



3 November 2016,

Open letter to the Energy Union cluster of Commissioners about Energy Market Design

The Energy Market Design Initiative is crucial to making or breaking the success of an Energy Union with a forward looking climate policy. It can deliver on multiple EU objectives; a greater focus on consumers and innovation; putting energy efficiency first; becoming a world leader in renewables; and implementing the Paris Agreement.

If we get market design right, Europe as a whole stands to benefit:

- Energy poverty can be cut if markets are leveraged to enable and incentivise citizens to save energy, meaning a better deal for families;
- Energy security and resilience can be boosted if a single energy market effectively aligns national activity with EU policy across the continent;
- The lock-in of fossil fuel power generation can be avoided if the role of capacity mechanisms and other direct and indirect support for fossil fuels is phased out;
- Jobs, growth and essential emissions reductions can come to Europe if the deployment of clean and renewable technologies is facilitated for power supply, heating, cooling and transport;
- Europe's innovative digital industries can get the information and business case they need to deliver the energy systems of the future if energy markets transparently reflect the full cost of delivering both energy and reliability in real-time.

Europe needs faster, more competitive and better connected energy markets to fully integrate the new energy technologies that are needed to drive decarbonisation. A well signalled and transparent evolution of EU energy markets is required.

Starting with the 2030 package, the EU needs markets that deliver affordable, sustainable, and secure energy by:

- Realising the potential of cost-effective energy efficiency and demand response as alternatives to generation through unhindered market access for consumers, enhanced access to information, deployment of smart appliances, and appropriate remuneration so that people and business reap the benefits of consuming less energy and/or consuming energy more flexibly;
- Introducing a sustained programme of smart retirement of surplus resources that starts with the dirtiest and least flexible power sources and leads to no coal in the EU by 2030. This is required both to decarbonise the power system and to tackle the problem of excess generation capacity;
- Regulating and incentivising distribution system operators to act as neutral market facilitators of a more decentralised energy system that, in conjunction with the transparent setting of taxes, fees and network tariffs, strengthens the role of citizens in the production and storage of renewable energy;
- Balancing of supply and demand across Member States through effective interconnections, regional markets (including completing the coupling of balancing markets) and independent, regional system adequacy assessments.

We urge you and your fellow Commissioners to seize the opportunity to deliver an ambitious reform of EU energy markets and put the EU on a course to a brighter, cleaner future.

Yours sincerely,

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CECED European committee of domestic
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EU ASE European Alliance to Save Energy
Monica Frassoni, President

ICLEI Local Governments for Sustainability
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ODE Decentraal
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EREF European Renewable Energies Federation
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