

EU Commission consultation for preparation of a new renewable energy directive for the period after 2020



EFET response – 4 February 2016

2. General approach

1. *To what extent has the RED been successful in helping to achieve the EU energy and climate change objectives?*

<i>Very successful</i>	<i>Successful</i>	<i>Not very successful</i>	<i>Not successful</i>	<i>No opinion</i>
		X		

[Box: Comments. To what extent did implementation measures for the RED as well as external factors (technological development, financial crisis, security of supply concerns and related market interventions) affect the effectiveness and efficiency of achieving the objectives? Please identify and ideally also quantify the direct and indirect costs and benefits such as macroeconomic effects, competitiveness effects, innovation, cost and cost reductions, environmental and health effects of the RED. Max 500 words]

According to the latest available data, greenhouse gas (GHG) emissions in Europe have reduced by close to 20% in 2013 compared to the 1990 baseline. While this decline may largely be attributed to the global economic downturn, the increasing penetration of power generation from renewable energy sources (RES-E) has undeniably contributed to it. The current EU regulatory framework has promoted the rapid growth of RES-E. However, for the most part, the growth of RES power generation has developed separately from the operation of the wholesale energy market. Therefore, from an overall energy and climate perspective, we can conclude that the implementation of the RED has not been very successful.

The 20-20-20 targets have, in our view, failed to provide the right market-driven investment signals in low-carbon technologies beyond subsidised renewable power generation. We observe that RES-E generation is having a competitive impact on the wider electricity market, especially boosting traded volumes in short-term markets and helping to develop the liquidity of intraday markets. However, inherent incoherence between the RED on the one side, and Third Energy Package and EU Emissions Trading System (ETS) legislation on the other side, has resulted in significant inefficiencies in the market, questioning the overall welfare benefits brought about by the RED.

RES-E penetration has a serious impact on network stability and patterns of generation dispatch, due to priority dispatch privileges. Priority dispatch linked to feed-in tariff schemes increases unpredictable physical network flows resulting in restrictions in the availability of

cross-border transmission capacity, distortions in cross-border trade and restriction of cross-border competition due to insufficient active market participation of RES-E generators.

RES-E support schemes and other financial incentives also have detrimental effects on the EU ETS and on cost-efficient GHG emissions reduction. The EU ETS was designed to lead the EU's low-carbon transition but, in fact, national RES-E support mechanisms have had the effect of forcing exogenous emission reductions in the EU power sector, which has significantly reduced the demand for EU emission allowances, thus depressing CO₂ prices. Such counteractive measures undermine the market function of providing credible signals towards market participants. As a result, inefficient and overly costly carbon abatement actions are being taken.

Among the top priorities of the EU climate and energy policy going forward is to provide greater coherence between the EU ETS and other EU climate policies¹, such as energy efficiency and renewable energy. The objective should be to ensure minimal distortion of the internal energy market to allow a cost-efficient, European decarbonisation process. Today, many RES-E technologies have become sufficiently mature to compete without distortive support mechanisms and thus significant improvements are possible in the way financial support mechanisms for renewable energy in Europe are granted. We also believe that greater harmonisation efforts for support mechanisms are required and that the Commission should work with Member States towards the phasing out of support mechanisms for mature technologies in the run-up to 2030.

2. *How should stability, transparency and predictability for investors be ensured with a view to achieving the at least 27% renewable energy target at EU level? Please indicate the importance of the following elements:*

	<i>Very important</i>	<i>Important</i>	<i>Not very important</i>	<i>Not important</i>	<i>No opinion</i>

¹ Please see also the EFET discussion paper [‘Tackling overlapping policies with the EU ETS’](#), 18 January 2016

<i>Forward looking strategic planning of RES development is required by EU legislation</i>		X			
<i>Best practice is derived from the implementation of the existing Renewable Energy Directive</i>		X			
<i>Regional consultations on renewable energy policy and measures are required</i>					X
<i>Member States consult on and adopt renewable energy strategies that serve as the agreed reference for national renewable energy policies and projects</i>		X			
<i>The Commission provides guidance on national renewable energy strategies</i>		X			

[Box: Any other view or ideas? Please specify. What are the lessons from the RED (mandatory national targets, national plans, progress reports etc.)? Max 500 words]

We believe that strategic planning at EU level is key to reaching the 2030 energy and climate targets in a cost-efficient manner. The achievement of the EU environmental goals should respect the architecture of the common European energy market, operating without distortions.

