

# Clean Energy Package: Market Design Overview

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# General Update

- The negotiations between the European Commission, Council and Parliament concluded in December 2018 for the finalisation of the Clean Energy Package.
- We now expect that the European Council and European Parliament will approve both the Electricity Regulation and Electricity Directive over the coming weeks.
- The Electricity Regulation comes into force 20 days after publication in the journal and applies from 1<sup>st</sup> January 2020.
- The Electricity Directive comes into force 20 days after publication in the journal with MSs being required to implement through national legislative processes towards end 2020.
- Publication in the official journal is currently expected in early Spring 2019.

# Next Steps

- In the near-term we plan to monitor the EU Exit progress to determine the likelihood of the Clean Energy Package becoming directly applicable to the United Kingdom.
- Regardless, it is possible that elements of the legislation could become applicable through voluntary or negotiated domestic adoption in future.
- So, we are now exploring commencing work over the coming months to undertake a more detailed assessment of the impacts of the Clean Energy Package prior to implementation.
- For example, what processes, systems and codes will be affected, and how and when, etc.
- We have undertaken a high-level review of the text and there are some notable elements. We would appreciate your views e.g. what elements might result in significant changes.

# Electricity Market Design Overview

- At a high-level some of the notable elements in the final market design text are as follows.

System Operation / Networks	Capacity Market
<ul style="list-style-type: none"><li>- GCT can remain at intraday cross-zonal GCT</li><li>- Enhanced DSO role and EU-DSO entity creation</li><li>- CORESO to become a Regional Coordination Centre</li><li>- Minimum 70% of cross-border capacity to be available</li><li>- TSOs/DSOs mostly prohibited from storage ownership</li></ul>	<ul style="list-style-type: none"><li>- European adequacy assessment created and to be undertaken by ENTSO-E in future</li><li>- Tougher emissions limits e.g. no more than 550 grams CO2 of fossil-fuel origin per kWh of electricity</li><li>- Potential for future direct foreign participation in CM for units in interconnected states unless derogated</li></ul>
Balancing Market	Retail Market
<ul style="list-style-type: none"><li>- ISP can remain at 30 minutes where exempted</li><li>- Aggregators to be Balance Responsible Parties<ul style="list-style-type: none"><li>- Minimum % limits on procurement timescales</li></ul></li><li>- Maximum redispatching % for renewable generation</li><li>- TSO assets remain able to provide ancillary services</li></ul>	<ul style="list-style-type: none"><li>- A right to switch supplier within 24 hours by end 2025</li><li>- A right to a smart meter and in most circumstances a right to a dynamic price contract</li><li>- A right to engage in aggregation and switch aggregator without reference to the supplier</li></ul>

## And, a positive consumer outcome for some key risks...

Risk Area	Initial and Iterative Text		Final Text
Regional Generation Adequacy	<div><div></div></div>	→	<div><div></div></div>
Balancing Reserves, etc	<div><div></div></div>	→	<div><div></div></div>
Regional Operational Centres	<div><div></div></div>	→	<div><div></div></div>
TSO Asset Ownership and ASs	<div><div></div></div>	→	<div><div></div></div>
ISP and GCT Harmonisation	<div><div></div></div>	→	<div><div></div></div>

We would welcome your views on the Clean Energy Package and we are happy to continue the discussion with you through JESG (or bilaterally) in future