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## **CLEAN ENERGY FOR ALL EUROPEANS: A CALL FOR MAKING IT HAPPEN NOW**

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### **1. ORGALIME'S MAIN MESSAGES ON THE CLEAN ENERGY PACKAGE**

Orgalime as the prime voice of European technology manufacturers is encouraged by the Commission's **comprehensive Clean Energy for all Europeans package as *the follow up to the successful ratification of the Paris Agreement in the EU in record time.*** Europe's leadership in this area will without doubt enhance the EU's political standing worldwide.

Moreover, the importance of this package in terms of generating innovative jobs and growth in Europe and of letting our citizens and workers enjoy the wide-ranging benefits of this reform cannot be overestimated. We consider this initiative essential for modernising Europe's energy and economy, while giving a new impetus to European integration in the year when Europe is just about to celebrate the 60 years anniversary of the Treaty of Rome: joining forces and cooperating on the already ongoing energy transition will no doubt save costs for each Member State and each of us in Europe – no action or delaying action is no longer an option when cooperation on security of supply can, as the Commission states, save Europe 4.8 billion Euro every year.

*Orgalime, the European Engineering Industries Association, speaks for 40 trade federations representing the mechanical, electrical, electronic, metalworking & metal articles industries of 24 European countries. The industry employs some 10.9 million people in the EU and in 2015 accounted for more than €1,900 billion of annual output. The industry accounts for over a quarter of manufacturing output and a third of the manufactured exports of the European Union.*

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**Preserving the overall coherence and consistency of the package** should in our view be a first priority in the upcoming legislative process. We call upon the institutions to set in place a mechanism that guarantees the hand-in-hand evolution of the different legislative files, thereby providing coherent and coordinated answers to the many interlinked and mutually dependent issues. We highlight in the annex to this paper a number of areas, for which such a hand-in-hand evolution appears particularly relevant to us. We also call upon the institutions to ensure that the spirit of the package will also be respected during national transposition and implementation.

Our industry is healthy and growing: employment in Orgalime's sector has increased to reach over 10.9 million during the last two years. We expect another increase this year. Likewise, output is also on the rise, boosted by the **digitisation of industry**. Together with the **ongoing decarbonisation of the economy** and the **increasing decentralisation of energy generation** our energy landscape is changing both, rapidly and fundamentally.

Now, as new technologies have become mature, ever more cost efficient and are offering ample of opportunities for all Europeans to enjoy, we are calling for policy makers' **support for a timely and ambitious final Energy Package** to further potentiate this growth based on the following pillars:

- Implementing the mutually reinforcing **no-regrets-options of “more renewables, more energy efficiency and smart, flexible distribution grids”** to fully exploit the potential of all RES, including renewable heating energy, and to allow Europe to successfully manage the future co-existence of 50% centralised and 50% decentralised energy production in 2030. This is the time to adjust Europe's energy policy acquis and legislative environment for this irreversible new setting.
- **Boosting the full potential of digitisation – empowering consumers:** reward consumers (both private and otherwise) for the flexibility that they provide to the energy system and give them the right and needed tools to self-produce and self-consume, to store, trade, sell, aggregate (including at district level) and participate in demand-response programmes. This will provide consumers with the satisfaction of managing their own energy consumption while optimising their overall carbon and environmental performance. Digitisation and automation and control systems will further boost overall efficiency and system stability and allow the development of new business services to the benefit of the economy.
- **Energy Efficiency First:** the Ecodesign Directive has been a success: it supported our industries' energy efficiency agenda and today, through this Directive alone our industry contributes to realising almost half of the EU's 2020 energy efficiency target. Moreover, the fully harmonised nature of ecodesign requirements has strengthened the internal market. This is good for consumers, good for the environment and good for industry. Now, this success needs to be carried forward to the systems into which these products are integrated: the Energy Efficiency Directive (EED) and Energy Performance of Buildings Directive (EPBD) are, we are convinced, the tools to achieve this and to maintain Europe's technology leadership in this area. We count on regulators' support for an ambitious energy efficiency target, coupled with concrete, binding measures (especially in article 7 EED and article 8 EPBD).
- Setting in place a **Governance Scheme** that links Member States' Integrated National Energy and Climate Plans with the State of the Energy Union Report in all its five dimensions, provides relevant competences for enforcement and implementation to the Commission, gives business legal and investment certainty and pursues transparency.