Important lessons can be drawn from the support level granted to the RES investments over the years since the adoption of the RED directive. The pursuit to achieve their national renewable targets has led many Member States to establish generous support schemes, excessively burdening the national budgets and increasing the energy costs for end consumers. Different means of guaranteeing relatively high rates of return for investment in RES technologies, disconnected from the actual economic situation across Europe, have resulted in over-investments driven by subsidies rather than market rationale regarding network topology, demand and the link between production rates and location of technologies. Phasing out these ill-designed schemes should, however, follow a process that guarantees that support granted to existing investments in renewable technologies is reformed in a way that incentivises market integration and avoids retroactive withdrawal of support without an alternative solution.

Another important lesson from the RED is the limited use of cooperation mechanisms or joint schemes provided for in the 2009 Directive, due to an excessive reliance on individual Member State initiatives. A disaggregated target system has in fact encouraged Member States to set-up individual RES-E promotion and support mechanisms, which lead to market distortions, incompatibility of national climate policies, and constitute a barrier to the completion of a truly integrated Internal Electricity Market.

In our view, a 2030 target for renewable energy sources at the EU level can be appropriate, if accompanied by reliance on harmonised EU-level market-based mechanisms, which facilitate both national and cross-border transfers of renewable electricity attributes. Member states should be encouraged to make more use of cooperation mechanisms that allow more flexibility and efficiency in reaching the 2030 RES-E targets by using cheaper RES resources from other countries.

3. Please rate the importance of the following elements being included in Member States' national energy and climate plans with respect to renewable energy in ensuring that the plans contribute to reaching the objectives of at least 27% in 2030.

	<i>Very important</i>	<i>Important</i>	<i>Not very important</i>	<i>Not important</i>	<i>No opinion</i>
<i>Long term priorities and visions for decarbonisation and renewable energy up to 2050</i>	X				
<i>In relation to national/regional natural resources, specific technology relevant trajectories for renewable energy up to 2030</i>		X			
<i>Overview of policies and measures in place and planned new ones</i>	X				
<i>Overview of renewable energy trajectories and policies to 2050 to ensure that 2030 policies lie on the path to 2050 objectives</i>		X			
<i>Qualitative analysis</i>		X			
<i>Trajectories for electricity demand including both installed capacity (GW) and produced energy (TWh)</i>			X		
<i>Measures to be taken for increasing the flexibility of the energy system with regard to renewable energy production</i>		X			
<i>Plans for achieving electricity market coupling and integration, regional measures for balancing and reserves and how system adequacy is</i>	X				

calculated in the context of renewable energy					
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[Box: Please explain. Max 500 words]

As stated in our answers to questions n. 1 and 2, we believe that strategic planning at EU level is key to reaching the 2030 energy and climate targets in a cost-efficient manner. To this end, support mechanisms should aim to integrate RES-E technologies progressively into the market. Member States should seek to coordinate their national climate and energy plans in order to meet environmental goals in a more coordinated manner, based on market signals.

We would also like to raise the issue of inadequate structure of the table associated to the questions. It should be noted that all of the questions enclosed relate to adjusting the policies to make the market fit for renewable generation, instead of focusing on measures to integrate RES in the power market. EFET considers the above-mentioned market-based approach as the best solution, allowing for the cost-efficient achievement of the EU 2030 objectives.

4. What should be the geographical scope of support schemes, if and when needed, in order to drive the achievement of the 2030 target in a cost-effective way?

■ *Harmonised EU-wide level support schemes*

- Regional level support schemes (group of Member States with joint support scheme)*
- National support schemes fully or partially open to renewable energy producers in other Member States*
- Gradual alignment of national support schemes through common EU rules*
- National level support schemes that are only open to national renewable energy producers*

[Box: Please explain. Max 500 words]

Above all, EFET believes that a reformed and stronger EU Emission Trading System (EU ETS) will be able to deliver the objectives of EU energy and climate policy cost-effectively. However, in order to restore the centrality of the carbon market as “*Europe’s flagship tool for tackling climate change*”, the EU Commission needs to ensure better consistency between the EU ETS and other EU climate policies, including their implementation at national level – for more information please refer to the EFET discussion paper “Tackling overlapping policies with the EU ETS”.

