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OPINION

Brussels, 16 June 2017
Opinion.1

CEEP OPINION ON THE COMMISSION PROPOSAL FOR A "CLEAN ENERGY FOR ALL EUROPEANS" PACKAGE

Executive summary

- CEEP welcomes the European Commission proposal for a "Clean Energy for all Europeans" Package and its overall direction. It puts consumers and CO2 emissions' reduction at the heart of the energy system and contributes in a substantial way to the functioning of the internal energy market which is the basis for the achievement of the EU's climate and energy objectives in the short and long term.
- CEEP supports the Commission's ambition to give the Energy Union a reliable governance system, aiming at higher regulatory stability and predictability than in the past through coherent and transparent European coordination. In principle, CEEP agrees that the objectives of climate action, competition and security of supply can be better achieved at European level. However, following the principle of subsidiarity, Member States should keep sufficient leeway for ambitious national climate and energy policies.
- CEEP would like to recall that, in addition to the market integration of power from mature renewable energy sources, a well-functioning market for CO2 is an essential tool to drive investments in low carbon energy infrastructure at the least cost for consumers and tax payers and to implement the European climate ambitions. Therefore, the "Clean Energy for all Europeans" Package cannot be isolated from the ETS reform.
- CEEP deems crucial to ensure that the interplay between the CO2 reduction, renewable energy and energy efficiency targets is fully taken into account. They must not counteract the efforts to strengthen the ETS, supposed to be the EU's leading tool to achieve its climate and energy objectives.
- CEEP pleads that the ongoing review of the energy market design recognises that system adequacy is vital to the functioning of the European electricity system and that capacity mechanisms are a tool to guarantee that enough capacity will always be available, especially at peak periods to supply demand.
- CEEP in principle welcomes the creation of a EU DSO entity. In this context, it is crucial that the representation of all DSOs is ensured and that EU legislation for DSOs is limited to issues of EU-wide impact and of reasonable importance for the EU internal market development.
- CEEP supports the explicit recognition of new participants in the energy market, such as aggregators, active consumers and local energy communities. However, when shaping the exact roles of different market actors, it is crucial to ensure a level-playing field and non-discriminatory treatment that does not privilege certain actors.

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CEEP welcomes the European Commission's proposal for a "Clean energy for all Europeans" Package, published on 30 November 2016, and agrees with its overall direction. A functioning European internal energy market is the basis for the achievement of the EU's climate and energy objectives in the short and long term. However, from the point of view of providers of public services in Europe, some proposals in the Package require improvements that CEEP would like to bring forward with this opinion.

CEEP shares the Commission's intention to introduce more consistency in the European energy and climate policies, putting consumers and CO2 emissions' reduction at the heart of the energy market. This demands a competitive policy working towards a low-carbon economy and a secure and least-cost energy supply in which CEEP members are already playing an active role. In this context, CEEP welcomes the Commission's ambition to create a real internal market for electricity with rules that are supposed to deliver a better long-term visibility and create a level playing field for the different market players and all different technologies.

CEEP considers that cost-efficient investment choices are key to a successful achievement of the EU's and its Member States' energy and climate policies. A first condition for efficiency is to ensure consistency between all European energy and climate policies, and the appropriate level of subsidiarity for national policies. CEEP also calls for a market architecture that will provide visibility and confidence to market players, while giving adequate incentives and a robust framework to investment decisions, in order to meet the policy objectives and manage uncertainty, at all timescales, at least cost.

In this context, CEEP would like to recall that, in addition to the market integration of power from mature renewable energy sources, a well-functioning market for CO2 is an essential tool to drive investments in low carbon energy infrastructure at the least cost for consumers and tax payers and to implement the European climate ambitions. However, the prevailing weak carbon price signal raises doubts about whether the EU Emission Trading Scheme (ETS) will be able to play its role in the next decade. Therefore, CEEP regrets that those issues are not tackled enough in the Package and not linked with the pending reform of the EU ETS Directive.

