

Public consultation on a new energy market design

Fields marked with * are mandatory.

Information about you

* Are you responding to this questionnaire on behalf of/as:

- Individual
- Organisation
- Company
- Public Authority
- Other

* Name of the company/organisation

Austrian Federal Economic Chamber - Wirtschaftskammer Österreich (WKÖ)

* Please describe briefly the activities of your company/organisation and the interests you represent

WKÖ is the legal representative of around 450.000 Austrian enterprises covering the sectors industry, trade, small manufacturing, transport, banking & insurance, tourism as well as services & IT. As the voice of Austrian business, WKÖ is committed to forward-looking policies which benefit the economy.

* Which countries are you most active in?

- | | |
|---|---|
| <input checked="" type="checkbox"/> Austria | <input type="checkbox"/> Belgium |
| <input type="checkbox"/> Bulgaria | <input type="checkbox"/> Croatia |
| <input type="checkbox"/> Cyprus | <input type="checkbox"/> Czech Republic |
| <input type="checkbox"/> Denmark | <input type="checkbox"/> Estonia |
| <input type="checkbox"/> Finland | <input type="checkbox"/> France |
| <input type="checkbox"/> Germany | <input type="checkbox"/> Greece |
| <input type="checkbox"/> Hungary | <input type="checkbox"/> Ireland |
| <input type="checkbox"/> Italy | <input type="checkbox"/> Latvia |
| <input type="checkbox"/> Lithuania | <input type="checkbox"/> Luxembourg |
| <input type="checkbox"/> Malta | <input type="checkbox"/> Netherlands |
| <input type="checkbox"/> Poland | <input type="checkbox"/> Portugal |
| <input type="checkbox"/> Romania | <input type="checkbox"/> Slovakia |
| <input type="checkbox"/> Slovenia | <input type="checkbox"/> Spain |
| <input type="checkbox"/> Sweden | <input type="checkbox"/> United Kingdom |
| <input type="checkbox"/> Other | |

Are you registered with the EC transparency register?

- Yes
 No

My number is

10405322962-08

* Can we publish your answers on the Commission website?

- YES - under my name (I consent to all of my answers/personal data being published
 under my name and I declare that none of the information I have provided is subject to
copyright restrictions).
- YES - anonymously (I consent to all of my answers/personal data being published
 anonymously and I declare that none of the information I have provided is subject to
copyright restrictions).
- NO - please keep my answers confidential (my answers/personal data will not be
published, but will be used internally within the Commission)

Short-term markets

- * (1) Would prices which reflect actual scarcity (in terms of time and location) be an important ingredient to the future market design? Would this also include the need for prices to reflect scarcity of available transmission capacity?

For Austrian and European businesses, it is crucial to have access to affordable and secure energy at all times. Security of supply is one of the most important location factors concerning energy. Therefore, WKÖ clearly supports the free formation of prices on the European Electricity Market and opposes any kind of government intervention, leading to market distortion and foreclosure of national markets.

In principle, electricity prices should reflect actual scarcity so that the most cost-efficient flexibility options on the supply and the demand side as well as the most efficient storage solutions are employed. Prices should also reflect the scarcity of transmission capacities within and across market borders. In markets where this is currently not the case, it is important to counteract by speeding-up grid expansion rather than by splitting up well-established price zones, as the German-Austrian bidding zone.

Although progress has been achieved, the persisting electricity price differences across the EU are a strong indicator for the low level of grid interconnection and the incomplete market integration.

*** (2) Which challenges and opportunities could arise from prices which reflect actual scarcity? How can the challenges be addressed? Could these prices make capacity mechanisms redundant?**

The reflection of scarcity in wholesale prices is crucial for cost recovery of capacities via the market. Prices reflecting short-term scarcity provide incentives and opportunities for new players or for the development of products, enhancing flexibility on the market. Given the increase of intermittent electricity generation, additional flexibility will become more important for the functioning of the market and the system. An electricity market that secures that price signals – due to scarcity – reach business and households and that secures cross-border trade make national capacity mechanisms redundant.

To this extent, the social and political acceptance of high prices incurred during scarcity situations would be a challenge to be addressed. However, it is unlikely that such exceptional situations with very high price peaks will occur often. Market participants which are impacted by short-term price fluctuations (mainly producers and big industrial consumers) will protect themselves by providing additional generation capacities, by integrating decentralized power generating facilities into the public grid or by temporarily consuming less energy. Moreover, the European power trading market will cushion price peaks by making foreign capacities available. Private consumers and the vast majority of businesses will not be affected by short-term price peaks due to their long-term supply contracts.

