

Improving EU electricity market design

On 14 March 2023, the European Commission proposed an electricity market reform to reduce price volatility for consumers and improve conditions for investors in low-carbon energy. The co-legislators reached a provisional agreement on the proposal to improve the EU's electricity market design in December 2023. The European Parliament will now vote on the agreed text during its April I 2024 plenary session.

Background

The recent energy crisis, accompanied by high prices and energy supply problems, triggered a number of EU policy initiatives. The legislative proposal on improving electricity market design would revise the Electricity Regulation and the Electricity Directive, and introduces several amendments to the Renewable Energy Directive and the ACER Regulation (on the EU Agency for the Cooperation of Energy Regulators). The second part of the electricity market reform – a proposal on protection against wholesale energy market manipulation – was already [voted](#) in plenary in February 2024.

European Commission proposal

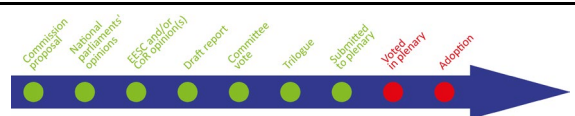
The Commission [proposal](#) includes provisions to improve consumer protection by offering more fixed-price contracts and enhancing supplier obligations. It incentivises energy communities, self-consumption and renewable energy sharing (for instance, selling excess electricity from rooftop solar installations to neighbours). It also promotes the use of long-term instruments, such as power purchase agreements (PPAs) between companies and suppliers, and contracts for difference (CfDs) between electricity generators and public entities. Other changes to the electricity market design include improved integration and liquidity in forward markets, as well as enhanced flexibility solutions such as demand response and storage.

European Parliament position

The file was referred to the Committee on Industry, Research and Energy (ITRE), which adopted its [report](#) on 19 July 2023. The report aims to strengthen consumer protection against volatile electricity prices through improved information, greater choice of contracts and special provisions for vulnerable consumers. The committee's decision to enter into interinstitutional negotiations on the basis of the report was confirmed in plenary in September.

A provisional [agreement](#) between the co-legislators was reached on 14 December 2023. It provides for the use of CfDs in all investments in new electricity production from renewable and nuclear energy. The agreement also gives the Council the power to declare an electricity price crisis. It reinforces the measures to protect energy-poor and vulnerable customers, in line with Parliament's position – for instance, through the right to fixed-price and dynamic price contracts, access to key information and a ban on suppliers unilaterally changing the terms of a contract or cutting the electricity supply. The agreement also enables flexible use of the revenues generated by the state via two-way CfDs (for example, to finance direct price-support schemes or invest in reducing electricity costs for final consumers). The agreed provisions also facilitate the integration of renewables into the energy system and improve predictability and flexibility of electricity generation. The agreed texts now need to be formally adopted by the Parliament and the Council.

First-reading reports: [2023/0077A\(COD\)](#), [2023/0077B\(COD\)](#)
Committee responsible: ITRE; Rapporteur: Nicolás González Casares (S&D, Spain). For further information, see our 'EU Legislation in progress' [briefing](#).



[Outcome of the Conference on the Future of Europe](#): This proposal is relevant for measures 3(3); 11(7); 12(12); 18(7)

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