



EC Proposals for a Reform of Electricity Market Design COM(2023)147 and COM(2023)148 ([Link](#),[Link](#))

Position Paper

**Austrian Federal Economic Chamber (WKO)
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WKO Position Paper on the EC Proposals for a Reform of Electricity Market Design 2023/0077 (COD) / COM (2023) 148 to improve the Union's Electricity Market Design and 2023/0076 (COD)/ COM (2023) 147 to improve the Union's protection against market manipulation in the wholesale energy market

Even though current energy prices are no longer as extreme as they were at times in the previous year, they are still significantly higher than before 2022. High volatility on the stock markets impedes planning reliability for companies and threatens the competitiveness of Europe as a business location. This is accompanied by risks for high-quality jobs, investments, and know-how.

In general, the Austrian Federal Economic Chamber welcomes the approach of the EU Commission to maintain the current system of electricity pricing by means of merit order, as it has led to positive effects for customers in the past through falling prices. However, as the system has limitations in the event of a crisis, we see it as positive that these shall be remedied with the reform.

Cautious interventions against the backdrop of the planned short periods of time for the revision are also sensible. However, the focus of the considerations must be on the security of supply of final customers as well as the preservation of Europe as a business location through competitive electricity prices. This is also an indispensable prerequisite for investments in decarbonisation measures. It is questionable whether the submitted proposal alone can fulfil these objectives.

In detail, we would like to highlight the following points:

In General:

Cautious approach is positive The drafts primarily contain selective changes in the respective directives and regulations. Apparently, a quick conclusion of the revision at the European level is being strived for. Hence, a cautious approach is to be seen as **fundamentally positive, since without sufficient and careful analyses**, unforeseeable, negative effects could be anchored in the electricity market design in the long term. In this context, it is particularly critical that the present Commission proposal is not accompanied by an impact assessment.

Real relief for final customers is still missing At the same time, it is important that measures are proposed that lead to real relief for final customers. Unfortunately, the EU has not had the courage to legally anchor a temporary, EU-wide decoupling of the electricity and gas markets (e.g., by supporting the use of gas for electricity production) in the event of a crisis with this proposal. The Austrian Federal Economic Chamber therefore firmly demands that such a mechanism is to be added.

On Power Purchase Agreements:

Support for PPAs: positive but necessity for care Support and incentives for long-term contracts such as PPAs can be seen positively. However, direct (market) intervention should be kept to a minimum in this context. However, it is essential to clarify how the liquidity of the energy exchanges can be ensured in connection with the promotion of PPAs. Otherwise, considerable amounts of electricity can be withdrawn from the electricity market through PPAs. This decreasing liquidity could in turn have the effect of increasing prices on the electricity exchanges.

On transparency:

More transparency and flexibility The measures to increase transparency are welcomed. However, bureaucratic expenditure must not be too excessive and data protection must be guaranteed. With regard to the better use of flexibility, it must be ensured that potentials from business and industry are also recognised and incentives to raise these potentials are created

On support for companies:

Support for SMEs is welcomed The planned support measures for SMEs are explicitly supported, as SMEs were hit particularly hard during the crisis. In this context, we emphasise that the obligation of suppliers to offer fixed-price contract options to households should also be extended to SMEs.

Aids for large for large final costumers missing It would also be important to recognise that all energy consumers are intensively burdened by the current crisis, large ones as well as SMEs. Measures to support large consumers are still missing in the draft and need to be added.

On Contracts-for-Difference:

CfDs: not a financial relief for final costumers Regarding the broader introduction of Contracts for Difference (CfDs), it must be clear that although the introduction of CfDs leads to more predictability for producers, it does not contribute to relieving the final customers in a first step. For profits and revenues to be skimmed off, the final customers had to pay horrendous prices for the electricity in advance.

