- Following this political agreement, the text of the Regulation will have to be formally approved by the European Parliament and the Council. Once formally adopted by both co-legislators in the coming months, the Regulation on the Governance of the Energy Union will be published in the Official Journal of the Union and will enter into force 20 days after publication.

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Energy Performance in Buildings -Directive

- On June 19 , 2018 the **Directive (EU) 2018/844** of the European Parliament and of the Council was published amending Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency.
- The Directive **improves energy efficiency in buildings and encourages building renovation**. Decarbonising the existing, highly inefficient European building stock is one of its long term goals. It promotes cost-effective renovation work, introduces a smartness indicator for buildings, simplifies the inspections of heating and air conditioning systems and promotes electro-mobility by setting up a framework for parking spaces for electric vehicles.

Energy Efficiency Directive

- On June 19, 2018 a political agreement on new rules for improving energy efficiency in Europe was reached between negotiators from the Commission, the European Parliament, and the Council.

Main achievements of the new regulatory framework:

- Sets a new energy efficiency target for the EU for 2030 of 32.5%, with an upwards revision clause by 2023;
- Will extend the annual energy saving obligation beyond 2020, which will attract private investments and support the emergence of new market actors;
- Will deliver real energy savings in the next period 2021-2030 and beyond, coming from new energy efficiency renovations or other measures undertaken in the next decade;
- Will strengthen rules on individual metering and billing of thermal energy by giving consumers - especially those in multi-apartment building with collective heating systems – clearer rights to receive more frequent and more useful information on their energy consumption, enabling them to better understand and control their heating bills.
- Will require Member States to have in place transparent, publicly available national rules on the allocation of the cost of heating, cooling and hot water consumption in multi-apartment and multi-purpose buildings with collective systems for such services.
- Will tackle existing market, behavioural and regulatory barriers in order to increase security of supply, competitiveness of EU industries, reduce energy bills of consumers and health costs for society, thereby also addressing energy poverty and exploiting the positive impacts on economic growth and employment.

Next steps

- Following this political agreement, the text of the Directive will have to be formally approved by the European Parliament and the Council. Once endorsed by both co-legislators in the coming months, the updated Energy Efficiency Directive will be published in the Official Journal of the Union and will enter into force 20 days after publication. Member States will have to transpose the new elements of the Directive into national law 18 months after its entry into force.

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Renewable Energy Directive

- On June 14, 2018 an ambitious political agreement on increasing renewable energy use in Europe was reached between negotiators from the Commission, the European Parliament and the Council.

Main achievements of the new regulatory framework:

- Sets a new, binding, renewable energy target for the EU for 2030 of 32%, including a review clause by 2023 for an upward revision of the EU level target.
- Improves the design and stability of support schemes for renewables.
- Delivers real streamlining and reduction of administrative procedures.
- Establishes a clear and stable regulatory framework on self-consumption.
- Increases the level of ambition for the transport and heating/cooling sectors.
- Improves the sustainability of the use of bioenergy.

Next steps

- Following this political agreement, the text of the Directive will have to be formally approved by the European Parliament and the Council. Once endorsed by both co-legislators in the coming months, the updated Renewable energy Directive will be published in the Official Journal of the Union and will enter into force 20 days after publication. Member States will have to transpose the new elements of the Directive into national law 18 months after its entry into force.

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Electricity Regulation (recast)-1

- The European Commission put forward proposals for the EU energy market design on 30 November 2016. The proposal for a regulation on the internal market for electricity (COM(2016)0861) recasts Regulation (EU) No 714/2009.
- It aims to make the electricity market fit for flexibility, decarbonisation and innovation by providing for undistorted market signals, revises the rules for electricity trading, clarifies the responsibilities of the market participants, and defines principles for assessing capacity needs and for market-based capacity mechanisms.

