

Europe's electricity market rules get ready for the energy transition: provisional agreement between Presidency and Parliament

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The EU is updating its electricity market rules for a stronger, greener and more connected European grid.

The Presidency of the Council and representatives of the European Parliament today reached a provisional agreement on a directive and a regulation on electricity. The two files set out the future functioning of the EU's electricity market and are cornerstones of the clean energy package. The agreement still has to be endorsed by the Council and the European Parliament.

I am very happy that we have reached an agreement with the European Parliament on these two key files. This means that – provided member states confirm this result – we now have a political agreement on the entire clean energy package. It is an important step towards the completion of the Energy Union and puts us firmly on the path to deliver our contribution to the Paris Agreement.

Elisabeth Köstinger, Minister for Sustainability and Tourism of Austria and chair of the Council

Electricity directive

The aim of the directive on electricity is to ensure that the EU's electricity market is competitive, consumer-centred, flexible and non-discriminatory. The agreement gives **more rights to consumers** while protecting vulnerable customers and defines the roles and responsibilities of market participants.

A key element of the agreement is the ability of electricity providers to set their own prices. This will limit market distortions, lead to more competition and result in lower retail prices. At the same time, the Council

has ensured that vulnerable customers will continue to be protected by allowing member states to apply regulated prices to vulnerable household customers. The directive also allows Member States to apply public interventions in price setting for the supply of electricity for other household customers and micro-enterprises for the purpose of a transition period to establish effective competition between suppliers and to achieve fully effective market-based retail pricing of electricity.

In future, customers will be able to participate directly in the market as active customers, for example by selling self-generated electricity, participating in demand response schemes or joining citizens energy communities. The directive also ensures that customers have access to price comparison tools, smart meters and dynamic electricity price contracts. By no later than 2026, customers will be able to switch electricity suppliers within 24 hours.

The electricity directive also sets out the regulatory framework for transmission and distribution system operators.

Electricity regulation

The electricity regulation revises the rules and principles of the internal electricity market to ensure it is well-functioning, competitive and undistorted. It also aims at supporting the decarbonisation of the EU's energy sector and removing barriers to cross-border trade in electricity.

New rules on trading and balancing responsibilities ensure that the variable electricity generation from renewable forms of energy can be accommodated, without creating discriminatory provisions or market distortions.

The regulation lays down the conditions under which member states can establish **capacity mechanisms** and the principles for their creation. These mechanisms aim at ensuring that the supply of electricity is sufficient during times of peak demand by remunerating resources for their availability. They have to be temporary and designed to address an identified resource adequacy concern.

An emission limit of 550 gr CO₂ of fossil-fuel origin per kWh of electricity is put in place. New power plants that emit more than that and which start commercial production after entry into force of the regulation will no longer be able to participate in capacity mechanisms. Existing power plants emitting more than 550 gr CO₂ of fossil-fuel origin per kWh and 350 kg CO₂ on average per year per installed kW will be able to participate in capacity mechanisms until 1 July 2025. The new provisions will help the EU reach its climate targets and at the same time protect investment security thanks to a grandfathering clause for capacity contracts that were concluded before 31 December 2019.

Another key element of the agreement is the establishment of **Regional Coordination Centres**, which support regional coordination of transmission system operators. They supersede the existing regional security coordinators, but have additional tasks related to system operation, market operation and

risk preparedness. The regulation also creates a European entity of distribution system operators.

Next steps

The agreements on both files will now be discussed by EU Ambassadors, who have to endorse the deals. The files will be formally adopted by the European Parliament and the Council at a later stage.

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