Against that background, the "Clean energy for all Europeans" Package should tackle overlaps between the different instruments and objectives pursued (energy efficiency, renewables, CO2 emissions, and security of supply): very high and binding targets for the development of energy efficiency and renewable energy sources are likely to induce inefficient abatements of CO2 emissions and thus to displace less costly ones. As a result, decarbonisation will be costlier to achieve. However, increasing the efficiency target must not lead to the ETS losing its steering effect. CEEP appreciates the early reference made, in both the directive and regulation on electricity market, to decarbonisation as "one of the main objectives of the European electricity policy" and would like to call, accordingly, for a clearer reference to the ETS reform under way. It is necessary to make sure that a robust CO2 pricing will be enforced while the electricity market will continue to be reformed in the years to come. This depends on the forthcoming ETS reform, which cannot be isolated from the "Clean energy for all Europeans" package. Consequences of an enhanced energy efficiency target, or of national decarbonisation policies, cannot be ignored in this respect.

1. REVIEW OF THE ELECTRICITY DIRECTIVE AND ELECTRICITY REGULATION

As highlighted above, CEEP welcomes the overall direction of the Clean Energy Package. Seven years after the approval of the Third Energy Package, it is time to adapt the framework conditions for the internal energy market. This is the precondition for achieving the EU's climate and energy targets. CEEP supports the Commission's objective to focus on developments that have changed or that will change the way electricity is produced, traded, transported and distributed, particularly seen the continuously rising role of renewable energy resources and their market integration as well as the increasing importance of both transmission and distribution grids in a more flexible and decentralised market.

Capacity mechanisms

System adequacy is vital to the functioning of our electricity system and capacity mechanisms are a tool to guarantee that enough capacity will always be available and especially at peak periods to supply demand. These mechanisms also provide a mid-term price signal to investors in generation assets as well as in demand response flexibility tools, thus providing enough capacities to ensure that the public security of supply criteria are fulfilled. Moreover, these tools also allow to strengthen price signals at peak periods towards final consumers allowing them to adapt their demand.

The proposed Commission regulation puts at risk the stability of the price signal put in place by capacity mechanisms as it submits the simple existence of these mechanisms to yearly European adequacy statement performed by ENTSO-E. Such a proposal introduces the possibility of a regular stop and go situation.

In comparison to other measures, capacity mechanisms should not automatically be regarded as subordinate measures. All options should be evaluated objectively, with the most economically efficient solution being relied upon. Any definition at European level as to whether capacity mechanisms may be applied in the Member States shall be decided by the Member States, in compliance with EU regulation.

Distribution tariffs and dynamic prices

Distribution networks have been developed in different ways in the various Member-States and even more in the various regions of a same Member State, moreover the use of electricity and gas varies from one country to another. There are too many local particularities to realistically build a pan-European harmonization of distribution tariffs that should remain nationally or regionally determined. We therefore advocate not to implement the proposals for distribution tariffs elaborated at European level. CEEP considers that the definition of dynamic prices as proposed by the directive, which means purely spot based, neglects the fact that suppliers may develop price lists with different flexibility offers to customers.

Network Codes

CEEP welcomes a transparent elaboration of network codes and a larger participation of stakeholders in the drafting teams of Network Codes. Nevertheless, CEEP would like to underline that network codes, especially the future ones for the DSO (Distribution System Operators) area, must not pre-empt national roles by being too detailed. On the contrary, it is very likely that detailed approaches decided

at EU level will not be suitable at all for the wide variety of situations at local level. Therefore, CEEP pleads for a revision of the Commission's proposals that should allow a direct involvement of Member States as well as a more transparent consultation process of stakeholder.