**The Commission's package embraces many of the opportunities stemming from European technology and consumer empowerment, which we welcome and invite European regulators to endorse. For example:**

- **Regarding the Energy Efficiency Proposals:**
  - The new targets and measures proposed in articles 1, 3 and 7 of the EED
  - The new long term buildings renovation strategy in article 2a EPBD
  - The encouragement of the use of ICT and smart technologies to ensure buildings operate efficiently, in general the newly suggested definition of “technical building systems”, the proposal to introduce a new “smart readiness indicator” or the promoted roll out of e-mobility infrastructure in buildings (articles 2.3, 8.2 and 8.6 EPBD)
  - The more balanced approach taken in the new Ecodesign Working Plan
  
- **Regarding the Market Design Proposals:**
  - The consumer empowerment provisions of chapter III of the Electricity Directive and forward looking provisions regarding “active consumers”, “energy communities” and “demand response” in particular (articles, 13, 15, 16, 17 Electricity Directive)
  - The general rules for the electricity market as given in chapter II of the Electricity Regulation, and the new electricity trading rules within different trading timeframes in articles 6 and 7 in particular and explicit principle that all generation, storage and demand resources shall participate on equal footing in the market (article 3)
  - The push for regional cooperation between regulatory authorities (articles 61, 62 Electricity Regulation)
  - The proposals for establishing a common European Framework for Capacity Remuneration Mechanisms and a European Resource Adequacy Assessment (art.18, 19 and 23 Electricity Regulation)
  - Article 59.1(k) of the Electricity Directive requiring regulatory authorities to measure the performance of TSOs and DSOs in relation to the development of a smart grid
  
- **Regarding the Recast RES Directive:**
  - The higher EU RES target suggested in article 3 RES
  - The right for consumers to self-produce, self-consume, individually or through aggregators, and to sell surplus electricity to the grid against a remuneration that reflects market value (article 21 RES)
  - The right for renewable energy communities to generate, consume, store and sell renewable energy (article 22 RES)
  - Mainstreaming renewable energy into heating and cooling installations, and the suggested annual 1% increase in share of RES energy in heating and cooling supply (article 23)
  - Empowering consumers with information of district heating energy performance (article 24) and guarantees of origin of electricity, heating and cooling produced from RES (article 19 RES)
  
- **Regarding the new Governance Proposal:**
  - The general mechanism based on integrated national energy and climate plans on the five dimension of the Energy Union, corresponding integrated reports and monitoring arrangements for the Commission
  - The link of these national plans to the annual EU State of the Energy Union Report

**Nevertheless, already available technologies would clearly allow a more ambitious approach in several areas. We invite European regulators to step up efforts in these areas so that the EU will indeed be in a position to lead rather than just adapt to the ongoing energy transition. In particular:**

- **Regarding the Energy Efficiency proposals:**
  - Art 8 EPBD needs to better tap into the significant potential in *building systems and the operation and management of systems through innovative technologies, such as automation and control or communication technologies*, where the Commission's impact assessment has itself evidenced the poor performance of the Directive today. Buildings are increasingly becoming part of our energy system and are turning into virtual power houses. A much more courageous step towards smart, integrated buildings that are connected to the grid is necessary to realise the EU's targets.
  
- **Regarding the market design proposals:**
  - As the role of DSOs evolves, a more performance based remuneration of DSOs to incentivise investment into smart distribution grids will be necessary to enable the EU to live up to its commitments (articles 16 and 17 of the Electricity Regulation, article 32 Electricity Directive)
  - The provisions regarding "dynamic price contracts" need to be strengthened to better stimulate price peaks and give consumers a true case for demand shifting.
  - More determined action should be taken to remove today's overcapacity with particular regard to most polluting and less flexible power generation that is distorting the price signal on the internal energy market and represents a key barrier to consumer empowerment, demand response and deployment of innovative low carbon and energy efficiency technologies
  - Article 18 of the Electricity Regulation should clearly state that capacity mechanisms should be stopped if resource adequacy concerns are addressed.
  - Regarding storage, TSOs and DSOs should indeed not be allowed to own, develop, manage or operate energy storage facilities, unless a market based procurement based on an open and transparent tendering procedure is proven of not being possible and reviewed every 2-3 years. The definition of "storage" given in article 2.48 of the Electricity Directive needs to be open to all types of storage technologies
  - A better differentiation is required between the different types of data (commercial vs technical) in articles 23 and 24 of the Electricity Directive on Data Management and Data Formats, ensuring access to commercial data for new entrants, privacy and cyber security.
  
- **Regarding the Recast RES Proposal, the following improvements are needed:**
  - Adding the right to store for renewable self-generators in article 21 RES
  - Defining more clearly the RES support schemes (articles 4-6 RES)
  
- **Regarding the new Governance Regulation, we recommend:**
  - Strengthening transparency of the governance mechanism through making Member States' integrated plans, reports and summaries publically available and by introducing a structured and inclusive stakeholder mechanism at, both, national and EU level (including in articles 10 and 12)
  - Upgrading the Commission's competences when the achievement of the objectives of the Energy Union are at stake ( articles 27 and 28)
  - Including full progress reports on the application of Directives 2012/27/EU (EED), 2010/31/EU (EPBD) and 2014/94/EU (Alternative Fuels Infrastructure Deployment) in the annual State of the Energy Union Reports (article 29)

We are convinced that Europe can successfully modernise its energy system, providing both, clear benefits to consumers and much needed jobs and growth in Europe's economy.