Electricity Regulation(recast)-2

The main components of the proposed regulation are:

- All market participants should take responsibility for balancing of supply and demand in the grid. The proposal sets out rules for balancing markets, day-ahead and intraday markets.
- Dispatching of power plants would generally be market-based, with priority dispatch for renewables and high-efficiency cogeneration limited to small installations, pre-existing installations and demonstration projects. The rules for curtailment and dispatch should be objective, transparent and non-discriminatory.
- The proposal sets out a process for defining regional electricity markets (bidding zones) that would maximise economic efficiency and cross-border trading opportunities and maintain security of supply. It sets out rules for the allocation of transmission capacity and for preventing national limitations on cross-border electricity flows.
- The rules on network access charges are updated to rule out discrimination and disincentives against energy storage and demand response. Tariffs should incentivise grid operators to increase efficiencies, foster market integration and security of supply and support investments.
- The proposal updates the rules for assessing capacity needs at European level and sets out design principles for national capacity mechanisms. Capacity mechanisms should be open to participation of capacity providers from other Member States. The proposal sets carbon emission limits for power plants that receive capacity remuneration.
- The proposal sets out the tasks and responsibilities of the European Network of Transmission System Operators for Electricity (ENTSO-E) and introduces Regional Operational Centres (ROCs), which would be established by transmission system operators to ensure the reliable and efficient operation of cross-border grids.
- The procedure for developing and adopting rules for the electricity grid (network codes) is clarified and streamlined. The proposal establishes a new European entity for distribution system operators.

Electricity Regulation(recast)-3

- After a first exchange of views on 27 February 2017, energy ministers in Council welcomed the entire package on electricity on 26 June 2017, but raised issues on specific points, including capacity mechanisms.
- On 18 December 2017, [the Energy Council adopted its general approach](#) on the proposal. It specifies rules for electricity trading aiming to bring trading closer to real-time, defines clearer rules for establishing bidding zones, sets out harmonised design principles for national capacity mechanisms and limits the participation of existing power plants in them. [The general approach would require the Commission to evaluate by 2025 which elements of network codes could be included in EU acts concerning the internal electricity market.](#) Moreover, it supports the establishment of a European entity of distribution system operators and strengthens the role of regional security coordinators.
- A first debate in the Parliament's plenary on the 'Clean Energy for all Europeans' package took place on 13 December 2016. The proposal was referred to the Parliament's Industry, Research and Energy Committee (ITRE), [which decided to treat this proposal in parallel with the proposal for a directive on common rules for the internal market in electricity.](#) Krišjānis Kariņš (EPP, Latvia) was appointed rapporteur for both files. In June 2017, the rapporteur presented his draft report. The ITRE Committee held a public hearing on 'Clean Energy Package - the future of the EU electricity market' on 10 July 2017.
- The ITRE Committee adopted its report on 21 February 2018 and decided to enter into interinstitutional negotiations. It sets general principles for capacity mechanisms, which should be temporary and subject to strict conditions; clarifies the tasks of the new EU DSO entity; amends provisions regarding energy storage, bidding zones and data exchange. Instead of the regional operational centres proposed by the Commission, it introduces regional coordination centres and leaves the responsibility for managing electricity flows and ensuring a secure, reliable and efficient electricity system with the TSOs.
- EU energy ministers held an informal meeting on 19 April 2018 in Sofia to discuss the progress on the files in the clean energy package.
- Trilogue negotiations started in June 2018.

Electricity Directive (recast)-1

- The European Commission put forward proposals for the EU energy market design on 30 November 2016, as a part of a broader 'Clean Energy for all Europeans' package. The proposal for a directive on common rules for the internal market in electricity (COM(2016) 0864) recasts Directive 2009/72/EC.

Electricity Directive(recast)-2

The main components of the proposed review of the directive are:

- **Customer rights:** electricity customers would have the freedom to choose a supplier or aggregator, aided by certified comparison tools, without fees for changing supplier, and to opt for a dynamic price contract and a smart meter. They would be entitled to engage in demand response, self-production, self-consumption, storage and sale of electricity. The proposal sets out rules for clearer and more frequent electricity bills.
- **Energy poverty:** Member States would be obliged to offer targeted protection to energy poor or vulnerable customers. Member States would have to monitor and report the number of households in energy poverty.
- **New market players:** aggregators would be free to participate in the retail market. The proposal establishes a framework for local energy communities, which would have the right to engage in local energy generation, distribution, aggregation, storage and energy efficiency services and have access to all organised markets. Member States would have to assign clear roles and responsibilities to all market participants, and regulate data exchange between them, facilitated by a common European data format.
- **Electro-mobility:** Member States would have to facilitate the connection of recharging points for electric vehicles to the electricity distribution network, and open ownership and operation of these charging points to third parties.
- **Distribution system operators (DSO):** the tasks of DSOs are clarified and a procedure for planning the development of the distribution network is introduced. DSOs would have to make data from smart meters available to other market players.
- **Transmission system operators (TSO) would have to cooperate with neighbouring TSOs and the new Regional Operating Centres,** which are introduced in the related proposal for a regulation on the internal electricity market (COM(2016) 861). The role of TSOs in balancing markets and provision of ancillary services is clarified.
- **National energy regulators would have to cooperate with neighbouring regulators and with the Agency for the Cooperation** of Energy Regulators (ACER) where issues of cross-border relevance are concerned. They would have new tasks in the oversight of Regional Operating Centres and other regional entities and in ensuring the availability of interconnector capacities.