Market prices reflecting scarcity or oversupply (willing to change the expected behaviour of grid users) can also have a direct impact on the local conditions of the distribution grid. Today's electricity grids were dimensioned to cope with the loads envisaged back in the past.

Existing barriers and limitations to the energy markets should be removed in the interest of an integrated EU energy market. In particular:

- The integration of wholesale electricity markets and their improved functioning to achieve the completion of the internal market as soon as possible must remain the priority of policy makers, regulators and involved stakeholders (ENTSO, TSOs, power exchanges). More integrated balancing markets and better functioning intraday markets which adequately reward flexibility are central to this. The European Commission should therefore ensure that the requirements of the Third Package are fully implemented in each Member State and the timely progress of network codes is maintained.
- The European Commission should increase the pressure on Member States to remove existing distortions, such as regulated end-user prices, restrictions or unnecessary regulatory requirements on plant operations.
- Europe must invest in cross-border capacity and overcome national congestion through grid development.

*** (3) Progress in aligning the fragmented balancing markets remains slow; should the EU try to accelerate the process, if need be through legal measures?**

The role of balancing markets will increase, with a growing number of renewable generation plants and therefore increased energy volatility. Any future regulation on balancing markets must be designed as transparent and simple as possible. Coupling fragmented balancing markets would mark an important step towards a fully integrated EU electricity market and is crucial for guaranteeing security of supply.

However, cross border exchange of balancing energy is, in many cases due to regional conditions, still not possible and should not be an ultimate objective. The EU should set minimum standards for national balancing markets. In this context WKÖ welcomes the adoption of the network code on Electricity Balancing (NCEB), which is a first step in the right direction, more will have to follow. Market integration should further accelerated by faster development of network codes, with stronger involvement of stakeholders and the use of pilot projects.

*** (4) What can be done to provide for the smooth implementation of the agreed EU-wide intraday platform?**

Due to the growing share of renewable energy, intraday markets are gaining further importance. The establishment of a common European intra-day market is a logical consequence and will clearly strengthen price signals.

In order to make the cross border intraday market work effectively, scarcities must be reflected in intraday prices and surpluses should be allocated implicitly. The EU model for cross border intraday markets and its legal transposition in form of the recently adopted network code on Capacity Allocation and Congestion Management (CACM) must be implemented by all Member States without delay.

Long-term markets to enable investment

- * (5) Are long-term contracts between generators and consumers required to provide investment certainty for new generation capacity? What barriers, if any, prevent such long-term hedging products from emerging? Is there any role for the public sector in enabling markets for long term contracts?

Investment certainty is essential to guarantee a secure and reliable power supply for Europe. At present, especially investments in European hydro power plants are at an all-time low. Since these plants are an important element of the backbone of the European supply concerning volatility, investments are essential to further guarantee the adequate availability of those plants. Right now energy prices can be predicted just with great uncertainty on a long-term view, which is obviously a barrier. Especially balancing market prices are nearly unpredictable on the long-run. This seriously prevents investments in such plants.

Therefore, long-term contracts offer the possibility to protect against the risk of price peaks and are an important instrument especially for businesses. Thus, the regulatory framework should not put obstacles in the way.

However, it is necessary to open up long-term markets to additional actors, particularly renewable energies. In order to manage the challenges with regard to the high volatility of renewable energy, generators can team up with other renewables or conventional energy producers to provide joint forward markets products. Apart from that public interventions are not necessary.

Finally the debate about splitting the German-Austrian bidding zone implicates market insecurity and weakens the price signal.

- * (6) To what extent do you think that the divergence of taxes and charges[1] levied on electricity in different Member States creates distortions in terms of directing investments efficiently or hamper the free flow of energy?

[1] These may be part of general taxation (VAT, excise duties) or specific levies to support targeted energy and/or climate policies.

According to Eurostat, an average of 30% of the retail electricity bill is paid by customers due to different taxes, levies and other governmental fees in the EU. In some countries such as Germany and Denmark the share of taxes, charges, etc. is close to 50% of the bill. This fact weakens the power of signals of energy prices and grid tariffs and thus reduces incentives of customers to engage in demand side flexibility/demand response programs.