**The success of this package will in our view depend on adopting a final package that leads to effectively adjusting the EU's energy policy acquis to the irreversible trends of Digitisation, Decarbonisation and Decentralisation arising for the period 2020-2030, and especially in the following respects:**

- Preparing Europe for successfully managing the coexistence of centralised and decentralised energy production.
- Enabling Europeans to manage energy according to real time information with prosumers at the core and resolves pending questions regarding data handling and data processing.
- Organising an ecosystem with the necessary flexibility to allow this modernisation to happen in Europe.

We count on your support for tapping into these potentials for all of us in Europe: this will also provide real opportunity for generating further jobs, growth and energy savings. It would also help to maintain lead technology manufactured in Europe.

We further on summarise our main recommendations regarding the different legislative parts of the package (notably regarding energy efficiency, market design, renewables and governance) and the accompanying enabling non-legislative framework:

## **2. ENERGY EFFICIENCY PROPOSALS: KEY RECOMMENDATIONS ON DIRECTIVES 2012/27/EU (EED), 2020/30/EU (EPBD) AND THE ECODSIGN WORKING PLAN 2016-2019**

Orgalime is a firm believer in energy efficiency:

- It is cleaner to save one kWh than to produce it.
- It is generally cheaper to save one kWh of energy than to produce it.
- Energy efficiency improves air quality, creates jobs and growth and reduces the energy bill (of people, business and countries).
- In 2015, the EU saved 27bn dollars in energy imports thanks to energy efficiency.
- Energy efficiency shows multiple benefits far beyond energy aspects and is essential for a cost efficient energy transition in all market segments.
- In addition, energy efficiency is the one energy resource that all countries possess in abundance, and therefore represents an essential part of delivering all energy goals.

Orgalime supports the review of the Energy Efficiency Directive 2012/27/EU ("EED") and Directive 2010/31/EU on the Energy Performance of Buildings ("EPBD") to implement the Energy Union's "Energy Efficiency First" principle, the Paris Agreement, the new 2030 energy and climate targets and draft Effort Sharing Decision throughout the different market segments. No doubt, these are indispensable complementary tools to the EU-ETS, which only covers parts of the EU's carbon emissions and has to date not seen fit to establish a carbon price that would have stirred the market into low carbon, energy efficient technologies.

We wish to highlight that our industry has contributed to the realisation of almost half of the existing EU 2020 energy efficiency target through the Ecodesign and Energy Labelling Directives. Now that savings potentials of standalone appliances are reaching their technical and economic limits, system savings should be tapped through the EED and EPBD. Their reviews should reinstall the level of ambition needed to come on track for the EU's 2050 objectives and to complete the current energy efficiency gaps in the fields of buildings, transport, industry and energy, including renewables and smart infrastructures.

## 2.1 Proposal for amending Directive 2012/27/EC on Energy Efficiency (EED)

Treating energy efficiency as a resource in its own right, representing the full benefits of energy efficiency, will in our view be a fundamental step to allow energy efficiency and demand side response to compete on equal terms with generation capacity and a stricter target for 2030 to be implemented through tapping energy system savings potentials.

### Orgalime particularly welcomes the following elements of the Commission's EED proposal:

- Giving the Directive a clear 2030 and beyond perspective, notably in art.1, 3 and 7
- We support levelling up the existing energy efficiency target to an EU headline target of at least 30%, as the Commission proposal suggests in article 1. Considering that the Commission's impact assessment clearly demonstrates that a higher target could realise significantly higher benefits, Orgalime could also support an indicative 40% EU energy efficiency target in conjunction with a binding 40% carbon target.
- We also support article 3, which requires Member States to set indicative national energy efficiency targets. The 2014 approach of indicative national energy efficiency targets but binding measures has in our view been positive and should be continued. Member States' possibility to maintain or introduce stricter measures should also be continued.
- We particularly welcome article 7 and the proposal to continue the 1.5% annual energy savings obligation scheme beyond 2020. The suggested review clauses in our view guarantee the necessary flexibility to adjust the new target according to progress. These reviews should however be taking place earlier than 2027 and be undertaken every four years instead of every ten years to reflect the urgency of making true progress. Voluntary sectoral agreements, especially in the industry sector, should be supported.
- Finally, it is important to accompany targets with a regular feedback mechanism on results achieved at national level. Therefore, we support establishing a good link of the EED and National Energy Efficiency Action Plans and their future role within the Energy Governance and regular State of the Energy Union Report (see our key recommendations on the Draft Governance Regulation under chapter 4 of this paper).