In case some form of financial support is needed to further promote RES-E deployment, EFET advocates the establishment of a harmonised, EU-wide support scheme. Although we recognise the challenges that harmonising the existing diversity of national support schemes entail, this solution should be preferred to any other regional solution and be regarded as the most cost-effective and the least intrusive with cross-border energy trading. The diversity of renewable support schemes currently in place in Member States is no longer compatible with the completion of the single electricity market. Increasing the share of renewable energy in the consumption mix without ensuring simultaneous harmonisation and tradability of renewable attributes³ makes the integration of large volumes of electricity from renewable sources into the wholesale market impossible, which is in clear contradiction with the goal of a competitive internal energy market.

² From “Transforming Europe’s energy system - Commission’s energy summer package leads the way”, 15 July 2015

³ As further explained below, EFET advocates the introduction of a pan-European certificate scheme for the tradability of the renewable energy attributes across borders. The certificate is what conveys the attributes and benefits of green electricity, not the physical electricity itself.

The possible introduction of regional support schemes should be considered as an intermediate step towards the ultimate target of fully harmonising support for renewable energies at EU level: hence, regional schemes could be implemented on a voluntary basis **if and only** there is a reliable timeline towards full harmonisation.

Also, where support schemes are needed, they should adjust to technological developments and should force RES-E generators to participate in the market and react to price signals.

The State Aid Guidelines (EEAG) are a major step in this direction as they – in principle – set some limitations. The EEAG:

- limit support schemes to market-based mechanism like Feed in Premium, Green Certificates and investment support
- require a competitive (bidding) process to determine the level of support
- impose balancing responsibility
- ask to avoid incentives to generate electricity when prices are negative. However, the EEAG also include thresholds and exemption to these rules which should be (gradually) removed.

Finally, the Commission should elaborate a clear strategy for the phase-out of direct financial support for renewables, giving priority to the reduction of cross-border distortions, based on the maturity and economics of technologies. When financial aid for less-mature technologies is needed, aid schemes – preferably in the form of R&D support – should be regularly monitored and reviewed at national level in order to avoid overcompensation.

5. *If EU-level harmonised /regional support schemes or other types of financial support to renewable energy projects would be introduced:*

- *What hinders the introduction at the EU wide and/or regional scale?*
- *How could such mechanism be activated and implemented?*
- *What would be their scope (what type of projects/technologies/support mechanisms could be covered)?*
- *Who would finance them?*
- *How could the costs of such measures be shared in a fair and equitable way?*

[Box: Max 500 words]

We believe that national political considerations hinder the introduction of a truly EU-wide framework for the promotion of RES-E (when they are needed). National interests in terms of industrial and social policies have led national decision makers to separate the RES-E deployment question from the energy policy, and to develop promotion schemes from a national perspective only. This has resulted in investments in RES-E technologies mainly driven by the generosity of certain Member States' support mechanism - without regard for the optimal climatic conditions, the demand, and the topology of existing networks.

Preferred EFET solution: EU-wide RES-E certificate scheme

Our preferred solution for a harmonised mechanism would be the introduction of an EU-wide certificate scheme based on quotas, where suppliers would be required to source a proportion of their power from renewable sources. Eligible generation would then be awarded certificates that suppliers must acquire to prove that the required percentage of their power sales comes from renewable generation. If a supplier were unable or unwilling to source the required amounts of certificates from generators, he would have the option of buying the obligations in the certificates

market. For this scope, a market-place for green certificates should be accessible to all generators and suppliers across the EU. The subsidy for the energy must in this case be separated from the physical means by which the electricity is distributed. A minimum renewable quota requirement for all electricity suppliers will constitute the means to give the certificates an intrinsic value. The national quota schemes should be sufficiently aligned to allow for cross-border trading of certificates without distortions. This would then result in a European price for the certificates, comparable to the CO₂ price in the ETS.

