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MEETING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party on Energy
Subject:	CZ comments on the Electricity Market Design

Delegations will find in the annex the CZ comments on EMD.

CZ reaction to the two questions raised by the Presidency during Coreper meeting on 26 July on possible further steps regarding the Electricity Market Design

Questions raised by the Presidency:

- 1. How can it be articulated a solution that guarantees that the distribution of revenues derived from Contracts for Difference ensures the level playing field?*
- 2. Which of any possible design for such a solution is sufficiently flexible and dynamic to adjust to the different market conditions while ensuring at the same time homogeneity in its implementation and oversight within the EU?*

CZ reaction:

CZ proposes two possible solutions to issues raised during the negotiation on the revenues redistribution that would be both flexible enough to react to specific circumstances and that would ensure homogeneity in the EU.

If carefully designed, these solutions can maintain level-playing field and still avoid distortions in the EU:

- a. setting the maximum acceptable percentage threshold of revenues that can be further redistributed among specific customer groups (especially industrial customers). This might be derived from actual share of this customer group on the overall consumption within the given member state.

Explanation: this solution would avoid over subsidization of the industry and would attribute only as much resources to the industry as is their share on consumption in given Member State.

- b. implementing EU-wide price floor applied for specific customer groups (especially industrial customers). This price floor shall be dynamically calculated as a fraction of actual spot market prices on the major EU power exchanges and this fraction being regularly adjusted for benchmarks with major EU competitors.

Explanation: applying price floor would ensure extensive overutilization of the revenues that would cause undue distortions to the prices of electricity for certain customer groups. This solution should also avoid lowering the prices even below the production costs. The price floor could be then calculated as an X percent of average electricity prices on main European hubs or, if necessary, if those prices were not competitive (vis a vis US market for example) then the X could be set lower.