### EU leadership in the energy transition will in our view however require the following improvements of the EED proposal:

- Only accepting the deletion of articles 15(5) and 15(8) EED if the corresponding new provisions in the market design proposal are adopted (that is chapter III of Electricity Directive, and article 15 on "Active Consumers" and article 17 on "Demand Response" in particular). The proposal to delete article 15(5) and 15(8) of the EED should therefore be moved into the market design proposal.
- In coordination with the market design proposals,
  - striving for combining energy efficiency with demand flexibility (articles 12-15, annex XI EED and articles 9-11 EED) to optimise and better manage European energy infrastructures with more RES in the system, to reduce energy losses, to increase the overall efficiency of the energy system while empowering energy users and decreasing Europe's energy import dependence.
  - The obligation to remunerate customers for the flexibility that they can provide to the energy system should be taken up in articles 15.1, 15.4 and annex XI of the EED.
  - Please see also chapter 3 of this paper on "key recommendations on market design proposals".

## 2.2 Proposal for amending Directive on the Energy Performance of Buildings (EPBD)

The buildings sector accounts for 40% the EU's energy consumption and 36% of the EU's CO<sub>2</sub> emissions. Two thirds of our buildings were built before energy performance standards even existed. Roughly 80% of today's existing building stock should still be there in 2050.

The renovation rate of the building stock does not exceed 1% per annum in many cases, which would mean that it would take a century to upgrade the building stock to modern, near-zero energy levels.

Clean energy buildings are however about much more than saving energy: they increase living comfort and quality of life, have the potential to integrate renewables, smart appliances, energy management systems and services, storage, digital technologies and they have the potential to link buildings with our energy grid and transport systems.

Orgalime fully supports the objective of the EPBD proposal to accelerate the cost effective renovation of existing buildings, to integrate long term building renovation strategies, to encourage the use of ICT and smart technologies to ensure that buildings operate efficiently to the satisfaction of building occupants. However, we regret that the current EPBD proposal lacks concrete measures to truly implement these stated objectives. The proposal in our view falls particularly short in two respects:

- Firstly, rather than continuing the focus of renovating the building envelope, managing all actual energy uses inside of all buildings, smart uses, (whether new or existing, whether residential or non-residential) needs to be boosted if Europe is to deliver on its 2030 goals, and, moreover, in a cost efficient manner. This is the area where future active consumers/prosumers will clearly and directly feel the benefits of the Energy Union. Active consumers and prosumers can however only develop if the corresponding technology is installed in buildings.
- Secondly, as our energy system undergoes the fundamental transformation of decarbonisation, decentralisation and digitisation, buildings are increasingly becoming part of this new energy system. They become a flexible energy source in themselves, where active prosumers self-generate, self-consume, aggregate, trade and sell surplus electricity to the grid. In this new setting, buildings will no longer be a load (consumer of electricity) but "virtual power houses" that consume and produce electricity at the same time:
  - Buildings become a source of flexible energy demand and generation;
  - Buildings integrate products, systems services, management and control domains;
  - Buildings produce, use, store, sell, interact with the ecosystem that is around them;
  - Buildings are not only energy efficient by themselves but they increase the overall energy efficiency of the grid.

To tap into all these potentials that existing technologies allow to realise today, the Commission's EPBD proposal requires substantial shaping and a determined step towards smart and integrated buildings that are connected to the grid.

**Orgalime welcomes the following elements of the Commission's EPBD proposal:**

- The enlarged definition of "technical building systems" in article 2.3 in general
- The new article 2.a on "long term renovation strategy", which requires Member States to set out a roadmap with clear milestones and measures to deliver on the long-term 2050 goal to decarbonise their national building stock with specific milestones for 2030
- The proposal to amend article 8.2 to encourage the roll out of e-mobility infrastructure
- The general reference to developing a "smart readiness indicator" (article 8.6)

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However, the EPBD proposal requires strong improvements in the following respects:

- Making a true step towards smart buildings by encouraging the roll out of the relevant energy management infrastructure and technologies (such as automation, control and communication technologies) in article 8 – in particular, non-residential buildings should be leading examples of innovation platforms
- Mandating European Standardisation Organisations to develop a definition of “smart readiness indicator” based on technical considerations that the Commission may be mandated to adopt as a delegated act for the sake of harmonisation (article 8.6)
- The option for Member States to require the roll out of Building Automation Controls in non-residential buildings as a possible alternative to carrying out regular building inspections (article 14), is in our view not sufficiently ambitious. Such roll outs should be mandated in article 8 instead.
- Refining the definition of “technical building systems” given in article 2.3 so that all technical systems, such as also lifts and elevators or storage systems, would be covered, or to replace the wording “infrastructure for electro-mobility” by “infrastructure for electric vehicles and for plug in hybrid vehicles” to avoid confusion about the word “mobility”.