Instead, the focus should be put on the harmonization of EU-wide support schemes for renewable energy. Consequently investments are made where they have the greatest economic effects.

In general, subsidies for renewables should be temporary and digressive, rather than guaranteed over a long period of time. In the medium term, renewable sources of energy should have the potential to compete in the free market and subsidies should be gradually phased out. Also, it is crucial to complement the harmonisation of support schemes through the development and expansion of Europe's energy infrastructures. More wind and solar electricity can only be used efficiently in integrated networks with sufficient interconnection capacity.

Renewable generation

* (7) What needs to be done to allow investment in renewables to be increasingly driven by market signals?

At present, RESs are not yet fully integrated in the market and are not yet fully accountable for the costs that they impose on the system. These costs include those for backup reserves, real-time balancing capacities from which RESs are currently exempted in some Member States and costs which arise from state aid. The patchwork of 28 different support schemes and retroactive state intervention in some countries are the main reasons for investors' uncertainty. In order to allow investment to be market driven, public support schemes should be phased-out in the mid-term. RES must be given the opportunity to re-finance through market-sources, rather than public subsidies. The same market rules and financial requirements must apply equally to all market operators. To that end, future and balancing markets must be open to RES.

*** (8) Which obstacles, if any, would you see to fully integrating renewable energy generators into the market, including into the balancing and intraday markets, as well as regarding dispatch based on the merit order?**

Market distortions in the energy market should be removed as an overall target. RES must be fully integrated into the electricity market, including balancing, intraday and future markets. For a full integration it is necessary that all generating technologies have the chance to compete under fair conditions.

However, the slow progress on providing the necessary infrastructure is still the major obstacle for a cost-effective integration. In order to accommodate the increasing share of RES, it is necessary to expand the grid, to link distribution networks across borders and to coordinate relevant infrastructure projects between all Member States. Otherwise dispatch-costs and costs of curtailment of RES-installations will inevitably increase.

Network congestions directly affect neighbouring electricity systems. If existing network congestions within Germany cannot be eliminated, the German-Austrian bidding zone is threatened. This would be a regression into the direction of a European energy market, it would not be in line with the idea of an Energy Union and business would be faced with increasing energy prices. WKÖ is convinced that larger bidding zones support the necessary characteristics of a well-functioning and liquid electricity market, qualified to reduce trading costs, to provide resilient price signals for investment decisions and to foster more competition. A rapid development of the grid network to integrate RES in the electricity market and guarantee grid stability especially in southern Germany is definitely necessary.

The evaluation of energy storage should be incorporated as a further option for network expansion in local, national, regional and the European (ten year) network development plans. Due to the seasonal aspect of some forms of RES the conversion of electricity into hydrogen or synthetic natural gas is an important measure to store as much energy as possible in the existing grids and underground storages.

- * (9) Should there be a more coordinated approach across Member States for renewables support schemes? What are the main barriers to regional support schemes and how could these barriers be removed (e.g. through legislation)?

The different national RES support schemes definitely lead to distortions of competition on the EU electricity market. Coordinated, foreseeable and temporally stable national support schemes are the requisites for a good investment climate.

Current schemes provide false incentives, as RES are not always promoted in areas where climatic and topographic conditions are most favourable. In order to optimise cost-efficiency, national support schemes have to be harmonised so that investments can be made where they have the greatest economic effects.

Opening up national support systems to investors from all over the EU would be a first step in the right direction. General tenders would increase cost-efficient support. However tendering modalities need to be transparent and provide for planning certainty and equal opportunities for all actors. In general, tenders should be technology-neutral in order to enhance competition between different RES and to make use of the best locations.

Also bi- and multilateral cooperation between Member States has to be improved. The current RES Directive already provides for cooperation mechanisms for countries to work together in order to exploit RES resources and meet their 2020 RES-targets. However, so far, very few Member States have made use of these possibilities, as it has proven difficult to equitably distribute benefits and costs among participating countries. Thus, it will be necessary to provide new incentives for cooperation under the 2030 framework.

Demand response

- * (10) Where do you see the main obstacles that should be tackled to kick-start demand-response (e.g. insufficient flexible prices, (regulatory) barriers for aggregators / customers, lack of access to smart home technologies, no obligation to offer the possibility for end customers to participate in the balancing market through a demand response scheme, etc.)?

