Union Française de l'Électricité

UFE's answer to ENTSO-E's consultation regarding the design of European electricity markets in 2030

UFE would like to thank ENTSO-E for the possibility to comment on its views regarding the design of European electricity markets in 2030.

While acknowledging the relevance of the issues raised by both ENTSO-E's discussion paper and consultation, UFE however notes that all these issues – or at least their beginnings – have been extensively discussed in the very last years and are framed by updated European regulations currently in force, whether it is the Clean Energy Package or the various network codes, including the existing ones and the ones currently under development as suggested by the CEP (i.e. the demand side flexibility code, for instance). In UFE's view, given that the implementation of these numerous provisions remains to be completed, the focus should be primarily on the concrete implementation of the measures provided for by the texts which are – or will soon be – in force. This does not of course preclude the adoption of new complimentary legislation, but it seems premature at this stage to consider requestioning the choices made in the CEP. It would indeed prove inefficient to trigger fundamental changes of the market design, whose deployment requires multiple years and will not be completed before 2025. To that extent, although we have expressed several concerns – which still remain relevant – regarding certain provisions of the CEP, we recognize the progress made in terms of market integration, market access and security of supply. Rather than considering major changes of the current framework, we therefore consider as a priority completing its implementation, which alone will allow to identify, in a later stage, avenues of improvement.

The rationale of the present consultation therefore remains unclear, as we deem it ineffective to already question the market fundamentals which have only just been enshrined in EU law.

55. Do you agree that all three models described above (enhanced energy only markets, strategic reserves, capacity mechanisms) could be suitable for European countries in 2030?

UFE supports all the improvements that can be made on the energy market, including on intraday and balancing markets. Nevertheless, even with un-capped energy markets allowing high prices during scarcity events, one cannot ensure that the capacities developed or maintained in operation exclusively on the basis of energy prices, will be

sufficient to meet the security of supply targets defined by Member States. Well-designed capacity mechanisms are necessary in this regard, irrespective of the considered period.

From a general standpoint, UFE would also like to pinpoint that all capacity mechanisms, including strategic reserves, should be technology neutral, allowing all types of capacities to compete on equal footing.

71. Is there any other key market design area not addressed in this paper which deserves particular attention to enable the achievement of European energy and climate goals for 2030?

Beyond market design issues – which will in time be key to address on the basis of sufficient years of practice of the current framework –, UFE notes that the issue of designing appropriate investment frameworks able to stimulate the necessary investments for the achievement of a decarbonised and secure power system in 2050 – and, as a steppingstone, in 2030 – is not properly addressed by ENTSO-E's discussion paper.

Indeed, investment issues are merely addressed in terms of renewables, whereas complementary resources such as low carbon generation, storage, demand response, and direct or indirect electrification will be needed to achieve climate neutrality by 2050.

To date, however, investment signals for these resources remain to a very large extent based on short term signals so that investors face significant risks in terms of their future revenues. This design failure can lead to suboptimal investments and can uptake the costs of the energy transition supported by end consumers.

From UFE's perspective, these questions are of utmost importance for every type of generation capacity and are not limited to renewables – on which the consultation seem to focus on –. UFE would have welcome that ENTSO-E uses the opportunity of this consultation to trigger a European debate on this issue based on a holistic perspective.