### 2.3 New Ecodesign Working Plan 2016-2019

We welcome the more balanced setting of the new Ecodesign Working Plan. It recognises well the significant contribution already made by our industry to realise energy efficiency improvements in Europe. It also recognises that further ecodesign implementation needs to focus on areas where indeed improvements can be made and it announces an open minded preparatory study process, which is indispensable for maintaining the competitiveness of our industry.

Our sector will no doubt continue constructively contributing to the further ecodesign implementation. Finalising pending reviews and open lots will particularly matter. However, as energy efficiency potentials of standalone appliances are reaching their technical limits and since regulating resource efficiency parameters remains premature in the absence of standards and agreed methodologies, it is clear that other tools, and the EED and EPBD in particular, will be needed to realise the EU’s new energy efficiency target on time.

### 3. MARKET DESIGN PROPOSALS: KEY RECOMMENDATIONS ON THE PROPOSED NEW ELECTRICITY DIRECTIVE, ELECTRICITY REGULATION, ACER REGULATION AND RISK PREPAREDNESS DIRECTIVE

The global energy landscape is undergoing a fundamental and rapid change primarily due to Decarbonisation, Decentralisation and Digitisation (“the 3D change”):

- The ongoing **decarbonisation** of the energy system is driving the uptake of renewable energy sources, including in buildings. These, by nature are more variable, less predictable and decentralised than traditional generation.
- As these sources increase, our energy system will become more and more **decentralised**: In 2030, Europe’s electricity system can be expected to be based on some 50% traditional, centralised energy production and some 50% distributed production from renewable energy sources (solar farms and wind parks being one pillar, private photovoltaic installations a second pillar, further storage capacities being developed). 90-95% of RES will have to be integrated at the distribution level. The pending market design proposal will be essential for preparing Europe for the key challenge of successfully managing this **coexistence of decentralised and centralised energy production and the need for a smarter distribution grid to accommodate them.**

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- The **main challenge** at the level of the **grid** will be to avoid supply and demand drifting apart through tapping into flexibilities at all levels, rather than having sufficient capacity to meet demand at peak times. Smart, integrated, connected buildings, as mentioned in our comments on the EPBD proposal, will be one critical source of such flexibility, demand response, storage and flexible generation others.
- **Digital technologies** will help to manage the increased complexity of this system,
  - through more automation and control to better manage processes,
  - through more use of software and data analytics (“big data”) to increase overall efficiencies, or
  - at the energy retail level through empowering the consumer so that he can be efficient, manage his own energy consumption and optimise his overall carbon and environmental performance.

Considering the rapid evolution at global scale, it is urgent to adapt Europe’s legislative environment to these new realities: new technologies have become mature, are ever more cost efficient and offer ample of opportunities for consumers, private and professional to actively engage in the energy market, and enjoy a higher standard of living and overall well-being.

There is no doubt that a well-functioning integrated energy market is the best tool to guarantee affordable energy, security of supply and overall environmental sustainability of Europe’s energy system: Orgalime believes in a truly integrated, competitive, consumer centred, flexible, efficient, decarbonised and more decentralised electricity market to deliver clean, affordable and secure electricity for all Europeans.

We support setting in place a more modern, competitive and flexible set of legislative arrangements to govern the generation, transmission, distribution and end use of electricity, including the use of electricity infrastructure, so that the benefits of the Energy Union, the 2030 Energy and Climate Framework and Paris Agreement are indeed brought to consumers, businesses, industry and society as a whole.

**The market design proposals in our view need to particularly build on the following pillars:**

- Setting in place a market driven and competitive market, where **price peaks** function as investment signals rewarding flexible, clean and “fast delivery” technology solutions. Price signals reflecting actual scarcity and a market that values flexibility at a fair price through dynamic retail tariffs are the way forward.
- Granting **demand side resources** access to all markets (wholesale, balancing, ancillary services) at all timeframes.
- **Empowering the consumer** by codifying the right to self-generate, to self-consume, to store, to trade and sell energy and to aggregate.
- **Rewarding consumers** (private and professional) for their flexibility and introducing a new obligation to remunerate customers for the flexibility.
- Introducing **new ways of remunerating DSOs as their role changes**: a more performance based remuneration of DSOs (rather than CAPEX based remuneration) should incentivise DSOs to invest in smart distribution grids, since 90-95% of RES are/have to be integrated at that level.
- Regarding **capacity mechanisms**, making progress on the assessment of the adequacy of the power system: Common methods and a common European approach are necessary. The strong focus on generation capacity in the context of the generation adequacy debate requires balancing – **the different options of ensuring capacity (including energy efficiency and Demand Side Flexibility) should be able to compete at equal level.**

We urge European Regulators to revive confidence in the EU’s capacity to achieve its political commitments at home. As the Commission Communication on “Accelerating Europe’s Transition To A Low Carbon Economy” correctly states:

*“The global transition to a low carbon and circular economy has begun.... If Europe does not maintain and exploit its first mover advantage when fostering renewable energy, energy efficiency and competing on the development of other low carbon technology markets globally, other regions will”.*

Therefore, we call upon European regulators to indeed make the year 2017 the year of implementation of the Clean Energy Package in Europe.

