

## The new energy market design: how the EU can support energy communities and citizens to participate in the energy transition

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The EU is poised to set an unprecedented standard by formalizing the role of citizens and communities in Europe's energy transition. By 2050, almost half of all EU households could be involved in producing renewable energy, about 37% of which could come through involvement in an energy community<sup>1</sup>. However, the market design initiative must set strong rules to acknowledge, enable and provide rights to citizens that want to be active customers or participate in energy communities.

As a group of renewable energy cooperatives, local authority representatives, NGOs and members of the renewable energy industry, the Community Energy Coalition is committed to seeing that the EU's Clean energy for all Europeans package provides a fair deal for consumers as 'energy citizens', and ensures no one is left behind in the energy transition. Initiatives such as the [Small is Beautiful Campaign](#) move in the same direction, in order to support small-scale renewable installations and cogeneration facilities in Europe.

As the co-legislator, the European Parliament and the Council have the task of ensuring that citizens across Europe are able to harness this potential. Below, we present our key asks for the Trilogue negotiations on the Electricity Directive and Regulation as they move forward.

### Key demands:

**Fundamentally, the market design needs to be coherent with other legislation in the Clean Energy Package that has already been agreed between the European Parliament and the Council.**

In particular, this legislation should be consistent with provisions in the Renewable Energy Directive, including: 1) definitions of 'renewable energy communities' and 'renewables self-consumers'; 2) a right to participate as an active customer or in an energy community without losing consumer rights; 3) a right to access all suitable markets without discrimination or disproportionate treatment; 4) a right to sell energy through suppliers and peer-to-peer energy sharing; and 5) acknowledgement of the value that citizens and communities can bring to the energy system and the environment in network charges and remuneration they receive.

### Electricity Directive

#### **Article 2 – definitions of energy communities and active customers must be fit for purpose**

1. The Electricity Directive should be clear that the purpose of energy communities is to empower citizens to participate collectively in the energy transition through an enterprise whose main aim,

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<sup>1</sup> CE Delft (2016). *The Potential of Energy Citizens in the European Union*.  
[http://www.cedelft.eu/publicatie/the\\_potential\\_of\\_energy\\_citizens\\_in\\_the\\_european\\_union/1845](http://www.cedelft.eu/publicatie/the_potential_of_energy_citizens_in_the_european_union/1845)

ownership and governance is distinct from traditional market actors. Therefore, they should be **defined as ‘citizens energy communities’**. To ensure coherency with the definition of renewable energy communities and guard against abuse from larger energy companies, the Council’s approach should be used as the basis for compromise and **the principle of ‘autonomy’ should be included in the definition**.

2. **The ‘active customer’ definition** should act as a chapeau for activities that customers are capable of participating in, namely renewables self-consumption, storage, demand response and energy efficiency.

#### **Article 4 – customers must be able to be supplied with electricity both from and outside citizens energy communities**

3. As an important prerequisite for electricity sharing within a citizens energy community, **final customers must be allowed to be supplied with residual electricity from outside the community on non-discriminatory terms**. Therefore, the Parliament’s proposal to give consumers a right to contract with multiple suppliers simultaneously must be maintained.

#### **Article 15 – active customers must have a right to participate across the energy system**

4. Article 15 should provide active customers with a **right to participate across the energy system**. This should include participation in renewables self-consumption, demand response, storage and energy efficiency, and to access the market through a supplier or peer-to-peer arrangements.
5. To ensure coherence with Article 21 of the Renewable Energy Directive, active customers should have a **right to not be subjected to both discriminatory and disproportionate administrative requirements, procedures and charges**.
6. To ensure coherence with the Renewable Energy Directive, the European Parliament’s **proposals for adding storage to Article 15 should be accepted** with changes that are in line with language contained in Article 21 of the Renewable Energy Directive.
7. EU legislation does not have the competence to tell Member States which exact incentives to provide active customers; this must be left up to the Member State to decide, depending on the level of current uptake of technologies such as self-consumption. Therefore, **the Council’s proposal to ban net energy metering should be deleted**.

#### **Article 16 – citizens energy communities need a strong set of rights, including an equal playing field and a right to set up, own, operate, and/or manage distribution networks or micro-grids**

8. Article 16 must firmly establish the principle of **non-discrimination and equality for citizens energy communities**. Language added by the Council in section 2a(b) that would require citizens energy communities to be treated identical to other traditional market actors must be removed as it would prevent Member States from establishing a level playing field.

9. To ensure coherence with the Renewable Energy Directive, Article 16 should **ensure energy communities are entitled to access all suitable markets**, both individually and through aggregation, on an equal footing.
10. In addition to supply, generation and distribution, Article 16 should ensure that citizens energy communities have **a right to engage in investment in recharging systems for electric vehicles and aggregation** without discrimination.
11. To ensure coherence with the Renewable Energy Directive, Article 16 should provide all EU households with **a right to join and participate in a citizens energy community** without losing their rights as final customers.
12. **The right to become a DSO**, and to establish, lease, own and/or manage both **public distribution systems** as well as **'community networks'** (also known as closed distribution systems, or micro-grids) should not be discretionary. For this provision to be meaningful it must be mandatory. We support the Parliament's proposal to ensure compliance with national concession rules; however, Member States should be required to revisit such rules to ensure **citizens energy communities are able to participate in concession tenders on an equal footing with other participants**.
13. Language on citizens energy communities and distribution infrastructure must be clarified to **distinguish rules between the general public distribution grid and community networks**. Regarding the latter, language should clarify that **energy communities are allowed to set up closed distribution networks in order to supply household customers**.