Flexibility in terms of demand response is one of the main solutions for the transition towards a low-carbon economy. However, it is crucial that supply peaks of green electricity translate into lower electricity prices. This is currently not the case in all Member States. The potential of flexibility should be evaluated through cost-benefit analysis at individual Member States level to identify the best solution for each area. Member States need to know which realistic vs. theoretical demand side flexibility potential is currently unused, and what upfront investments will be necessary.

There will be no “one size fits all” solution that would provide benefits to all European countries, and any future EU legislation should take into consideration the different realities throughout Europe. Equally each Member State should make sure that their national policy measures do not hinder the use of flexibility or decrease its potential.

Due to the nature of certain production processes, some sectors can be flexible to a limited extent only. Anyhow, smart technologies are of increasing importance and offer advantages for all categories of customers, in both electricity and gas. It is therefore important, to step up efforts and funding for R&D and demonstration projects in this area. Furthermore there is a lack of awareness of the opportunities and benefits offered by DSR. This can be changed by information and education, to improve the customer’s understanding and management of their energy consumption, and by smart meters rolled out in Member States. Especially for electricity, this will also facilitate improved energy management. Smart technologies are a prerequisite enabler, to support a smart-home and smart-services which suppliers will offer.

Any frameworks should be appropriate for particular markets and in principle should be market based rather than driven by obligations. Demand flexibility must not be imposed by law to all energy consumers. Furthermore they should set out clear principles for access and management of customer data and the roles and responsibilities of parties involved.

Cooperation between System Operators

- * (11) While electricity markets are coupled within the EU and linked to its neighbours, system operation is still carried out by national Transmission System Operators (TSOs). Regional Security Coordination Initiatives ("RSCIs") such as CORESO or TSC have a purely advisory role today. Should the RSCIs be gradually strengthened also including decision making responsibilities when necessary? Is the current national responsibility for system security an obstacle to cross-border cooperation? Would a regional responsibility for system security be better suited to the realities of the integrated market?

Cross-border cooperation of national Transmission Systems Operators clearly has to be improved in order to guarantee the stability of the electricity grid. It has to be taken into account that actions on TSO level always have an impact on the conditions in the connected distribution grid. Furthermore, countries with a high share of volatile RES may have negative impact on neighbouring countries. Therefore, it is important to coordinate national energy policy strategies from the beginning with all "electric" neighbours. On the national level DSOs play a crucial role regarding security of supply. The volatility of RES and other decentralized generators as well as changed customer behaviour need to be handled. The task is to keep the distribution grids running. The cooperation between system operators (DSOs and TSOs as well as between national TSOs) is essential in this regard.

Adapting the regulatory framework

- * (12) Fragmented national regulatory oversight seems to be inefficient for harmonised parts of the electricity system (e.g. market coupling). Would you see benefits in strengthening ACER's role?

ACER and ENTSO have a high technical expertise, which led to substantial progress in the context of the energy market regulation. The development of the European network codes can be regarded as success story. The next challenge is now the national implementation of the new market rules, which will show if further transfer of competences is required. When it comes to cross-border grid expansion, European exchanges of electricity and RES-coordination, political considerations will be more relevant than technical concerns. Therefore, it should be considered to establish a multinational inspection body that complements ACER in the mid-term.

- * (13) Would you see benefits in strengthening the role of the ENTSOs? How could this best be achieved? What regulatory oversight is needed?

See answer to question 12

- * (14) How should governance rules for distribution system operators and access to metering data be adapted (data handling and ensuring data privacy etc.) in light of market and technological developments? Are additional provisions on management of and access by the relevant parties (end-customers, distribution system operators, transmission system operators, suppliers, third party service providers and regulators) to the metering data required?

The role of the DSO may differ across Member States reflecting different market structures. However, the EU can support Member States by developing guidelines (e.g. on grid infrastructures and incentive systems).

Above all, it is crucial to further strengthen competition on the retail level. A pre-fixation on certain types of technologies could work against competition. Thus, a technology-neutral approach should be applied.

Data Management: The importance of data to inform the customers as often as sought about their consumption and to support the introduction of new and innovative services to consumers is increasing. All data should be handled in compliance with privacy and data protection laws. The customer should be able to control with whom they share their data and be free to provide their data to a supplier or third party in exchange for energy services.

DSOs will use the regulated data to ensure the efficient operation of the grid and to deliver the necessary qualified data to the various market actors. While for example the European balancing network code harmonises the processes for gas balancing, in this case each Member State will have national rules for managing metering data, depending on the roll-out of smart meters and national metering rules.