A DSO body that involves all DSOs

CEEP welcomes the creation of a EU DSO entity with competences largely comparable to those ENTSO-E has been granted as it could help to further adapt distribution grids to challenges of pan-European impact and to serve the interest of the citizens. However, CEEP would like to highlight that if the DSO body is given competencies to accomplish proposals regarding the distribution level network codes, decisions made in the entity will have a considerable impact on European countries which have highly different energy systems. Whilst the DSO entity could prove to be an important arena for discussion, exchange and voluntary harmonization based on best practices, CEEP would prefer clear limits to the body's competencies that reflect the differences between the electricity systems of the participating countries. CEEP thinks that EU legislation for DSOs should be limited to issues of EU-wide impact and of reasonable importance for the EU internal market development.

In this respect, CEEP would also like to highlight that it is of major importance that the representation of all DSOs is ensured. Given the large number of DSOs and their diverse interests at European level, it is crucial to improve the proposed structure of the entity's composition and to clarify how exactly decision-making procedures will be implemented, before the regulation and the directive on the internal market for electricity is passed. The expertise of existing associations representing DSOs should be considered.

CEEP particularly regrets that the Commission's proposal excludes the smaller DSOs ("de minimis DSOs"). Moreover, DSOs from all countries that follow EU regulations concerning the energy market should be able to contribute to the entity's activities. Regarding decision-making procedures, basing voting procedures in the body solely on the number of connected customers must be avoided as this would create an imbalance in favour of large DSOs.

Ownership of storage facilities by DSOs

The ownership, development, management or operation of energy storage facilities, other than for network supporting activities, is a market-related issue. However, it should be possible for DSOs to use storage facilities for network-related purposes and this should be compensated.

Smart Metering functionalities and real time data

There are two types of data which are communicated by the smart meter to customers and markets (and designated service providers): Real time consumption data and validated data for billing and balance settlement. Consumption data (kWh) is read straight from the meter and does not run through the DSO or any other responsible meter reading party and can be provided in near real time. Raw data can be used in home energy management systems and can be made available to customers who can make use of it but it does not include any information on prices or historical consumption. The second type of data concerns data validated by the DSO, or any other party designated to this activity, which is provided to customers and other market participants such as suppliers or aggregators for billing, balance settlement, energy efficiency programs etc. This data can be delivered for example 24hrs after the electricity had been distributed. Making this data available in near real time would require an

extremely fast data exchange and increase the system costs – mainly investments made in replacing or upgrading system components required for communication. In short, communicating validated consumption data in near real time would be technically feasible but at a very high cost – which among others would also affect CBAs in a way that is likely to prevent Member States from opting for any large-scale roll-out of smart metering systems.

Regarding visualized information, CEEP underlines that, in case these requirements refer to in-home-displays or internet services, it is important to note that such services and devices would come at a high cost related to the installation of the appropriate devices and exchange or upgrade of system components.

The tasks of DSOs and non-frequency-ancillary services

Each distribution system operator should be entitled to provide non-frequency ancillary services (such as voltage maintenance, reactive power) with own assets or to procure them. According to the proposal of the Commission, DSOs are no longer allowed to provide non-frequency ancillary services by themselves but would be obliged to procure them through others. DSOs must have the right tools at hand to operate the distribution system in an efficient, reliable and secure manner.

Required level-playing field for new and existing market participants

CEEP supports the explicit recognition of new participants in the energy market, such as aggregators, active consumers, local energy communities etc. However, when shaping the exact roles of different market actors, it is crucial to ensure non-discriminatory treatment that does not privilege certain actors. Rules regarding local energy communities and aggregators in particular require further clarification. Some Member States have already advanced in this direction. These initiatives could be regarded as a benchmark for Member States in which rules for the interaction with independent or third party aggregators must still be defined. In any case, if third party aggregators are to be independent in the sense that they are not perceived as a balance responsible party, the supplier should not be required to bear the consequences of imbalances that result from a reduction in consumer demand. As a principle, aggregators being new market actors must follow the obligations of the current market design and shall also be responsible for their actions (actions of their contracted parties). They must respect balancing rules as well as conditions, especially technical rules for safe grid operation and network restrictions, set by the respective DSO within a prequalification procedure.
CEEP also recalls that each time some forms of exemption from market rules are given to new participants, it creates some inefficiency that has a cost, always supported by the final consumers without any guarantee of a benefit for the latter.

