



## Commission welcomes deal on electricity market reform

Brussels, 14 December 2023

The Commission welcomes the provisional agreement reached today by the European Parliament and Council on the **reform of the EU's electricity market design**. This deal will help the EU build a **renewables-based energy system, lower energy bills** and **better protect consumers** from price spikes and empower them to benefit from the transition. It will ensure a **sustainable and independent energy supply** to the EU, in line with the [European Green Deal](#) and the [REPowerEU Plan](#). This reform, which was proposed by the Commission as part of the [Green Deal Industrial Plan](#), will also make the **European industry cleaner and more competitive** thanks to better access to affordable renewable, non-fossil energy.

The reform provisionally agreed today by the EU co-legislators features revisions to several pieces of EU legislation – notably the Electricity Regulation, the Electricity Directive, and the REMIT Regulation. Building on the lessons of the energy crisis spurred by Russia's invasion of Ukraine, the agreed reform will bring **more price stability** to both consumers and suppliers thanks to a broader use of **long-term contracts for clean power production** and will bring more **non-fossil flexible solutions** into the system such as demand response and storage.

### Better protected and empowered consumers

Under the agreement, consumers will get a **wider choice of contracts** and **clearer information** before signing contracts, so that they have the option to **lock in secure, long-term prices to avoid excessive risks and volatility**. At the same time, they will still be able to choose to have dynamic pricing contracts to take advantage of price variability to use electricity when it is cheaper (for example to charge electric cars or use heat pumps in their houses).

The deal reduces the risk of supplier failure and strengthens **consumer protection**. Suppliers will be required to manage their price risks at least to the extent of the volumes under fixed contracts, in order to be less exposed to price spikes and market volatility, while Member States will have to establish **suppliers of last resort** so that no consumer ends up without electricity. **Vulnerable consumers and the energy poor** will be protected from disconnection and Member States will be able to **extend regulated retail prices** to households and SMEs in case of a crisis. In addition, the Commission will be able to propose to the Council to declare an **electricity price crisis** in case there is a sharp increase in retail prices, allowing the Member States to take further measures to protect customers and ensure access to affordable energy.

The provisionally agreed reform allows **consumers, including businesses and public authorities, to play an active role in the energy system**. As *prosumers* participating in **energy sharing** they will also be able to invest in wind or solar parks and sell excess rooftop solar electricity to neighbours, not just to their supplier. Tenants will for example be able to share surplus rooftop solar power with a neighbour, and the agreement paves the way for Member States to facilitate the deployment of renewable energy by consumers through plug-in mini solar systems.

Finally, to ensure EU consumers will benefit from competitive markets with transparent price-setting, the Agency for the Cooperation of Energy Regulators (ACER) and national regulators will have enhanced ability to monitor **energy market integrity and transparency**. In particular, ACER will be able to investigate potential market abuse cases of cross border nature and those where the conduct affects at least two Member States. To conduct its investigations, ACER will be able to conduct on-site inspections, issue requests for information as well as take statements. In addition, under the revised REMIT, market participants from third countries must designate a representative in a Member State in which the market participants are active in the wholesale energy market.

### A competitive European industry with predictable energy costs

The reform provisionally agreed today will facilitate the deployment of more stable long-term contracts such as **Power Purchase Agreements (PPAs)** – through which companies establish their own direct supplies of energy and thereby can profit from more stable prices of renewable and low-carbon power production. Member States will be obliged to ensure the availability of market-based

guarantees for PPAs. This will help enhance the competitiveness of EU industry by reducing its exposure to volatile prices related to fossil fuels. In addition, the reform will boost liquidity of the markets for long term contracts that lock in future prices, so-called "**forward contracts**." This will allow more suppliers and consumers to protect themselves against excessively volatile prices over longer periods of time.

In order to provide power producers with revenue stability and to shield industry from price volatility, under the provisional deal all public support for investment in new production capacity in infra-marginal and must-run renewable and low-carbon electricity generation will have to be in the form of **two-way Contracts for Difference (CfDs)** or equivalent schemes with the same effects. Member States are encouraged to **channel excess revenues to consumers, either directly or by financing the costs of price support or investments to reduce electricity costs**.

### **An energy system fit for the future**

The new electricity market design will facilitate the **integration of renewables** into the system and enhance predictability for electricity generation through new transparency obligations for system operators as regards grid congestion, and trading deadlines closer to real time.

More broadly, this agreement supports the achievement of the aspirational EU target of 45% renewable energy by 2030 at EU level as agreed under the [revised Renewable Energy Directive \(2018/2001\)](#), including through new **EU level renewable energy auctions** linked to the European renewable energy financing mechanism.

Furthermore, to improve the **flexibility of the power system**, Member States will now be required to assess their needs, establish objectives to increase non-fossil flexibility, and will have the possibility to introduce **new support schemes especially for demand response and storage**. The reform also enables system operators to procure **demand reduction at peak hours**.

The agreement takes into account certain Member States and regions' challenges in pursuing the clean energy transition and provides targeted and time-limited derogations from certain rules of the Regulation in order to facilitate their path towards a decarbonised energy system.

### **Next steps**

Today's provisional agreement now requires formal adoption by both the European Parliament and the Council. Once this process is completed, the new legislation will be published in the Official Journal of the Union and enter into force.

### **Background**

High and volatile prices, such as those seen in 2022 provoked by Russia's energy war against the EU, have put an excessive burden on European energy consumers. Many consumers saw their electricity bills increase due to the gas price surge, even though renewable energy sources are already covering more than a third of EU electricity demand.

During the energy crisis, the EU reacted swiftly by introducing a wide [range of measures](#) to mitigate the impact of high and volatile wholesale energy prices on households and businesses. In addition, in March 2023, the Commission responded to the call of EU Leaders to come forward with a [reform of the electricity market](#) to secure European energy sovereignty and achieve climate neutrality with these proposals as part of the Green Deal Industrial Plan.

### **For more information**

[Green Deal Industrial Plan](#)

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### Quotes:

*"The reform of electricity market will facilitate the much-needed integration of renewables into our energy system. It will allow our industries to benefit from more stable and predictable energy prices, which is essential to remain competitive on the global stage. It will help our citizens, especially those most vulnerable, to cope with energy prices. In a nutshell, today's deal is good for our citizens, for our industries, and for our planet."*

Maroš Šefčovič, Executive Vice-President for European Green deal, Interinstitutional Relations and Foresight - 14/12/2023

*"This agreement is great news for our consumers. With renewables playing an increasing part in the EU's energy mix, it is about time that our citizens and businesses start reaping the benefits of the clean energy transition on their bills. A future-proof electricity market design is a key asset in triggering investments in clean power production and flexibility, supporting our efforts to reach a climate-neutral energy system while ensuring prosperity."*

Kadri Simson, Commissioner for Energy - 14/12/2023

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