

Feedback on EU Electricity Market Design Reform

The European Energy Research Alliance is an association of European public research centres and universities with the mission to catalyse European energy research for a climate-neutral society by 2050. Bringing together more than 250 organisations from 32 countries, EERA is Europe's largest energy research community. Building on its vast pool of expertise and given the strategic importance of the **Electricity Market Design (EMD) reform** proposed by the European Commission on last 14 March to effectively carry out the clean energy transition by addressing existing distortions, protecting more consumers, and incentivising investments in renewables, EERA would like to put forward the following points for consideration in the evolution of the legislative process:

- It is crucial for the final text to **better recognise the role that clean energy research could play in ensuring that the future EU electricity market is well-suited to respond to the new economic, social and geopolitical context**, for instance, by developing new and in some cases not even yet foreseen, clean energy technologies for energy storage, demand response and grid flexibility, supporting knowledge creation regarding the current system and its weaknesses as well as exploiting digital technologies to support the accelerated discovery and uptake of new focussed energy solutions;
- The provisions setting out the need for tariff methodologies to *"incentivise transmission and distribution system operators to use flexibility services through further developing innovative solutions to optimise the existing grid and to procure flexibility services, in particular, demand response or storage"* are highly welcome. Yet, as they seem to be the only ones explicitly linking research and industry in the current proposal, it will be **key to include measures providing an adequate framework for investments both in the deployment and in the research on these crucial technologies** in order to make the electricity market fit for the upscaling of electricity from renewable sources;
- It will be of capital importance to acknowledge that R&I is essential also for **designing new business models** and **studying the effects of social innovation**. Modelling research, in particular, can provide insights on how to improve the EMD, as it contributes to a better understanding of imperfect markets and gain a deeper comprehension of the energy system;
- **Synergies between research and industry** will need to be carefully investigated as concerns delivery challenges, the move from testing to commercialisation, the development of the required technical and business skills to carry out the reform as well as its socio-economic impacts;
- The reform's ultimate objective should be to **limit price risks, particularly for vulnerable users** requiring protection against significant price fluctuations. Forward hedging could play a role in an effective strategy, however, it is important to consider additional solutions, such as passive subscription and reliability options, which can address price variations without undermining the incentives provided by ST markets;
- **Consistency of national choices** will need to be ensured since EU Member States will play an important role in devising national support instruments for investments in the power system, in setting objectives for non-fossil flexibility and in identifying appropriate measures in both the short and the long-term to shield consumers against high price spikes.