Energy communities: A new market player with unclear roles

CEEP notes with scepticism that certain support schemes will remain in place with the objective of facilitating market participation of mature technologies. Public services' providers in the EU believe that this will contribute to an undermining of the effort to create an integrated, market-oriented European power sector. There is also positive discrimination towards locally produced renewable energy, to the detriment of centrally produced renewable energy. This implies that less efficient technology might be able to dominate to the disadvantage of more efficient means of renewable power production. Since this could lead to less efficient production, such discrimination could only be justified if it would fully contribute to the advancement of renewable energies, as reflects a higher

public acceptance through public participation in renewable energy projects. Also, any advantages must be proportionate.

CEEP pleads to delete paragraph 1(a) in article 16, chapter III on the internal electricity market, pertaining to the rights of local energy communities to own, establish or lease community networks and to autonomously manage them. CEEP perceives such a right as unbalanced, as it opens the possibility for duplication of monopoly-regulated infrastructure and draws resources from the publicly owned grid. Furthermore, the proposal is vague as to what extent such community owned and managed networks will be subject to national regulations.

CEEP would also like to point out the considerable life-span of transmission assets and the risk of stranded assets if local energy communities are encouraged through favourable legislation to disconnect from the grid. It would thus fall on remaining customers to pay off the assets. From a socio-economic perspective, this would be a negative development in the general interest.

In addition, CEEP would like to raise some questions and reservations pertaining to the proposed provisions regarding local energy communities:

- As the priority dispatch will stay in place for small renewable energy production sites, to which extent this will also count for an aggregated level (several small installations within an energy community), thereby granting the energy community priority access to the grid, should be clarified.
- How energy communities will be defined in detail and how these communities will interact with the DSOs in their area of operation also needs to be clarified. Whether a DSO can be a member of an energy community remains an open question.
- As Member States will have the freedom to have their own definition of energy communities, will supplier cooperatives be covered by the definition, although the impact assessment omits such cooperatives?
- As the participation rights and/or shares in the energy community might be fully or majority held by local public representatives, are municipal authorities included in the group of allowed stakeholders and, if so, what is their relation as shareholders to the economic activities of local communities?
- How will the access of DSOs to customers, asking for grid connection after they decided to leave the local energy community, be granted?
- Who will be responsible for the secure and stable supply of energy to all customers connected to a local energy community?
- How will local energy communities be dealt with in the tax rulings?
- What is the difference between a local energy community and a local energy cooperative?
- What is the difference between small integrated electricity suppliers and energy communities?
- Which role can public local and regional utilities play in the context of local energy communities?

Finally, from a market point of view, how the final customers connected to a grid of a local energy community will be able to access the market as any other customer is unclear, even if some general principles are proposed.

For stable bidding zones

The European Commission should not take the decision on the future design of bidding zones as this should always be seen as a decision with long-term impact in order to reinforce the trust of market participants and liquidity for long term products. It is crucial to coordinate any change of bidding zones together with all stakeholders and regulatory authorities. Moreover, in case of a change, sufficient time to adapt needs to be foreseen. On the contrary, market actors would price this regulatory risk to the disadvantage of the final consumers.

Furthermore, CEEP underlines that the regional perspective must not undermine existing cooperation and trade with other countries. For example, the Nordic countries are singled out as a bidding zone in the Clean Energy Package, whilst, for example, Norway has ongoing trade and cooperation with countries outside this zone, such as Germany and the UK. The creation of zones should not hamper existing cooperation and trade.

Moreover, before deciding to change any bidding zones, one should observe how instruments implemented by the Third Energy Package such as the CACM Regulation function.