The collection and processing of commercial data can be a role of the DSO. This should be done in a manner that ensures:

- Information is provided to parties in a non-discriminatory manner (DSOs are legally obliged to do this under the third package).
- Provide data in an accurate and differentiated way and in a timely manner;
- Provide information using appropriate easy to use electronic facilities
- Where customer consent is required for data sharing, this consent should be provided to the DSO or the appropriate third party.
- Customers' privacy and data confidentiality should always be safeguarded.
- The provision of data shall be done in a cost efficient way.

- * (15) Shall there be a European approach to distribution tariffs? If yes, what aspects should be covered; for example framework, tariff components (fixed, capacity vs. energy, timely or locational differentiation) and treatment of own generation?

Due to different regional conditions, there is no need at this stage for a European approach to distribution tariffs. It is important though that distribution tariffs display certain features in order to facilitate a well-functioning and competitive market.

With regard to distribution tariffs in electricity, any move to capacity-based charging requires careful analysis and consideration of possible unintended consequences. Such a move would be a very significant change and would require significant evidence before it could be justified. Market mechanisms which allow flexibility to be valued will be an important tool to ensuring the grid is optimised.

- * (16) As power exchanges are an integral part of market coupling – should governance rules for power exchanges be considered?

Governance rules for power exchanges are currently not necessary.

European dimension to security of supply

* (17) Is there a need for a harmonised methodology to assess power system adequacy?

WKÖ is favourable to a harmonised methodology, based on procedures which have already been developed by ENTSO-E. Such a methodology is an indispensable prerequisite for creating a common understanding and responsibility for European security of supply. It should consider various factors like the available generation infrastructure, development of raw material prices, available interconnectors, demand response potentials etc.

A well-functioning security of supply will be characterised by the fact that, even in times of scarcity and high price peaks, capacities will be made available for cross border trade. A common assessment anticipating supply shortages would indicate that flexibility barriers are still in place and need to be removed.

- * (18) What would be the appropriate geographic scope of a harmonised adequacy methodology and assessment (e.g. EU-wide, regional or national as well as neighbouring countries)?

Starting from the current market coupling regions, the scope should be extended to the entire Union in the long term.

- * (19) Would an alignment of the currently different system adequacy standards across the EU be useful to build an efficient single market?

An alignment of the different standards is an important prerequisite for the completion of the internal market.

- * (20) Would there be a benefit in a common European framework for cross-border participation in capacity mechanisms? If yes, what should be the elements of such a framework? Would there be benefit in providing reference models for capacity mechanisms? If so, what should they look like?

Considering existing electricity over capacities in the German-Austrian electricity market, WKÖ does not see any necessity of introducing capacity mechanisms. A fully functioning internal market with liquid wholesale markets the necessary infrastructure is the best way to ensure security of supply and affordable energy for businesses and households. Anyhow, potential capacity mechanisms and subsidies for back-up systems must not fragment the internal market or further increase electricity prices. Especially national mechanisms are costly and lead to competitive advantages for domestic power stations by creating additional sources of income. Moreover, national mechanisms disregard cheaper generation sources that are available in the internal market. Against this background, the Commission should provide guidelines for Member States to assess the need for capacity markets against potential alternatives.

Should such an assessment conclude that capacity mechanisms are urgently required in order to prevent lasting and grave problems with security of supply, these mechanisms need to be non-discriminatory, technology-neutral, reversible and in line with the EU guidelines on state aid for environmental protection and energy 2014-2020. Capacities from other Member States must not be excluded. By no means should capacity mechanisms reduce incentives to invest in transmission systems and interconnectors or to couple markets.

Moreover, in the context of ongoing sector analyses, the European Commission should assess already existing capacity mechanisms for compatibility with EU competition law.

- * (21) Should the decision to introduce capacity mechanisms be based on a harmonised methodology to assess power system adequacy?

See answer to question 17

Submission of additional information

If you want to submit further documents, please send these only to ENER-MARKET-DESIGN@ec.europa.eu. Further documents can only be a complement to answering the above questions. Please also mention your name or that of your organisation in the subject line of your mail and reply to the following question

- * Did you send additionnal submissions to ENER-MARKET-DESIGN@ec.europa.eu

- yes
 no

THANK YOU FOR YOUR COLLABORATION!

Contact

✉ ENER-MARKET-DESIGN@ec.europa.eu