Electricity Directive (recast)-3

- The proposal was referred to the Parliament's Industry, Research and Energy Committee, which decided to treat it in parallel with the proposal for a regulation on the internal market in electricity and appointed Krišjānis Kariņš (EPP, Latvia) as rapporteur for both files. In June 2017, the rapporteur presented his draft report. The ENVI Committee adopted its opinion on 21 November 2017.
- The ITRE Committee adopted its report on 21 February 2018 and decided to enter into interinstitutional negotiations. It further strengthens the rights of electricity consumers by making it possible to switch electricity suppliers within 24 hours as of 2022, have contracts with multiple suppliers, clearer information about offers and a comparison tool, clearer information about contract conditions and more transparent energy bills. The report clarifies the conditions under which local energy communities can participate in the electricity market, free of discrimination and bearing a fair share of the system costs. It clarifies the responsibilities of DSOs and the conditions under which they may, on an exceptional basis, own and operate storage facilities and charging infrastructure for electric vehicles. The report calls for energy poverty to be addressed through measures of social policy. Regulated electricity prices to support vulnerable household consumers should only be allowed under strict conditions and be completely phased out 10 years after the entry into force of the Directive. The Commission would have to review and submit a report on the implementation of this Directive by June 2025.
- Ministers discussed the proposal in the Energy Council meetings on 27 February 2017 and 26 June 2017, and broadly welcomed the entire package on electricity.
- On [18 December 2017](#), the Energy Council adopted its [general approach](#), which would let electricity suppliers set prices freely, but allow Member states to regulate prices for energy poor or vulnerable consumers temporarily. It would enable electricity suppliers to offer dynamic electricity price contracts and sets out rules for the installation of smart meters. It sets a framework for energy communities to ensure that they contribute in an adequate and balanced way to the overall system cost. It would let TSOs and DSOs own, develop, manage or operate energy storage facilities, under certain conditions.
- EU energy ministers held an informal meeting on 19 April 2018 in Sofia to discuss the progress on the files in the clean energy package.
- Trilogue negotiations started in June 2018.

Regulation on Risk Preparedness -1

- The European Commission published on 30 November 2016 a proposal for a regulation on risk preparedness in the electricity sector and repealing Directive 2005/89/EC (the Security of Electricity Supply Directive) – COM(2016)862. **The Commission's impact assessment concludes that the existing Directive is no longer fit for purpose.** It is not reflecting the current interconnected electricity market and focuses mainly on the national dimension without a common approach to identify and assess risk.
- The proposal has been published within a broader 'Clean Energy for all Europeans' package. The package comprises a proposal for regulation on internal electricity market which establishes regional operating centres in order to facilitate cross-border management of the electricity grid and cooperation of transmission system operators. **The proposed regulation on risk-preparedness further details the role of the regional operating centres in case of an electricity crisis.**

Regulation on Risk Preparedness -2

The goal of the proposed regulation on risk-preparedness is to provide an EU-wide system in case of a major electricity supply crisis, which often is not restricted to one Member State. By proposing EU-wide rules to follow in case of such a crisis, the Commission intends to bolster regional cooperation and assistance among Member States. This approach can be less costly, more secure and strengthen the functioning of electricity market. It is built around four set of measures:

- **common rules on how to prevent and prepare for electricity crises to ensure cross-border cooperation:**
 - (i) Member States should designate a competent authority that will be in charge of drafting risk-preparedness plans and implementing tasks set out in the regulation;
 - (ii) before adopting the plans Member States should share them with competent authorities in the region and Electricity Coordination Group for consultation;
 - (iii) after publication they should be sent to the Commission, made public and updated every three years;
 - (iv) plans should be composed of national and coordinated measures which will be agreed with Member States in the region;
 - (v) plans should include measures to prevent simultaneous crises in a region and ensure regional management in case they occur;

