

Brussels, 1 June 2023

Polish Electricity Association position on proposal for a regulation amending Regulations (EU) 2019/943 and (EU) 2019/942 as well as Directives (EU) 2018/2001 and (EU) 2019/944 to improve the Union's electricity market design

The root of current energy crisis first and foremost is the energy fuel markets crisis not the wrong architecture of the energy market. The current model of the energy market, based on the merit order mechanism and the price formation by marginal costs rewards the most cost-effective solutions, enables financing of new investments and ensures that the operating costs of the energy system are balanced and guarantee benefits for consumers. Therefore, the fact that legislative projects published by the European Commission present more evolutionary than a revolutionary approach is a step in a right direction.

To achieve climate goals, the legislative changes should not only preserve the internal energy market of the European Union, but also guarantee the cost efficiency, competition between market participants, and cross-border trade.

Temporary measures and interventions in the electricity market established to address the current energy crisis should not be extended beyond the already specified period.

The fact that the extraordinary measures, such as revenue cap and regulated prices, imposed in response to the current crisis have not been extended is a positive outcome. A permanent introduction of possibility to introduce price caps in case of energy crisis or the mechanism of permanent redistribution of windfall profits would be particularly harmful and distorting the functioning of the EU single energy market. This would significantly limit the investment capacity of firms in the energy sector.

One of the goals of the reform is to ensure that lower costs of energy generation from renewable and nuclear energy sources translate more into energy prices for consumers.

In our view, the factor that will contribute to the global reduction of energy prices for consumers is more efficient support for the increase in the use of renewables by ensuring stable conditions for their development.

We support the promotion of the use of public long-term contracts, eg. CfDs, dedicated to new generation capacities. They can contribute to guaranteeing the long-term sustainability of project revenues, regardless

of prices on short-term markets.

Furthermore, the liquidity of long-term markets should be improved, by easing the access to market for smaller participants, reducing risks of their insolvency, addressing the issue of collateral etc.

The review of the functioning of the current energy market model should also address the issue of capacity mechanisms, including capacity markets, which in many countries have become an integral part of the market and the way to better identify the needs of the power system and its balancing, as well as a necessary tool to ensure security of energy supply.

The framework of energy markets should ensure a balance between stable revenues of market participants, adequate incentives to participate in the market, and price levels attractive to customers. However, funds obtained from CfDs should be redirected as far as possible to investments in new renewable capacities, energy storage and grid infrastructure, so the consumers can benefit from the lower energy prices in the long-term perspective. Within a generally accepted framework, Member States should be given the greatest possible freedom to adopt appropriate solutions. Differences between them, such as the structure of generation sources, barriers to investment, legal conditions, and access to long-term contracts, make it crucial to discuss an appropriate level of harmonization at the EU level.

Electricity market reform should not disrupt the functioning solutions and contribute to its further development, while ensuring competitive conditions and equal opportunities.