



EUROPEAN COMMISSION

*Brussels, 7.3.2016
C(2016) 1389 final*

Dear President,

The Commission would like to thank the Senat for its Opinion on the Commission Communication "Launching the public consultation process on a new energy market design" {COM(2015) 340 final}.

In this context it should be recalled that the development of a resilient Energy Union with a forward-looking climate policy is one of the strategic objectives of the European Commission. It requires a fundamental transformation of Europe's energy system, including an updated design of the electricity market.

The Commission views an efficient electricity market design, including better integrated short-term markets, notably intraday and balancing markets, as the best trigger for investment in adequate and flexible generation capacity. Additional locational signals for investment in generation and transmission capacity should come from appropriately designed price zones. The size and shape of these zones remain key topics of the current debate.

It should be noted that the proposals for a new electricity market design, which are planned for the end of this year, should bring tangible benefits for the consumers. In particular, improved retail market arrangements should offer consumers the possibility to benefit from active participation in the EU's energy transition, by ensuring access to meaningful and frequent information on consumption and related costs, and by creating incentives for adjusting and reducing consumption according to price developments.

The Commission agrees with the Senat's observation that governance of the EU electricity market should reflect increased integration and regionalisation. This will necessitate revisiting the roles of the Agency for the Cooperation of Energy Regulators (ACER) and the European Network of Transmission System Operators for Electricity (ENTSO-E). ACER needs to be in a position to effectively oversee the development of the Internal Energy Market.

The Commission wishes to emphasise that it is not the Commission's intention to impose a single energy mix on the Member States, which remains a prerogative of the Member States in line with Article 194 of the Treaty on the Functioning of the European Union. Therefore, under the new market design no category of generators should be favoured over another.

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With regard to security of supply, the Commission sees the new market design as a vehicle to improve security of supply in electricity. The electricity market design initiative complements the ongoing initiative to improve security of supply in the field of gas, where the Commission adopted legislative proposals on 16 February 2016, including a revised security of gas supply Regulation and a revised decision regarding intergovernmental agreements in the field of energy.

The Commission values the Senat's early engagement at this stage of the policy-making process and acknowledges the importance of the issues raised by the Senat, in particular as regards the need to consider a more European dimension of the energy sector's governance, in order to safeguard coherent and comprehensive regulation and its implementation.

The Commission will, where applicable, take the considerations highlighted by the Senat into account in the development of specific policy measures.

The Commission hopes that these clarifications address the issues raised by the Senat 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*