**Article 31 – the role of DSOs in procuring flexibility should be clarified and affirmed, while priority dispatch at distribution level should be maintained**

14. The role of DSOs as independent, neutral market facilitators in the energy transition should be affirmed. With regards to flexibility, **DSOs should have a duty to procure flexibility** in order to efficiently operate their networks and avoid traditional network upgrades. The Council's proposal to make it discretionary whether to give DSOs a role in procuring flexibility should be rejected and/or clarified. Moreover, Member States should be obliged to require DSOs to give priority to renewables generators in their dispatching regime.

**Articles 33 and 34 – citizens energy communities should not be prevented by DSOs from setting up storage or electric vehicle charging points**

15. We agree with the restrictive approach taken by the Parliament and Council towards preventing DSOs to engage in ownership and operation of storage and infrastructure for charging electric vehicles. Citizens energy communities are increasingly expressing interest to own, develop, manage, or operating storage and recharging points for electric vehicles.

**Articles 58 and 59 – Regulatory Authorities need objectives and concrete duties to ensure active customers and citizens energy communities have an equal playing field**

16. Regulatory Authorities should have both an objective and a duty to **monitor the development of active customers and citizens energy communities** at national level to **ensure their rights are properly enforced** and that their development is not hindered.
17. When developing methodologies that underly the calculation of costs in **network tariffs for active customers and citizens energy communities**, Regulatory Authorities must be required to conduct a **cost-benefit analysis that factors in the benefits that active customers and citizens energy communities can provide** the energy system, the environment and society, in particular avoided CO2 emissions and ‘cost savings’ compared to traditional grid reinforcement. This will ensure coherence with what was agreed in the Renewable Energy Directive.

**Article 66 – derogations should promote innovation by citizens energy communities, not inhibit their growth or activities**

18. Provisions in Article 66 that allow Member States to maintain rules that support monopolies must not prevent the establishment of citizens energy communities or their engagement in all relevant activities, particularly on Islands. Moreover, citizens energy communities should be supported to engage in innovation, for instance through the establishment of regulatory ‘sandboxes’ by the Regulatory Authority.

**Annex I – comparison tools must provide transparency to consumers regarding green offers**

19. Comparison tools should allow customers to differentiate between suppliers that own, purchase directly from and invest in new renewables generation, including local generation, and suppliers that use solely guarantees of origin to greenwash themselves without any incentive for additionality. This should be reflected either in Annex I or Article 14.

## Electricity Regulation

**Article 3 – the Electricity Regulation should firmly establish the principle that final customers and citizens energy must be empowered to participate in the internal energy market**

1. Electricity markets should be organized around the principle that final customers and citizens energy communities must be allowed to participate across the electricity market without their rights being restricted by market entry barriers and rules that do not correspond to their particularities as small market participants. As such, we support the Parliament’s proposed amendment 20 to Article 3(1)(c).

**Article 4 – citizens energy communities should be exempted from balancing responsibility unless there is a market for balancing responsible parties**

2. As distinct market actors, citizens energy communities must not be overburdened with balancing responsibilities. The Commission and Parliament proposals to exempt installations under 500 kW

should be maintained. Furthermore, responsibility for citizens energy communities should be predicated on having the ability to assign responsibility to a third party of their choice.

#### **Article 5 – balancing responsibility should be accompanied by access to balancing markets**

3. Citizens energy communities must have non-discriminatory access to balancing markets. As such, Article 5 must integrate the Parliament’s proposals, which guarantees participation by smaller market actors in balancing markets – either individually or through an aggregator.

#### **Article 7 – required minimum bid sizes must be lowered to enable participation by citizens energy communities in day ahead and intraday markets**

4. We support the Parliament’s proposal to set a minimum volume of 500 kW for tradable electricity on day ahead and intraday markets, and for gate closure times of 15 minutes before real time. In this day in age, particularly as we move towards digitalization, higher thresholds constitute overly-burdensome and hardly justifiable market barriers.

#### **Article 11 – citizens energy communities need priority dispatch**

5. The Commission and Parliament proposals to **keep priority dispatch for installations under 500 kW** should be maintained, while Member States should be able to set **higher thresholds for citizens energy communities**. As long as markets are distorted towards fossil fuels, as distinct market actors, citizens energy communities need the additional investment certainty that priority dispatch provides.

#### **Article 16 – network charges must acknowledge benefits that active customers and citizens energy communities provide**

6. To ensure coherence with the Renewable Energy Directive, provisions on network charges in the Electricity Regulation must **acknowledge the benefits that active customers and citizens energy communities can provide** the energy system, the environment and society, particularly avoided CO2 emissions and ‘cost savings’ compared to traditional grid reinforcements.

#### **Article 49 – the EU DSO entity must be independent**

7. Article 49 must guarantee that **the new EU DSO entity acts as an independent technical expert** and is forbidden from promoting the interests of individual DSOs or national associations/groups of DSOs.

#### **Article 50a – voices of small DSOs must be assured in the EU DSO entity**

8. The voting provisions and board composition rules proposed by the co-legislators in Article 50a should be supported to ensure that the EU DSO entity guarantees fair treatment and representation of all member DSOs – including smaller DSOs – in decision-making.