No proved need for regional Operational Centres (ROCs)

With its proposal for Regional Operational Centres, the Commission suggests intensifying existing cross-border cooperation by transmission system operators (TSOs). CEEP disagrees with this specific concept as it would further unbundle already unbundled TSOs in a completely inappropriate way. The Commission's proposal would withdraw from TSOs competences that are essential for the maintenance of system security and stability. CEEP suggests replacing the concept of ROCs by the RSCs (Regional Security Coordinators) that support voluntary cooperation and ensure that system security and stability remains guaranteed.

No top-down standardisation of data without cost-benefit analysis

The Clean Energy Package calls for the formulation and implementation of European standards for data management in the power sector to grant all stakeholders access to relevant information. In principle, CEEP supports this development, but would like to recall the currently diverging levels of maturity in data management across the EU. Therefore, it is crucial that European standards do not undermine existing and well-working solutions for data management in the front-running countries. As a conclusion, CEEP asks for a cost-benefit analysis before the creation of any common European data format.

No need for permanent notification of price changes

CEEP believes that the requirement to actively notify customers of price increases in advance is a very bureaucratic measure. If this requires a written notification, it should be sufficient to inform via homepage or e-mail, otherwise it seems like an excessive and burdensome procedure.

For a flexible use of the congestion income

CEEP opposes the idea that congestion income from cross-border transmission should be put aside in a fund to finance interconnection projects, as this will be a centralized feature that serves to undermine the local approach that is prevalent in other parts of the Clean Energy Package. We believe

Member States are best served if able to choose how these funds should be used. This income could be used to lower the tariffs as TSOs are normally able to finance projects with a positive cost-benefits analysis without such an additional fund. Therefore, CEEP asks for the possibility of using congestion income to reduce the level of network tariffs to be maintained.

2. REVIEW OF RENEWABLE ENERGY DIRECTIVE

CEEP supports the European Union target of at least 27% for the share of renewable energy in the EU's gross final consumption of energy in 2030. When reviewing the Renewable Energy Directive with the objective of reaching this target, it is crucial to ensure a stable regulatory framework for further investments in renewable energy sources. This is particularly important considering that such investments are mainly based on fixed costs that occur before new power plants are put into operation.

Market integration of renewables

In this context, CEEP supports the Commission's proposal to limit the priority dispatch of renewable energy sources and to favour market-based congestion management. Given the continued market integration of renewables into the energy system, CEEP welcomes the approach to also integrate provisions such as those on non-discriminatory dispatching into the Electricity Regulation. However, a level playing field is necessary for all high-efficiency cogeneration installations. Priority should not only be given to small generating installations.

Need for affordable and cost-efficient renewables in the housing sector

CEEP supports the Directive's aim to achieve a sustainable, secure and affordable energy system for all European citizens. Affordable systems for citizens, including tenants, must also be cost efficient for building owners/landlords. In some Member States, construction costs for social and affordable housing are not covered by the government and/or municipalities, i.e. the rent depends on the construction costs. Therefore, by additional measures less negative social impacts can be expected, but, at the same time, the gross rents/the housing costs increase. Therefore, it should be up to the Member States to decide "where appropriate" (words not do be deleted in Art. 15 (6)) how minimum levels of energy from renewable sources especially in existing buildings are used. The reference to the use of cost optimal calculations does not cover the affordability for the citizens / tenants. However, a faster integration of renewables in the building stock is needed, but obligations are not the right option. It should further be noted that obligations for owners and tenants would have the potential to harm the image of renewable energy sources.

Curtailment

At the same time, CEEP pleads to amend some elements of the proposal for a reviewed Electricity Regulation, in particular compensation claims in case of non-market-based curtailment for which the Commission's proposal does not foresee sufficient compensation. CEEP is in favour of ensuring full financial compensation of power plants (conventional and renewable energy sources) in the event of non-market-based congestion management.