Alternative solution: EU tendering scheme

Our second-best solution is an EU competitive and technology neutral tendering scheme, financed through a common EU budget. We stress that the tender should be used in combination with a financial support mechanism ensuring that the renewable output is integrated into the wholesale power market, and ideally responding to market signals. Thus, the following alternatives are preferable to fixed feed-in-tariffs (FiT):

- Market premium model: in this system, currently in use in, e.g., Germany, RES generators market their electricity directly via the power exchange on the free market and are incentivised to moderate their output in response to market signals. Plant operators have an incentive to feed-in their green electricity at those times when the demand and resulting prices are particularly high and vice-versa.
- Two-way Contract for Difference model: currently in use in the UK, it guarantees renewable electricity generators a fixed “strike price” for their electricity, upon mandatory participation in the wholesale market. Generators are required to sell electricity into the spot market, and then receive a variable top-up premium between the market price and the strike price.,

An alternative option could be a RES capacity auction (investment aid per MW), in other words a payment based on installed capacity. In this case, no operating aid would be granted.

6. The current Renewable Energy Directive gives Member States the possibility to enter into various cooperation mechanisms (statistical transfers, joint projects and/or joint support schemes). Please expand on the possible new legislative and non-legislative measures that could be introduced to foster the development of cooperation mechanisms in the period beyond 2020.

[Box: Max 500 words]

Exploiting the potential for cooperation mechanisms which currently exist under the RED, including statistical trading, financing of joint projects and joint support schemes, would allow Member States to share the burden of the EU decarbonisation objective in the most cost-efficient and environmentally effective manner. Voluntary cooperation have however hardly been used until now (see our answer to question n.7). The European Commission should push for more cooperation, e.g. by setting an institutional framework for cooperation mechanisms and by formulating minimum requirements for the deployment of Joint Projects. The approach for a coordinated integration of national support schemes could pave the way for more cross-border cooperation and ultimately a harmonised RES-E support system (see our answer to question n.5). Nonetheless, in our view and as past evidence shows, the voluntary character of joint mechanisms as laid down in the RED seems to limit the chances to see such mechanisms implemented in the future.

7. The use of cooperation mechanisms has been limited to date. Which of the below factors do you consider important in explaining the limited recourse by Member States to cooperation mechanisms so far?

	<i>Very important</i>	<i>Important</i>	<i>Not very important</i>	<i>Not important</i>	<i>No opinion</i>
<i>Unclear legal provisions</i>			X		
<i>Administrative complexities</i>		X			
<i>Lack of cost-effectiveness / uncertain benefit for individual Member States</i>	X				
<i>Government driven process, not market driven</i>	X				
<i>Member States reluctant to see their taxpayers/ consumers' money used for investments outside their country</i>	X				

[Box: Other? Please explain.]

As mentioned in our answer to question n.5, we believe that the protection of national interests is the primary reason why cooperation mechanisms have been used so little since the entry into force of the RED. National interests in terms of industrial and social policy have lead national decision makers to separate the RES-E deployment question from the energy policy, and to develop promotion schemes according to a variety of national interests. The establishment of cooperation mechanisms implies that Member States tackle all these questions jointly and let markets guide investments where they make most sense. There seems to be little interest on the side of Member States to do this on a voluntary basis. Such nationalistic approaches have developed to the detriment of overall European cost-efficiency in the development of RES-E, a tendency that should be reversed in the future through the review of the RED.

8. How could renewable electricity producers be fully or partially eligible for support in another Member State? Which elements would you include in a possible concrete framework for cross-border participation in support schemes? Any other consideration? Please explain.

[Box: Max 500 words]

We cross-refer to our answers to questions n. 4 and 5.

9. Please assess what kind of complementary EU measures¹¹ would be most important to ensure that the EU and its Member States collectively achieve the binding at least 27% EU renewable energy target by 2030:

	<i>Very important</i>	<i>Important</i>	<i>Not very important</i>	<i>Not important</i>	<i>No opinion</i>
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<i>EU-level financial support (e.g. a guarantee fund in support of renewable projects)</i>	X				
<i>EU-level support to research, innovation and industrialisation of novel renewable energy technologies</i>		X			
<i>Enhanced EU level regulatory measures</i>	X				

<i>EU-level incentives such as EU-level or regional auctioning of renewable energy capacities</i>	X				
<i>EU-level requirements on market players to include a certain share of renewables in production, supply or consumption</i>		X			

[Box: Any other ideas or comments, please explain. Max 500 words]

As stated in our answers to question n. 3, EFET once again underlines that the table attached to question n. 9 assumes that the market needs to be adjusted to the characteristics of renewable generation and not the other way around. Instead, we believe that apart from discussing possible harmonisation of support schemes, complementary measures attempting to mitigate the adverse impact of further subsidised development of RES generation on the market should be considered.