Regulation on Risk Preparedness -3

- **common rules for managing crisis situations:**

- (i) Member States should notify the Commission and neighbouring Member States in the event of an electricity crisis or if they have information it may occur;
- (ii) Member States should cooperate in a spirit of solidarity to prepare for and to manage a crisis and when it occurs they should comply with internal electricity market rules;

- **common methods in order to assess risks related to security of supply:**

- (i) the European Network of Transmission System Operators for Electricity (ENTSO-E) should develop a methodology and crisis scenarios at regional level and update them every three years
- (ii); ENTSO-E should also develop a methodology and carry out short-term adequacy assessments,
- (iii) the Agency for the Cooperation of Energy Regulators (ACER) should amend and approve these methodologies where necessary;

- **a common framework for better evaluation and monitoring security of electricity supply:**

- (i) if a crisis occurs Member States should carry an ex-post evaluation of the event and its impacts to ensure full transparency;
- (ii) the Electricity Coordination Group is in charge of systematic monitoring of security of electricity supply across the EU.

Regulation on Risk Preparedness -4

In the European Parliament, the Industry, Research and Energy Committee is in charge of the proposal and appointed Flavio Zanonato (S&D, Italy) as a rapporteur. The rapporteur presented his draft report in June 2017. The Committee adopted the report on 21 February 2018 and decided to enter into interinstitutional negotiations. The report recommends that

- assessments on the feasibility of assisting a neighbouring Member State be limited to technical aspects, and that the compensation mechanisms be defined ex-ante or in the early stages of a crisis, so to avoid ex-post disagreements;
- ACER draft Union-wide guidelines for preventing and handling crisis situations, identifying both market and non-market measures and system operational rules, giving preference to measures with the least impact on the environment.
- Member States submit their risk-preparedness plans to the Commission, which approves the plans or requires them to be amended or withdrawn if they are likely to distort the internal market, jeopardise the security of supply in other Member States, are not necessary or proportionate, or in contradiction with EU climate policy objectives;
- confidentiality of sensitive information on power system operation, and on risk preparedness plans be ensured;
- Member States may ask the Commission, with technical assistance of ACER and ENTSO-E, to facilitate a regional agreement;
- in cases where the competent authorities cannot reach an agreement, the Commission be entitled to propose a cooperation mechanism for the conclusion of a regional agreement, but cannot impose it on Member States against their will;
- transmission and distribution system operators be explicitly involved in the identification, preparation, management, monitoring and ex-post evaluation process, since they are ultimately responsible for the safe and reliable operation of the system.

EU energy ministers held an informal meeting on 19 April 2018 in Sofia to discuss the progress on the files in the clean energy package.

ACER Regulation (recast)-1

- On 30 November 2016 the Commission published, within a 'Clean Energy for all Europeans' package of legislative proposals, a proposal for a regulation on establishing a European Agency for the Cooperation of Energy Regulators (recast) – COM(2016) 0863.
- The proposal on reforming the Agency for the Cooperation of Energy Regulators (ACER) will recast legal acts that set out rules for the establishment and functioning of the ACER and of the European Network of Transmission System Operators for Electricity (ENTSO-E). According to the Commission, an integrated market and a cross border infrastructure should be overseen by a more powerful agency.

ACER Regulation (recast)-2

ACER is an EU agency with a governance structure specifically tailored to the EU energy market. Its role is to coordinate the regulatory decisions of independent national regulators. **The proposal on the ACER introduces the following main provisions:**