Future support schemes

Having in mind the objective of higher investment security, CEEP calls for additional clarity regarding admissible support schemes. CEEP explicitly shares the Commission's proposal according to which support schemes should be transparent, market-based, non-discriminatory and cost-effective. However, these criteria do not tackle the admissibility of concrete support schemes and the Commission's proposal remains rather vague in this regard. Therefore, CEEP suggests amending the Commission's proposal by including a list of fundamental design principles of financial support, in particular regarding the design of tendering procedures, considering existing national procedures.

Food and feed crop-based biofuels conditional to sustainability and food security

CEEP questions the suggested tightening cap on the share of biofuels and biogas from food and feedstuff crops, with a reduction from 7 percent in 2020 to 3.8 percent in 2030 (article 7) as it can severely hamper investment in sustainable biofuels based on a wide range of sources, including crops, agricultural residuals and other waste products. As long as there is a large surplus of agricultural land in the EU, with large areas in fallow, there is not necessarily a competition between biofuels and food production. On the contrary, some biofuels in crop rotation actually increase food production, and the production of biofuels can promote a living countryside, create employment, increase biodiversity and contribute to food security.

Liquid and solid biofuels should be assessed and included based on their greenhouse gas emissions (GHG) savings and sustainability performance, including effects on food production, and not on the production technology or the raw materials they are based on. There are several examples of conventional or food-based biofuels that are sustainable and demonstrate significant CO2 savings, such as ethanol with more than 95 percent carbon reduction and biogas with more than 80 percent reduction.

Conditional third party access to the district heating and cooling networks

The Commission proposes that Member States shall lay down the necessary measures to ensure non-discriminatory access to district heating or cooling systems for heat or cold produced from renewable energy sources and for waste heat or cold (Art. 24). However, it needs to be taken into account that district heating and cooling networks are natural monopolies with non-transferable investments in grids as well as in production facilities.

Therefore, CEEP opposes a general right for third party actors to access district heating and cooling grids to sell heating or cooling directly to end-users as it would be a big technical challenge, counter-productive and not cost-efficient. On the contrary, an unconditional right for third parties to access the network would discourage investments since it creates uncertain asset values for investors and producers. Unclear long-term responsibilities of supply would undermine the credibility of the system. Unbundling of the grid and the energy production operations might lead to increased costs for customers (assessed to 10 to 15 percent[1]).

[1] Costs for an unconditional TPA (third party access) due to unbundling were assessed to increase by 10-15% by the Swedish governmental TPA-investigation (SOU 2011:44).

A yearly increase rate of the share of RES supplied for heating and cooling

The Commission proposes that Member States shall endeavour to increase the share of renewable energy supplied for heating and cooling by at least 1 percentage point every year (Art. 24). It is essential that recovered excess heat and waste products are included in this target along with renewable energy given their ability to replace fossil fuels. There is also a great potential in Europe to recover much more excess heat from various societal processes. For instance, a large amount of solid waste in the EU is still being landfilled or incinerated without energy recovery. Nevertheless, some district heating and cooling grids are already gaining most of their energy out of renewable energy. A further increase of renewable energy would be questionable in the sense of cost efficiency and of course technical feasibility. CEEP suggests adding to article 24 that a binding RES quota for district heating systems may even turn out to be counterproductive. Moreover, given the very individual nature of each heating network, the target cannot be applied to individual networks but at Member States' level only.

3. REVIEW OF REGULATION ON EUROPEAN AGENCY FOR THE COOPERATION OF ENERGY REGULATORS (ACER)

ACER already has a well-defined mandate for which the Agency should receive the appropriate means to fulfil it. Only once the existing mandate will be entirely fulfilled by ACER or if the framework conditions should change substantially, an extension of ACER's mandate should be discussed. Contrary to the intentions of EU Member States within the Third Energy Package, ACER is now thought to evolve towards a EU regulatory authority. In this context, CEEP calls for a continuation of the current division of responsibilities and tasks between the European (e.g. CEN, CENELEC) and the national level, especially by reinforcing the role of the Board of Regulators that gathers all National Regulatory Authorities (NRAs), which is a guarantee that national specificities are taken into account at European regulatory level.