Before analysing what kind of complementary EU measures would be most important to ensure that the binding 2030 targets are achieved, the EU Commission should explain what would be the possible consequences for Member States in case the national pledges won't be sufficient to reach the common 2030 RES target.

If Member States will be off-track to reach the 27% RES binding target, the introduction of a "top-up" EU mechanism would help ensure the EU delivers on its targets. This mechanism would only be activated in case national efforts were putting at risk the achievement of 2030 RES targets.

10. The Energy Union Framework Strategy sets the ambition of making the European Union the global "number one in renewables". What legislative and non-legislative measures could be introduced to make/strengthen the EU as the number one in renewables? Has the RED been effective and efficient in improving renewable energy industrial development and EU competitiveness in this sector?

[Box: Please explain. Max 500 words]

Despite the rapid penetration of RES-E in the electricity market, the 20-20-20 targets have, in our view, failed to provide the right market-driven investment signals in low-carbon technologies beyond the separately subsidised renewable power generation. Also, we highlight that the whole 2020 framework aims to protect investors from market and operational risks, granting them the privilege to be exempted from ordinary market practices such as full balance responsibility and normal dispatch rules. While these privileges should be removed, RES units should at the same time be granted the right to participate in the balancing market and offer ancillary services.

In addition, RES-E investors and market participants have been exposed in many EU countries to great regulatory uncertainty. Frequent changes to the rules governing the incentive schemes and balancing responsibilities for RES-E had in fact a detrimental impact on market participants' trust in the overall RES regulatory framework. Similarly, any measures affecting the support level under which a given investment was decided should follow a process that guarantees that the support is reformed in a way that incentivises market integration and avoids negative retroactive effects without an alternative solution.

The EU Commission should therefore take the lead and set a stronger framework through the revised RES Directive. Also, climate policies will better support job creation and growth if they ensure that targets are achieved in the most efficient way and at lowest costs. Therefore, the EU Commission should place cost efficiency and RES-E market integration at the centre of the policy design. The whole 2030 framework must be compatible with the vision of a common European energy market, operating without distortions: a level playing field can only be reached if RES-E is integrated economically into the current European energy market design.

3. Empowering consumers

15. *Should the current system for providing consumers with information on the sources of electricity that they consume be further developed and improved?*

[Box: If not, why? If yes, how? Should the current Guarantees of Origin (GO) system be made the mandatory form of information disclosure to consumers? Should other information, such as e.g. CO2 emissions be included? Should it be extended to the whole energy system and include also non-renewable sources? Other ideas? To what extent has the current GO system been successful in providing consumers with information on the sources of electricity that they consume? Max 500 words]

The current system for providing consumers with information on the sources of electricity that they consume should indeed be further developed and improved.

Rules defining Guarantees of Origins (GO) and Electricity Disclosure should be merged into a single Directive to provide a consistent basis for an effective European disclosure system with GOs at its core. Rules on such disclosure would then have to be harmonised at EU-level, defining the registration, metering and issuing process, as well as dates for declaration and cancellation of a guarantee. All countries should have an interlinked electronic system for transferring and recognising GOs. Indeed, the system could be administered at the European level (as for emissions allowances). To date, some Member States (e.g. UK) have operated their own registries which are not compatible with others. A wide spread use of standardised GOs within the EU would also minimise the risk of double counting. The key to ensuring a more liquid market for GOs beyond 2020 will be to ensure fungibility between different RES.

GOs can be used for three purposes:

- verification of green products by end-use customers. It should be possible to issue GOs for all types of renewable production irrespective of whether financial support is granted or not.
- Voluntary for disclosure. Disclosure should be based on either GOs or a residual mix or a combination of both. In this perspective, we support the EU Commission efforts to harmonise the rules for calculation of residual mix at EU-level.
- An instrument for verifying the effectiveness of cooperation mechanisms.