- The scope of the agency's decision-making is extended; it will be able to decide on 'regulatory issues with cross-border relevance'.
- It has been specified that the agency will monitor the 'wholesale and retail markets in electricity and natural gas' as well as compliance with the new consumer rights (laid down in the recast Electricity Directive - COM(2016)864).
- The agency rules are aligned with a Common Approach on EU decentralised agencies.
- Under a regional decision-making process, which would apply only to a restricted number of national regulators, the agency Board of Regulators would be in charge of adopting or rejecting of such decisions; the board might ask a regional sub-committee to prepare a decision.
- The agency has been granted a new task of regulatory oversight of Regional Operational Centres which cover several Member States (a structure created in the recast Electricity Regulation – COM(2016) 861/Annex 1).
- The agency will supervise the Nominated Electricity Market Operators (NOME).
- The agency has been granted new powers to amend and approve methodologies developed by ENTSO-E for generation adequacy assessments and electricity supply crisis scenarios at regional level.
- The agency has been given more responsibility when it comes to adoption and implementation of electricity network codes.
- The agency will have an influence over the regional electricity market (bidding zone) review process (for which details are laid down in the new electricity market design – recast of Electricity Regulation COM(2016) 861).
- It is estimated that the Agency will need 18 additional staff by 2020 to fulfil the newly assigned tasks.

ACER Regulation (recast)-3

- In a resolution 'Achieving the 10 % electricity interconnection target – Making Europe's electricity grid fit for 2020', of 15 December 2015, the European Parliament called for ACER's role to be strengthened. In a resolution of 13 September 2016, 'Towards a new energy market design', the Parliament called for ACER to be given decision-making power to coordinate regional cooperation without creating a massive new authority, noted that ACER should be provided with sufficient financial and human resources, and highlighted the need for setting up intraregional and interregional cooperation mainly in order to evaluate cross-border impacts with ACER as coordinator and support from ENTSO-E.
- EU energy ministers had a first exchange of views on the package of proposals at the Council meeting 27 February 2017.
- The European Parliament plenary discussed the Clean Energy package on 13 December 2016. The proposal on reviewing the ACER Regulation was assigned to the Parliament's Industry, Research and Energy (ITRE) Committee. Morten Helveg Petersen (ALDE, Denmark) was appointed rapporteur and presented his draft report in June 2017.

ACER Regulation (recast)-4

The ITRE Committee adopted its report on 21 February 2018 and decided to enter into interinstitutional negotiations. It broadly supports the proposal, but also proposes some improvements and clarifications:

- the primary responsibility for regional terms and conditions or methodologies should rest with the regulatory authorities of the region concerned; they should only be referred to ACER for decision if the issue at stake has a tangible impact on the internal energy market, if the concerned regulatory authorities fail to agree or upon their joint request.
- ACER shall issue a recommendation where joint agreements are inconsistent with the objectives and the provisions of the Directive and Regulation and the network codes and guidelines.
- a possibility for ACER to intervene with a binding decision when it detects that an ENTSO, a Nominated Electricity Market Operator, a Regional Operational Centre (ROCs) or any other entity operating at cross-border, regional or EU-wide level (e.g. the future EU DSO entity) does not comply with the objectives and the provisions in the Electricity Directive and Regulation and the network codes and guidelines;
- giving ACER the power to request any information it requires to effectively carry out its tasks from market participants and other entities, if necessary through binding decisions; this would strengthen ACER's ability to perform its monitoring function;
- concerning ACER's lack of financial and human resources, allowing ACER to collect fees for the registration of Registered Reporting Mechanisms, reporting trade and fundamental data under REMIT, and for the oversight of TSO activities, including their cooperation through the ENTSOs;
- ensuring that decisions are fully reasoned and justified to allow judicial review; decisions must be made public, whilst preserving the confidentiality of commercially sensitive information;
- national regulators should continue to vote by a two-thirds majority within the Board of Regulators, not with simple majority, as proposed by the Commission.

On 11 June 2018, the Council agreed a general approach on the proposal, based on preparatory work at working party level and an exchange of views on the topic 'Way forward on ACER Regulation' at the informal meeting of energy ministers in Sofia on 18-19 April 2018.

How this package will affect MS?(1)

What are the new rules for the wholesale market? (1)

- Short term markets will be made overall more flexible and responsive to the rise in variable renewable generation.
- Wholesale price caps will be removed, making prices reflect the real value of electricity in time and location (scarcity pricing) in order to drive investments towards the flexible assets most needed for the system, including demand-response and storage. More liquid and interconnected markets will increase trade opportunities.
- Dispatch rules will be adapted to the new market reality, creating a level-playing field for larger generation capacities. **Rules on priority dispatch will however be maintained for small-scale renewable installations and emerging technologies to ensure their development.**

How this package will affect MS?(2)

What are the new rules for the wholesale market? (2)