4. REVIEW OF THE ENERGY EFFICIENCY DIRECTIVE (EED) AND THE ENERGY PERFORMANCE OF BUILDINGS DIRECTIVE (EPBD)

CEEP members are actively involved in implementing measures that reduce energy consumption and help achieve the EU targets. Public services' providers therefore, in principle, welcome the Commission's effort to adapt the energy efficiency legislation to an evolving environment. Sustainable investment in energy efficient buildings, production sites and devices as well as changing user behaviour are key for a long-term increase of energy efficiency in all sectors. In this context, a stable and reliable framework is the condition for a continued development of markets for energy efficiency measures and energy services. Only a market-based increase of energy efficiency leads to its cost-efficient implementation, and thus its acceptance by all energy users. To a large extent, this has been rightly recognised by the Commission's proposal.

Energy efficiency target for 2030

However, regarding the Commission's proposal for a binding energy efficiency target for 2030, it is important to acknowledge that already today the Energy Efficiency Directive includes binding

measures at national level. Therefore, we plead for a careful assessment of the impact of a further increase of binding measures at EU level. Future measures should be carefully developed and implemented into the market, considering costs and benefits, whilst giving national authorities sufficient leeway in deciding how objectives are best attained. This is the only way to ensure acceptance and a high transposition rate. Moreover, the climatic impact of these future measures should also be observed as increasing the energy efficiency target can also result in increased CO_2 emissions if it is not balanced by adequate carbon criteria.

Furthermore, it is crucial to ensure that the interplay between the three EU energy and climate targets is fully taken into account. The 2030 targets must not counteract the efforts to strengthen the ETS which must be the EU's leading tool to achieve its energy and climate objectives. This must clearly remain the main priority of the EU's climate and energy policy. Therefore, the extent to which the increase of the energy efficiency target could however undermine the efforts to restore a functioning ETS should be re-evaluated. Any increase of the energy efficiency target would need to be accompanied by a reduction in the CO2 target level in the ETS.

It is unusual that the basic target structure for 2020 is being changed at short notice. Until now, it has been possible to choose between achieving a primary energy target or a final energy target. In the current text of the proposal, these two targets are being interlinked for no apparent reason. This could lead to problems in implementation. CEEP therefore proposes to maintain the existing wording.

Energy audits and continued burden for SMEs

CEEP regrets that the experiences of the implementation of article 8 regarding energy audits at national level are not reflected in the revision. Indeed, it would be necessary to adapt the definition of small and medium sized enterprises (SMEs) that currently excludes local public enterprises with a public ownership of more than 25%. So far, SMEs that are recognized by the current SME Definition are encouraged, but not obliged, to carry out an energy audit. Member States may set up support schemes for SMEs, including if they have concluded voluntary agreements, to cover costs both of an energy audit and of the implementation of the highly cost-effective audit recommendations. On the contrary, local public enterprises that are SMEs might end up paying substantial sums to carry out such an audit, in some cases even exceeding their annual energy costs. As an example, one small housing association with one office and one car would pay normally € 2- 3,000 per year for energy costs, while the audit for such a company is expected to cost at least € 3-4,000. 9 Local public enterprises gathered within CEEP support energy efficiency as key elements of the Energy Union. Nevertheless, EU energy efficiency policy should take into account that the effect of measures to improve energy efficiency depends primarily on the actual size of the company. In contrast, the ownership or shareholder structure does not have any influence on energy efficiency or energy consumption. Thus, local public enterprises should receive an equal treatment to SMEs in supporting the achievement of the EU energy efficiency objective.