5. Adapting the market design and removing barriers

18. *In your view, which specific evolutions of the market rules would facilitate the integration of renewables into the market and allow for the creation of a level playing field across generation technologies? Please indicate the importance of the following elements to facilitate renewable integration:*

	<i>Very important</i>	<i>Important</i>	<i>Not very important</i>	<i>Not important</i>	<i>No opinion</i>
<i>A fully harmonised gate closure time for intraday throughout the EU</i>	x				
<i>Shorter trading intervals (e.g. 15 min)</i>	x				
<i>Lower thresholds for bid sizes</i>		x			
<i>Risk hedging products to hedge renewable energy volatility</i>		x			

<i>Cross border capacity allocation for short-term markets (i.e., some capacity being reserved for intraday and balancing)</i>					
<i>Introduction of longer-term transmission rights (> 3 years)</i>		X			
<i>Regulatory measures to enable thermal, electrical and chemical storage</i>		X			
<i>Introduction of time-of-use retail prices</i>					X
<i>Enshrine the right of consumers to participate in the market through demand response</i>		X			

EFET believes that full integration of RES in the wholesale power market should be reached as soon as possible.

First of all, we believe that the option explained in the table above as “*Cross border capacity allocation for short-term markets (i.e., some capacity being reserved for intraday and balancing)*” should be treated with care and deserved to be explained with much greater clarity. EFET strongly opposes any TSO ex-ante reservation of cross-border capacity for use in the intraday or balancing timeframes: instead, we believe that all the capacity should be allocated to the market as far in advance from real time as possible to ensure appropriate hedging of energy portfolios, and be based on the economic value that the capacity has in each time horizon (e.g. co-optimization process).

We strongly support the improvement of short-term markets functioning and we stress that efforts to harmonise wholesale market arrangements across borders in all timeframes (especially intraday and balancing) should continue to be pursued: a fully harmonised gate closure time for intraday throughout the EU as well as shorter trading intervals would certainly be beneficial and give to all generators the opportunity to optimise their production or adjust their imbalances closer to real time.

Regarding consumers participation in the market, we highlight that large consumers already participate or, at least, have the right and instruments to actively participate in the wholesale power market. Demand response is just one of the pieces needed to make the system more flexible. Other improvements in that direction include the development of storage, grid usage enhancements, more flexible use of conventional and renewable generation. A market-oriented approach is needed to find the most economically efficient solution and to select which of these solutions is best suited to meet the flexibility requirements needed by the system.

We stress that all market participants – generation, demand and storage – should compete on a level-playing field. The proper valuation in the market of flexible capacity is key. No special privileges, regulated or otherwise, should be created to favour one or another category.

19. Currently, some exceptions from the standard balancing responsibilities of generators exist for energy from renewable sources. In view of increasingly mature renewable generation technologies and a growing role of short-term markets, is time ready to in principle make all generation technologies subject to full balancing responsibilities?

- Yes, in principle everyone should have full balancing responsibilities*
- No, we still need exemptions*

[Box: Please specify: If exemptions remain necessary, please specify if and in which case and why exemptions would still remain necessary (e.g. small renewable producers, non-mature technologies)? Max 500 words]

Under the existing framework, three cost groups stem from the preferential treatment of RES-E. Being volatile, the output from RES-E installations forces TSOs to upkeep balancing reserves which may be used in case of sudden changes in the weather conditions. As a consequence, conventional energy sources may end up being either penalised or rewarded for adjusting to the output of RES-E generation, which is often granted priority offtake. As a consequence, renewable generation burdens the consumer prices not only directly through financing different sorts of support schemes, but also through forcing the comparably cheaper outputs from other generators out of the merit order. At the same time, exempting some RES-E generators from balancing responsibility eliminates one of the strongest incentives to increase the accuracy of their output forecasts, while at the same time transferring the costs of this exemption directly onto the consumers. These three cost groups have a significant impact on the energy prices, being reflected in the transmission tariffs and additional levies included in the energy price to finance support schemes. Consequently, no balancing exemptions should be granted to any energy source and producers and consumers alike should strive to balance their positions. To this end, TSO should be required to publish information on the estimated imbalance level of the BRPs close to real-time, as well as the physical imbalance shortly afterwards.

