

Karins' Draft Report on energy market design: harming opportunities for energy citizens and communities

The 'Clean Energy for All Europeans' Package presents an opportunity to provide citizens and communities with a supportive framework to participate across the energy system. By 2050, almost half of all EU households could be producing renewable energy, about 37% of which could come through involvement in an energy community.¹ For the energy transition, this potential provides an opportunity to empower consumers, increase competition, address socio-economic needs, contribute to local investment and growth of small and medium enterprises (SMEs), and build support for renewables and energy efficiency.

Karins' Draft Report presents a vision for an energy market design where the role of citizens and local energy communities is significantly marginalized. Specifically, Karins proposes to roll back several positive elements of the Commission's proposal that would help provide a level playing field for consumers and local energy communities (eg. groups and cooperatives of citizens for renewable energy that are represented by REScoop.eu). Furthermore, it ignores an important opportunity to clarify key provisions on local energy communities.

Karins' approach undermines a level playing field for energy communities

A level playing field, and indeed non-discrimination, in the internal energy market is based on **equal treatment**. This means that similar market participants should be treated the same, while market participants in sufficiently different positions or situations should, in certain situations, receive different treatment.

As SMEs that aim to enable citizen ownership in the energy transition, local energy communities, in particular smaller ones, qualify as sufficiently different from larger, better-resourced, traditional energy companies. Unlike other traditional commercial and publicly-owned energy companies, local energy communities operate based on:

- Open, or non-exclusive, economic participation of all local potential shareholders, in their capacity as final consumers and non-professional investors;
- Direct democratic governance based on equal decision making rights; and
- A predominant aim of providing local social, economic, and/or environmental community benefits over profits for its shareholders.

Karins' Draft Report states that "a level playing field for all is the key element in ensuring that prices are based on competition." However, **Karins' proposals distort the idea of a level playing field** to mean the same rules for everyone, including smaller, less-resourced community groups and active consumers, namely through the following:

- **A draconian approach to balancing responsibility & access to balancing markets**

In Article 4 of the Electricity Regulation, **Karins proposes to get rid of *de minimis* thresholds that would exempt smaller actors from assuming balancing responsibility**. Removing the threshold will discriminate against and overly burden consumers and new small energy communities from being able to develop renewables production. Karins also

¹ 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

proposes to delete provisions that would allow specific characteristics of local energy communities to be taken into account when developing balancing markets. What this will impose on local energy communities is essentially a heavy burden without the opportunity to participate in balancing markets on a level playing field with larger actors.

- **Removing *de minimis* thresholds for priority access/dispatch to the grid and undermining existing investment expectations of citizens and communities**

We do not agree with the Commission's proposal to remove priority access and dispatch for renewables. Without first addressing market distortions for inflexible, dirty overcapacity, withdrawing priority access and dispatch for renewables will harm investment certainty for renewables, make investments in flexible demand response less attractive, and should be considered as a subsidy for inflexible conventional electricity production. However, Karins goes even further, **proposing to get rid of *de minimis* thresholds on priority access and dispatch for smaller operators** of renewable energy production installations, which is necessary for investor confidence. Furthermore, he proposes to **retroactively end priority access and dispatch for existing renewables installations**, severely undermining existing policy commitments that encouraged citizens and communities to invest. Finally, Karins **proposes to make it easier to curtail renewables self-production of citizens**.

Karins missed an opportunity to clarify provisions on energy communities

By acknowledging local and renewable energy communities in its legislative proposals, the Commission took an important first step in providing a supportive EU framework to support their participation in the energy system. However, a number of provisions require further clarification and strengthening, including to:

- Clarify the definition of local energy communities;
- Clarify the role of energy communities in owning / operating 'community networks';
- Ensure national regulators oversee a level playing field for energy communities;
- Improve transparency for consumers regarding green offers by suppliers; and
- Ensure distribution tariffs and remuneration for energy communities and active citizens reflect *benefits* and costs they provide to the grid, society and environment.

In Karins' draft report, his proposals did not address even one of these issues.

Key Recommendations

Moving forward, we call on the European Parliament to ensure that amendments to market design legislation support citizens and community enterprises, ensuring a level playing field.

1. Priority access/dispatch for renewables, especially for smaller actors, must be maintained until it is demonstrated that market distortions for inflexible, dirty overcapacity have been dealt with. Retroactive changes to existing EU policy support must be avoided.
2. *De minimis* thresholds on balancing responsibility for smaller actors must be maintained, while balancing responsibility itself should be coupled with guaranteed full access to balancing markets for renewable energy communities.
3. Provisions on the definition of local energy communities, and their roles and responsibilities under Article 16 of the Electricity Directive, need to be clarified so that they can benefit from a level playing field to participate across the energy system.