CfDs: Quick processing and proportional distribution is needed The EU Commission's stipulation that the skimmed off prices must be returned to the final customers in direct proportion to their consumption is therefore to be welcomed. However, quick processing must be ensured so that the necessary liquidity is not tied up. Otherwise, it would be too late for many commercial and industrial enterprises as well as households that find themselves in tense situations. And insolvencies and private bankruptcies would be the result.

CfDs: Avoid prolonging extreme prices for final customers

In the current high price situation, it is possible that plant operators will only accept guarantees for relatively high prices, also in order to price in the risk of possible repayments, which could lead to a cementing of the current high price problem. In phases of low prices, the difference to these guaranteed prices would have to be paid by the public sector or energy consumers. Precautions must already be taken within the framework of the regulation, e.g., by relying on market-economy rules in the awarding of contracts, e.g., auctions.

We view it positively, that the requirement really refers exclusively to plants for the production of renewable energy that is not dependent on raw materials.

On legal coherence:

Reduce confusion and ensure legal coherence

The draft contains details that need to be defined more precisely. For example, one of the conditions for the Commission to declare an electricity price crisis and for Member States to set retail prices for households and SMEs is that the "wider economy" is negatively affected by rising prices. What is missing here is a clear and comprehensible definition of who exactly is included in the "wider economy". There is another example in the context of CfDs. These are referred to as aids. It still needs to be clarified how this interacts with current state-aid guidelines, which, for example, limit operating aids for renewables to a maximum of 20 years.

On flexibility:

All types of flexibility are needed

With the increasing inclusion of volatile energy form, more and more flexibility is needed to keep energy systems in balance. Therefore, it is positive, that proposal and drafts raise awareness for necessary flexibility demands. In this context we would like to emphasize, that we will depend on all available flexibility potentials, at least in the short and the medium term. For this background, discrimination against any type of flexibility must be opposed.

On energy prices and supply shortage:

Design change cannot solve supply shortage

On the positive side, the Commission recognises that the current energy price crisis, which is strictly speaking a supply shortage, cannot be solved by electricity market reform alone. Therefore, the production and import of (as much as possible) renewable energy must be increased to renewable sources. But this can only bring actual relief with the simultaneous expansion of the necessary infrastructure such as lines and grids. Therefore, incentives for the expansion of this infrastructure must be created as quickly as possible. Obstacles such as long approval procedures or skill shortage must be removed. However, these aspects are not addressed in the current proposals.

Conclusion

The Commission's general endeavour to adapt the electricity market design to current requirements is positive. However, all options that can contribute to a well-functioning, competitive and resilient market must be considered and examined. Therefore, the WKO insists that a mechanism for temporary, EU-wide decoupling of the electricity and gas markets in the event of a crisis (e.g., by supporting the use of gas for electricity production) be legally added to the proposal.

For all measures, especially support for PPAs and forward markets, it is essential to ensure that there is no negative impact on the liquidity of other markets or exchanges.

With regard to the use of CfDs, it is essential to ensure that the funds skimmed off are returned to the final customers as quickly as possible in direct proportion to consumption. Furthermore, it must be ensured that the current high price problem is not cemented by extreme price guarantees.

The support for SMEs is expressly welcomed, as they were hit particularly hard during the crisis. However, since the energy crisis affects all final customers, measures to relieve the burden on large consumers still need to be added.

In summary, it can be said that the reform of the electricity market design is a first small step and that the mechanisms for crisis prevention can be expanded. In addition, various legal acts are still missing for the realisation of the Energy Union, especially in terms of the energy transition and the creation of a resilient and competitive electricity market.



Contact WKO:

Juergen Streitner, Director of Environment and Energy Policy Department, +43 590 900-4195, Juergen.streitner@wko.at

Renate Kepplinger, Environment and Energy Policy Department, +43 590 900-3451, Renate.kepplinger@wko.at

Barbara Lehmann, Brussels, EU Representation WKO, +32 2 286 58 80, barbara.lehmann@eu.austria.be