The introduction of balancing responsibility for RES-E generators would also create a stronger demand for balancing services, which would be met by commercial parties who have the flexible capacity to trade imbalances in the short-term markets. Therefore, instead of granting balancing exemption to the smallest generators, the Commission should facilitate and promote aggregation: the output of small generators could be aggregated and fulfil the balancing obligations through acting as a single “virtual power plant” under the same aggregator. Should the Commission choose to exempt non-mature technologies from balancing their positions, then these technologies should be carefully defined so as to prevent any form of abuse of these exemptions.

20. Please assess the importance of stronger EU rules in the following areas to remove grid regulation and infrastructure barriers for renewable electricity deployment:

	<i>Very important</i>	<i>Important</i>	<i>Not very important</i>	<i>Not important</i>	<i>No opinion</i>
<i>Treatment of curtailment, including compensation for curtailment</i>	X				
<i>Transparent and foreseeable taking into account renewable development and integrating both TSO and DSO level and smart technologies</i>		X			
<i>Predictable transparent and non-discriminatory connection procedure</i>	X				
<i>Obligation/priority of connection for renewables</i>				X	
<i>Cost of grid access, including cost structure</i>	X				
<i>Legal position of renewable energy developers to challenge grid access decisions by TSOs</i>				X	

<i>Transparency on local grid congestion and/or market-based incentives to invest in uncongested areas</i>	X				
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EFET believes that connection privileges granted to RES-E operators should be abandoned where they still exist and that they should be subject to the same connection procedures and associated costs as other generators. TSOs should guarantee that any request for grid connection is considered without prejudice and the only reason for a refusal is a physical incapability of the network, without threatening the security of supply. Should such unbiased approach towards the consideration of any connection request be questioned, any affected party should hold the right to appeal.

Information on the congestion level existing at different locations should be publically available in order to provide the right incentives for investment around the connection points, where the desired capacity is still available. Alternatively, investors wishing to provide ancillary services would be willing to invest in areas suffering from high congestion, or high volatility at different hours. Consequently, transparency on grid conditions at all nodes should be considered as a precondition for further development of a market for services guaranteeing the quality of supply.

In terms of establishing or adjusting the procedures of handling grid connection requests, great care should be taken so as to guarantee that the available capacities do not get blocked by granting them to projects which have little chance to be realised in the foreseeable future. Entities which are granted the connection capacity in an area should be obliged to present a legally-binding timeline for their project, which, if exceeded without a proper reason, would result in the connection capacity being revoked. Finally, the TSOs and DSOs should disclose all the information on grid development plans both in short, medium and long term.

21. Which obstacles, if any, would you see for the dispatching of energy from all generation sources including renewables on the basis of merit order principles? Should there be any exemptions in some specific cases?

- Yes, exemptions are necessary*
- No, merit order is sufficient*

EFET reiterates that the need to cancel the priority dispatch privilege is among the preconditions for the inclusion of RES generation into the energy market and should be one of the most important measures introduced in the reviewed Directive. Current priority dispatch arrangements, where they still exist, do not incentivise RES-E producers to moderate their own output efficiently. This leads conventional generation operators to perform multiple stop-start operations which, in addition to being unnecessary costly, makes the overall environmental benefit in terms of GHG emissions questionable. Besides, such operations may artificially lead to negative prices (in Germany for

instance), which further erode the overall income from the market leading to further regulatory interventions.

A non-privileged approach towards the generation dispatch is of highest importance to ensure the full integration of renewable generation in the electricity market. The merit order supports efficient energy sources and guarantees delivery of energy at the lowest price to end-consumers.

The merit order effect guarantees that very low bids of RES-E generators in the spot market would be matched in most cases due to their negligible operational expenses and should therefore not justify any exclusion of RES-E generators from normal market practices. The fact that RES-E bids are lower than those of any conventional plant proves that they may operate under the same rules without the need for a legally imposed priority dispatch obligation. This approach would on the other hand discourage RES-E generators from producing when the market price is negative, provided that their eligibility to receive any form of financial support under such market conditions is suspended.

The importance of following the merit order while performing generation dispatch implies the need for a phase-out of any sort of feed-in tariffs scheme. Dispatch should be based exclusively on economic merit and no priority should be given to any energy source. Price-led dispatch performed close to real-time is both accurate and cost-efficient. Artificial financial support or dispatch priority instead supports less cost-efficient generation, distorting the market’s ability of incentivising innovations and responsible business operations. Being exempted from competition thanks to a right to produce completely isolates a generator from the market and does not oblige him to carefully predict his output. As a consequence, TSOs may need a higher amount of capacity reserves, whose cost is in the end borne by end-consumers.