*Orgalime particularly welcomes the following elements of the Market Design proposals:*

- Article 1 of the Electricity Directive
- Chapter III of the Electricity Directive on “Consumer Empowerment”, “active consumers” and “energy communities” (and articles 12, 13, 14, 15, 16 and 17 in particular) in combination with most of the newly suggested definitions in article 2 of the Electricity Directive
- Chapter VI on DSOs, and article 49 of the Electricity Directive establishing a European entity for DSOs in particular
- The suggested definition of “storage” in article 2.48 of the Electricity Directive: Orgalime advocates for a definition that ensures that all types of technologies are taken into account to support investment certainty. The currently proposed definition seems fit to accommodate technology and application evolution and does not limit energy storage to electricity-in/electricity-out, but remains open for “power-to-x” and thermal heat energy storage systems. This openness for all types of technologies is important for a forward looking market design in Europe.
- Article 1 of the Electricity Regulation
- The general rules for the electricity market as given in chapter II of the Electricity Regulation, and the new electricity trading rules within different trading timeframes in articles 6 and 7 in particular and explicit principle that all generation, storage and demand resources shall participate on equal footing in the market (article 3.1.i)
- The proposals for establishing a European Resource Adequacy Assessment (articles 18, 19 and 23 Electricity Regulation)
- Article 23 of the Electricity Regulation, including article 23.4 on the 550gr CO<sub>2</sub>/kWh threshold 4 and the rule of article 23.5 that Member States shall not apply capacity mechanisms where the European resource adequacy assessment has not identified a resource adequacy concern.
- The push for regional cooperation between regulatory authorities (articles 61, 62 Electricity Regulation)
- Article 59.1(k) of the Electricity Directive requiring regulatory authorities to measure the performance of TSOs and DSOs in relation to the development of a smart grid
- Articles 31ff of the Electricity Regulation on regional cooperation of TSOs, the establishment and mission of regional operational centres
- Articles 11 and 12 of the Electricity Regulation on priority dispatch, re-dispatching and curtailment, which still allow priority dispatch for small installations and demonstration plants.

*However, the market design proposals should be improvements in the following respects:*

- Articles 16 and 17 of the Electricity Regulation need to truly incentivise DSOs to invest network remuneration into smart (distribution) grids. Time differentiated network tariffs should be introduced.
- Clarify in Article 18 of the Electricity Regulation that capacity mechanisms need to stop if resource adequacy concerns were addressed (move recital 30 into article 18).

- Article 2.11 (definition of “dynamic price contract”) and article 11 of the Electricity Directive on “entitlement to a dynamic price contract” should be strengthened to stimulate price peaks and give consumers a true case for shifting demand
- Articles 23 and 24 of the Electricity Directive on Data Management and Data Formats should better differentiate between the different types of data (technical vs commercial), ensure access to commercial data for new entrants, privacy and cyber security. One common data format for gas, electricity, heating, cooling and domestic hot water (“sector coupling”) may be investigated.
- Article 32 of the Electricity Directive regarding the tasks of DSOs in the use of flexibility and article 51 of the Electricity Regulation should really drive DSOs to buy flexibility on the market and this without DSOs being in a dominant position.
- Articles 36.4 and 54.4 of the Electricity Directive: in both cases, the regulatory authority should perform the consultation and assessment of potential interest in storage facilities of market parties and terminate TSO/DSO activities. In both cases, the suggested reassessment should be done every 2-3 years instead of 5 years.
- Article 3.1.i of the Electricity Regulation should also include “energy efficiency”.
- Article 19 of the Electricity Directive on “Smart Metering” and the related annex III should be fully consistent with the consumer empowerment relevant minimum smart meter functionalities a, e and f of the 2012 Commission Recommendation on Smart Meter Minimum Functionalities, and make them mandatory.

#### 4. RECAST DIRECTIVE ON THE PROMOTION OF ENERGY FROM RENEWABLE SOURCES (RES)

Orgalime also widely welcomes the proposed update of the existing Renewables Directive.

The energy transition, and especially renewables deployment, no doubt comes with a cost. A more coordinated approach with more regional cooperation as a basis for a fully harmonised European system as the target is in our view needed. The more harmonisation, the more cost-efficient the energy transition will be. This has to be linked with promoting the consumer’s right to self-produce and self-generate and to energy efficiency and smart grids deployment and incentives. In the future, other long-term instruments than feed-in tariffs that are more market driven, such as a robust, sufficiently high CO2 price, certificates of origin across Europe or contracts for differences, should be strengthened and gain momentum for the long term.

The stronger energy efficiency measures and stronger, smarter and more flexible distribution grids are, the smoother the energy transition will in our view become. To implement its 2030 energy and climate targets, Europe needs the infrastructure, which will be able to cope with an increased share of RES and energy efficiency technologies.