As long as the EU definition for SMEs does not change along these lines, the review of the Energy Efficiency Directive should lead to an abolishment of the reference to this definition in Article 2 (26). The wording of the latter should be changed and simply state that "'small and medium-sized enterprises' or 'SMEs' in this directive means enterprises which employ fewer than 250 persons and

which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million".

Regarding larger companies, the requirement for energy audits should also include a selection criteria for the size of energy use. This would be more proportionate than targeting just turnover and number of staff. To avoid double regulation, article 8 should allow energy use already covered by the energy certificates of the EPBD to be excluded from the audit.

Need for flexibility to achieve objectives

CEEP stresses the importance of focusing on Member States' progress towards the targets, based on their diverging conditions and therefore allowing for flexibility and national adaptation in the choice of measures. CEEP emphasizes that detailed requirements on how the targets should be achieved should be avoided. For this reason, CEEP is very pleased to see that EED article 7 still allows for alternative measures for energy saving rather than pushing for a general introduction of white certificates. However, Article 7 stipulates that energy savings resulting from measures introduced until 2020 may not be counted after that time. This greatly limits the eligibility in particular of measures which have a deep and long-lasting effect (e.g. deep retrofit). This limitation of flexibility in choosing measures, particularly towards the end of the period from 2014 to 2020, is not appropriate and runs counter to the achievement of the target.

CEEP highlights the need for a technology neutral treatment of renewable energy based on its environmental benefit. We therefore welcome the statement in the Annex 1 of the EBPD that renewable energy should be treated equally regardless of whether it is generated on-site (behind the individual meter) or supplied through energy carriers. For the same reason, we oppose the possibility to count only renewable energy produced on site as a saving in article 7 in the EED.

Metering and billing

Individual metering and billing (EED article 9 and 9a) should not be made compulsory for heating in apartment buildings without considering the aspect of cost efficiency and technical feasibility. Otherwise, the incentive of the property owner to implement energy efficiency measures is severely reduced, leading to increased energy use.

5. RISK PREPAREDNESS IN THE ELECTRICITY SECTOR

For CEEP, managing a physical supply crisis is fundamental and, of course, TSOs are the main actors of this management. Nevertheless, CEEP believes that all concerned actors must be involved in the definition of the risk-preparedness plans, such as, for instance, generators and retailers with a focus on local actors like DSOs to which most customers are connected: in case of curtailment, DSOs will have to perform the concrete actions.

Having said that, CEEP would like to understand how this regulation will be coordinated with the Emergency and Restoration Code that already broadly tackles this question of risk-preparedness plans.

6. GOVERNANCE OF THE ENERGY UNION

CEEP supports the Commission's ambition to give the Energy Union a reliable governance system, aiming at higher regulatory stability and predictability than in the past through coherent and transparent European coordination. In principle, CEEP agrees that the objectives of climate action, competition and security of supply can be better achieved at European level. However, following the principle of subsidiarity, Member States should keep sufficient leeway for ambitious national climate and energy policies. In this context, CEEP pleads for an Energy Union Governance that is led by both reliability and coherence of the differing, individual national approaches and a fair sharing of efforts.

Involvement of social partners

As European cross-sectoral social partner representing providers of services of general interest, CEEP would like to recall that social partners need to be systematically involved in the governance system of the Energy Union. They have a fundamental role to play in the implementation of the Energy Union, at the level of the enterprises, but also towards the state authorities and political bodies, to stress the crucial importance of predictability and a future-proofed approach.

Therefore, CEEP welcomes the Commission's proposal to explicitly mention social partners as key stakeholders for consultation in the drafting process of the National Plans at Member State level. However, CEEP pleads for going beyond this reference and providing clear guidance to Member States in order to fully ensure that the involvement of social partners becomes a reality in all Member States and that their consultation has a real impact on how the National Plans are shaped. Only such a full-hearted involvement can allow to take on board social partners' expertise when it comes to the potential and impact of ambitious climate and energy policies at enterprise, local, regional, national and European level.