22. Please assess the importance of stronger EU rules in the following areas to remove administrative barriers to renewable energy deployment:

	<i>Very important</i>	<i>Important</i>	<i>Not very important</i>	<i>Not important</i>	<i>No opinion</i>
<i>Creation of a one stop shop at national level to allow for more streamlined permitting procedures</i>					
<i>Online application for permits</i>					
<i>A defined maximum time-limit for permitting procedures, and effective consequences if deadline is missed</i>					

<i>Harmonisation of national permitting procedures</i>					
<i>Special rules for facilitating small-scale project permitting, including simple notification</i>					
<i>Pre-identified geographical areas for renewable energy projects or other measures to integrate renewable energy in spatial and environmental planning</i>					

[Box: Any other views or ideas? To what extent has the RED been successful in reducing unnecessary administrative barriers for renewable energy projects in the Member States? Please specify. Max 500 words]

Among the barriers existing for an efficient deployment of RES-E generation is the lack of administrative obligation or proper enforcement on the network operators to provide a sufficient level of transparency in terms of grid connection capacity and connection procedures.

TSOs and DSOs often offer little to no information in terms of transmission capacity utilisation. As a consequence, investors may end up performing analyses on the feasibility of a project in a location where there is no more capacity to manage their output.

The exact procedure for managing applications for connection capacity is often unclear or not disclosed at all, causing different parties to find it hard to assess whether their application was handled without prejudice. Applicants may also find it difficult to assess whether they hold a right to appeal a specific TSO decision.

In several countries, investors tend to apply for connection as a pure speculation rather than for projects deemed to be economically feasible. As a consequence, connection rules following a first-come-first-served principle, transmission capacity may turn out to be earmarked to a significant extent for projects with little chance to be further developed.

EFET supports the harmonisation of grid access procedures. The establishment of a single institution to handle all the necessary permits and transparent procedures would be a great improvement and a step towards establishing an internal energy market, ensuring a level-playing field in this domain.

23. Please identify precise challenges with regard to grid regulation and infrastructure barriers in EU Member States that you are aware of.

[Box: Max 500 words]

Among the largest barriers in terms of grid regulation, we would like to mention the transparency issues related to the grid connection procedures, as described in our answer to question n. 22.

26. How can public acceptance towards renewable energy projects and related grid development be improved?

[Box: Max 500 words]

The environmental benefits of renewables are widely recognised and thus EFET believes that more attention should now be given to the actual costs of their development, which raises far more concerns in society these days. The fact that end-consumer bills have steadily risen since 2009 due to taxes and levies – most of which serve to finance RES-E deployment – starts meeting resistance from the public. The unequal treatment in the division of the burden of these costs between individual consumers and industrial customers also increases the growing concerns of consumers towards the development and financing of RES-E generation.

A clear sign of this public discontent is the growing popularity of “behind the meter” solutions (generation or storage) with end-consumers. These small-scale generation and storage investments are connected at the consumers’ sites behind the connection point. At present, the exponential rise in network charges, taxes and levies encourages consumers to invest in such solutions to bypass the electricity bill – where network charges, taxes and levies are calculated based on MWh consumption. These end-consumers nonetheless use the distribution and transmission networks, and rely on them to cover the part of their consumption they cannot meet with own means. These private initiatives, often financed by public funds, lead to uneconomic decisions when total system costs are considered, shifting the costs of renewables promotion to an ever-shrinking pool of end-consumers. In order to promote a sane developments of new clean technologies at the lowest possible cost for the whole system, a review all financial aid and how it is passed through onto end-customers is needed.

6. Increase the renewable energy use in the transport sector

29. Please name the most important barriers hampering the development of sustainable renewable fuels and renewable electricity use in transport?

[Please explain, and quantify your replies to the extent possible. Max. 500 words.]

We believe that the EU ETS should be extended to more sectors in order to expand its role as a central pillar of the EU climate policies and increase liquidity in the market. We see road transport as a natural candidate for inclusion in the EU ETS, and urge the European Commission and European Council to take action in this respect as soon as practicable.