RES should also become economically and environmentally sustainable by themselves and technology neutrality should be pursued.

*Orgalime particularly welcomes the following elements of RES Recast proposal:*

- The higher EU RES target suggested in article 3 RES
- The right for consumers to self-produce, self-consume, individually or through aggregators, and to sell surplus electricity to the grid against a remuneration that reflects market value (article 21 RES)

- The right for renewable energy communities to generate, consume, store and sell renewable energy (article 22 RES)
- Mainstreaming renewable energy into heating and cooling installations, and the suggested annual 1% increase in share of RES energy in heating and cooling supply (article 23)
- Empowering consumers with information of district heating energy performance (article 24) and guarantees of origin of electricity, heating and cooling produced from RES (article 19 RES)

Orgalime suggests the following improvements to the RES Recast Proposal:

- Add the right to store for renewable self-generators to article 21
- Strengthen and clearer define support schemes for RES (articles 4-6 RES)

## 5. DRAFT REGULATION ON THE GOVERNANCE OF THE ENERGY UNION

A reliable and transparent energy and climate governance to ensure that energy related actions at EU, regional, national and local level all contribute to the Energy Union’s objectives is essential for the success of the Energy Union.

Orgalime therefore supports setting in place a strong governance framework with a new monitoring and reporting structure at its core to implement the Energy Union through coordinated actions, legislative and non-legislative, at EU and national level that are well coherent, complementary, sufficiently ambitious and taken on time.

Considering that the 2030 targets are now applying at EU level, it will be essential to report and monitor in a transparent and continuous way if the EU and its Member States are collectively on track in reaching their central targets, objectives and international commitments. For business, robust governance creates the necessary transparency and regulatory certainty that enables investment decisions.

We support linking national integrated energy and climate plans with the annual State of the Energy Union Report, as they will thereby develop their full potential.

The success of the proposed governance framework will no doubt depend on effective implementation and enforcement. While designing the proposal as a “bottom up” instrument is essential for political acceptance and ownership, relying too heavily on the cooperation of Member States also has shortcomings. In our view, the Commission should be given the relevant competence, especially where the achievement of the objectives of the Energy Union are at stake.

Orgalime welcomes the following positive elements of the draft Governance Regulation:

- Article 1 and subsequent provisions establishing a governance mechanism based on integrated national energy and climate plans covering ten year periods starting from 2021-2030, corresponding integrated national energy and climate progress reports by Member States and integrated monitoring arrangements by the European Commission, covering the five dimensions of the Energy Union (energy security; energy market; energy efficiency; decarbonisation; research, innovation and competitiveness).
- Article 29: The suggested link of national energy and climate plans with the annual EU State of the Energy Union report in general. Nevertheless, a better link with the implementation of the EED and EPBD Directives will be necessary.

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Orgalime suggests the following improvement of the Governance proposal:

- Article 2.9, which defines “the Union’s 2030 targets for energy and climate” should no longer refer to the 27% energy efficiency target but to the newly suggested 30% EU headline target.
- Making Member States draft and final integrated plans, draft and final integrated reports as well as summaries of stakeholder consultations publically available will strengthen transparency and investment certainty. A new provision should be introduced.
- Strengthening article 28: The proposal gives the Commission power to issue recommendations on draft national and energy plans, which Member States shall “take utmost account of”.  
Instead, this provision should require Member States to implement the Commission’s recommendations.
- Strengthening article 27(4) and (5): the timeline for filling the gaps towards reaching targets should be such that any corrective action takes effect on time. According to the proposal additional measures should be taken in 2024, by Member States regarding renewable energies and by the Commission regarding energy efficiency. Orgalime doubts that such measures will be timely and effective from a 2030 perspective. Also, additional energy efficiency actions to be suggested by the Commission in 2024 should be able to include actions relating to the energy and industry sectors, and not only on products, buildings and transport.
- Including the existing reporting obligations of Directive 2014/94/EU on the Deployment of Alternative Fuels Infrastructure in the suggested new Governance Regulation, such as in articles 18 and/or 19.
- Strengthening article 29(h): The State of the Energy Union Report should not only include a report on article 7a of the EED, but an overall progress report on the application of Directive 2012/27/EU (EED), Directive 2010/31/EU on EPBD and Directive 2014/94/EU on Alternative Fuels Infrastructure Deployment.
- Stakeholder involvement on national and European level should become a formal part of the new Governance to ensure transparency and support an early warning system of failure risks. Article 10 suggests that Member States should consult stakeholders on draft integrated plans. This stakeholder consultation mechanism should be extended to draft integrated reports and to the Commission’s monitoring and assessment activities (including article 12).