- Grid bottlenecks on the borders will be minimized, among other things by re-investing congestion revenues into the grid.
- The overall electricity system operation by TSOs will see more coordination on a regional level to ensure most optimal utilisation of the grid and better grid stability.
- Better demand participation: remuneration for demand response will be more in line with the flexibility provided by such services, creating a better economic case for distributed resources and for self-generation

How this package will affect MS?(3)

What are the new rules for the retail market and what changes for the consumer? (1)

- Everyday operations like billing, changing suppliers and getting a new contract when moving house will become easier, quicker and more accurate for consumers thanks to the improved management of digital customer information.
- Consumers will get access to reliable and clear information on the best deals in the market, using free-of-charge certified online price comparison tools which will assist them in making informed choices.
- Consumers will be able to switch suppliers more easily, thanks also to the proposal to restrict the use of switching fees. The average difference between the incumbent supplier's standard offer and the cheapest offer in the market is more than €50 a year in the EU.
- If they wish, consumers will be able to request a smart meter from their energy supplier and benefit from market-based energy prices, and new technologies will allow them to consume more when energy is cheap and reduce consumption when prices are high. That means that consumers will have better control of their spending on energy services.
- Furthermore, consumers or communities of consumers will be entitled to produce, store or sell their electricity, allowing them to take advantage of the falling costs of rooftop solar panels and other small-scale generation units to help reduce energy bills. Consumers can thus individually benefit from the Energy Union.

How this package will affect MS?(4)

What are the new rules for the retail market and what changes for the consumer? (2)

- Every consumer will be able to offer demand response and to receive remuneration, directly or through aggregators. Dynamic electricity price contracts reflecting the changing prices on the spot or day-ahead markets will allow consumers to respond to price signals and actively manage their consumption.
- This necessitates the removal of retail price regulation while ensuring the full and appropriate protection of vulnerable consumers. Targeted price regulation such as social tariffs will be permitted for a transition period to address the needs of vulnerable consumers until their situation can be addressed by appropriate energy efficiency and social policy measures.
- With the bulk of renewable electricity connected at distribution level, Member States will have to allow and incentivise Distribution System Operators (DSO) to use flexibility services and energy efficiency measures to improve the efficiency of their operations.
- A new EU DSO entity will be created. It will be responsible for putting in place rules on grid management and use and EU-level cooperation with TSOs. It will also work on the integration of renewables, distributed generation, energy storage, demand response and smart metering systems.

How this package will affect MS?(5)

What role will storage play?

- Storage is one amongst several fast-advancing technologies whose contribution to the efficient working of our electricity system cannot be underestimated. From a system-wide perspective, storage is one amongst key technologies that enable the grid to be more flexible, as they can counter-balance peaks and drops in demand and supply – provided the remuneration gives an incentive to do so.
- Storage will therefore need to benefit from appropriate pricing to have its flexibility and usage adequately remunerated. By introducing scarcity pricing, the current initiative wants to give due credit to such technology. By strengthening the price signal, we are in practice allowing storage technologies to take advantage of instantaneous market remuneration, whilst creating a case for longer-term investment in the technology.

What about the Cyprus Market?

- Small and isolated system (no interconnections as yet)
- Market liberalized 100% in 2014

Steps towards market integration:

- In 2015 CERA decided to proceed with a New Market Model (net pool model) which is based on the EU Target Model
- New market model is expected to be fully implemented by mid 2019
- STOD prices are implemented for High and part of Medium voltage consumers, the rest of the consumers are under fixed prices.
- Recently CERA proceeded with a draft Regulatory Decision for a full roll out installation by the DSO of smart meters including and all other necessary systems for a fully operated Advanced Metering Infrastructure (AMI).
- CERA is considering to proceed with a draft Regulatory Decision for enabling Energy Storage Systems to enter into the market.
- CERA in cooperation with the MECIT are investigating the necessary amendments in the legislative framework in order to introduce demand response.
- CERA has also issued 3 supply licences

Conclusions

- In order to achieve the EU ambitious energy and climate targets, significant changes in the market operation as well as significant investment is needed in the energy sector.
- The Clean Energy for All Europeans package aims to set legal framework to make this transformation possible.
- Cyprus is moving towards this directions by preparing and taking all necessary steps and measures.



Thank you for your attention

regulator.cy@cera.org.cy

www.cera.org.cy