



EUROPEAN COMMISSION

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Dear President,

The Commission would like to thank the Sénat for its Reasoned Opinion on the proposal for a Regulation of the European Parliament and of the Council on the internal market for electricity (recast) {COM (2016) 861 final}.

This proposal is part of a package of ambitious measures, the "Clean Energy for All Europeans" package, adopted by the Commission in order to establish a stable and forward-looking regulatory framework to meet upcoming energy challenges. The measures included in the package focus on the following three main objectives: energy efficiency first, achievement of a global leadership in renewable energies and a fair deal for consumers.

The Commission welcomes the Sénat's general support for the Energy Union and the proposed strengthening of energy market rules. The Commission notes the concerns expressed by the Sénat on the regional operational centres and on the parallel participation in multiple capacity mechanisms. It confirms that ensuring security of supply is a core objective of European energy policy.

The Commission considers that the proposed amendments to the Regulation are necessary to achieve the objective of an integrated European electricity market which – legally and practically – cannot be achieved at a national level alone in an equally efficient manner. Evidence has shown that isolated national approaches have led to delays in the implementation of the internal energy market, leading to sub-optimal and incompatible regulatory measures, unnecessary duplication of interventions and delays in correcting market inefficiencies. Furthermore, national policy interventions in the electricity sector have a direct impact on neighbouring Member States. This is valid even more nowadays than in the past as the increasing cross-border trade, the spread of decentralised generation and more enhanced consumer participation increase spill-over effects. Electricity networks in most of the European Union are closely meshed, with large synchronous areas operating at identical frequencies and core system operation tasks depending on efficient cross-border cooperation,

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resulting in structural interdependencies and direct impacts of national measures on a wider area. No Member State can effectively act alone and the externalities of unilateral action have become more important. On that basis the Commission considers that the proposal duly respects the subsidiarity principle.

In response to the more detailed comments in the Reasoned Opinion, the Commission would like to refer the Sénat to the attached annex.

The points made in this reply are based on the initial proposal adopted by the Commission, which is currently in the legislative process involving both the European Parliament and the Council. The Commission remains hopeful that an agreement amongst co-legislators will be reached in the near future.

The Commission hopes that the clarifications provided in this reply address the issues raised by the Sénat and looks forward to continuing the political dialogue in the future.

Yours faithfully,

*Frans Timmermans
First Vice-President*

*Miguel Arias Cañete
Member of the Commission*

ANNEX

The Commission has carefully considered each of the issues raised by the Sénat in its Reasoned Opinion and is pleased to offer the following clarifications:

Regional operational centres

The Commission would like to stress that the challenges that the European electricity system will be facing in the medium to long term are pan-European and cannot be addressed and optimally managed by individual transmission system operators alone. As a consequence, the current legal framework is no longer suited to the reality of the dynamic and variable nature of the future electricity system. Enhancing regional cooperation is therefore a crucial element when building the market design of the future.

To ensure better security of supply and to avoid that inefficient solutions are applied at regional level due to a lack of appropriate coordination or agreement between transmission system operators, it is necessary to have a regional entity that can act in the interest of the whole region. This is particularly necessary regarding congestion management at borders.

For almost all of the proposed tasks of the regional operational centres, existing legislation already requires coordination in decision-making between transmission system operators. The proposal includes only very limited issues on which the regional operational centres would decide. These few decisions are necessary to have a regional entity that can act independently in the interest of the whole region. None of the decisions interfere with the transmission system operators' core activity related to system security. All decisions relate to the coordination of issues which can be agreed weeks or months ahead of actual operations.

Finally, the proposed procedure sets out a number of safeguards, such as the possibility for regional operational centres to review the decision if the transmission system operators of the region express concerns.

Double participation in capacity mechanisms

The Commission agrees with the Sénat that security of energy supplies is of the highest importance and needs to be fully ensured. However, if all Member States ensure full coverage of their peak demand, without consideration of resources in neighbouring Member States, significant overcapacities would be created and artificially maintained on a European level. This would come with considerable negative market impact and high costs to consumers. Thus, unless the stress events are perfectly correlated, limiting participation to a single mechanism for the same time period would lead to system-wide over-procurement.

The Commission considers that concerns about the potential for a lack of reliability stemming from parallel participation in multiple mechanisms should be mitigated by the initial de-rating that sets a maximum level of participation on each border. Furthermore, the need for multiple penalties to apply should encourage participants to make a rational judgement about whether they want to take on overlapping capacity obligations.