## 6. COMMENTS ON THE SUGGESTED ENABLING FRAMEWORK

The package is not only about legislation but also about facilitating action, which we welcome. Creating a positive, enabling framework to bring immediate results to citizens is a positive accompanying step.

In particular, we welcome the launch of the Communication on Clean Energy Innovation Strategy, which proposes a set of measures to transform research and innovation efforts into commercially endeavours and a clean energy innovation strategy.

The smart finance for smart buildings initiative is equally important to encourage public and private investment in buildings in partnership with EIB and Member States as well as supporting a socially fair transition with training and upskilling of workers.

Giving support to carbon intense regions to mitigate social impacts in such regions is a positive step, as well as to strengthen support industrial, jobs and growth in Europe and industrial global leadership on EE and low carbon solutions.

We welcome and support the following suggested actions in annex III of the Communication Clean Energy For All Europeans:

- Orgalime particularly welcomes the proposal to set up a **Clean Energy Industrial Forum** where industry, research and innovation community, social partners, consumer associations will periodically discuss the way to improve our competitive position and foster jobs, growth and investment in Europe support our competitive situation in Europe. Orgalime is prepared to engage as an active member in this forum.
- We support the proposal to come forward with **Guidance to Member States on Regional Cooperation** to facilitate effective and efficient achievement of the Energy Union objectives.
- Orgalime supports ambition in the **Communication on Cooperative Intelligent Transport Systems** to stimulate investment in Europe, enable the EU-wide deployment of such systems by 2019 and accelerate the transition towards cooperative, connected and automated road transport.
- We support the proposal to **closely monitoring energy prices and costs** every two years for the sake of transparency.
- We support **looking into the TEN-E Regulation in 2017** to improve the regulatory framework to further incentivise the completion of projects of common interest (PCIs). So far only few **smart grids projects** are on the Union wide PCI list. In our view, the current threshold of 10kV of Annex IV.1(e) of the TEN-E (in combination with Article 4.1.c(iii) and Annex II.1.(e) is one reason why the TEN-E is not the best mechanism to support smart grids projects across Europe today. This barrier should be removed in the TEN-E review.
- The proposal for an **EU External Investment Plan, EU cooperation with its neighbours** and the importance given to the **key role of cities and regions** in the energy transition as well as **joint stakeholder effort** are all steps and objectives that Orgalime fully shares.

**7. ANNEX: Illustrative Table of interlinked legal provisions that require consistent negotiations**

ISSUE	LEGISLATIVE PROVISIONS THAT REQUIRE CONSISTENCY
Energy Efficiency First	Articles 1, 3, 7, 24 EED Articles 1, 2, 3, 4, 6, 7, 19, 26, 27, 28 and 29 Draft Governance Regulation Articles 2.3, 8, 14 and 15 EPBD Chapter III of Electricity Directive on Consumer Empowerment
Consumer empowerment	Chapter III Electricity Directive Articles 2.11 and 11 Electricity Directive on “dynamic price contracts” Chapter II Electricity Regulation Articles 16, 17, 18, 19, 23 Electricity Regulation Articles 21-25 RES Recast

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	<p>Article 15 EED</p> <p>Articles 2.3, 8, 14, 15 EPBD</p>
Smart, integrated buildings connected to the grid	<p>Articles 2.3, 8, 14 and 15 EPBD</p> <p>Chapter III Electricity Directive</p> <p>Chapter II Electricity Regulation</p> <p>Articles 16 and 17 Electricity Regulation</p> <p>Articles 18, 19, 23 Electricity Regulation</p> <p>Article 15 EED</p> <p>Articles 21, 22 RES Recast</p>
Demand response	<p>The deletion of articles 15(5) and 15(8) EED should only be accepted if the corresponding new provisions in the market design proposal are adopted (i.e.: chapter III of Electricity Directive, and article 15 “Active Consumers”, article 16 “Energy Communities” and 17 on “Demand Response” in particular).</p> <p>Consistency with articles 21-23 of the RES Recast is also necessary.</p> <p>Articles 2.11 and 11 on “dynamic price contracts”</p>
Active Consumers Energy	<p>Articles 2.11, 11 and 15 Electricity Directive</p> <p>Article 21 RES Recast</p>
Energy Communities	<p>Article 16 Electricity Directive</p> <p>Article 22 RES Recast</p>
Incentivising DSOs to invest in smart (distribution) grids	<p>Articles 16.2., 16.7 Electricity Regulation</p> <p>Article 32 Electricity Directive</p> <p>Article 15 + annex XI EED</p>
Storage (ownership and management of storage facilities)	<p>Articles 36.4 and 54.4 of the Electricity Directive: in both cases, the regulatory authority should perform the consultation and assessment of potential interest in storage facilities of market parties and terminate TSO/DSO activities. In both cases, the suggested reassessment should be done every 2-3 years instead of 5 years.</p> <p>Article 22 RES</p> <p>Article 2.48 and 15 Electricity Directive</p>

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