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## **MEETING DOCUMENT**

From:	General Secretariat of the Council
To:	Working Party on Energy
Subject:	Report and proposal on streamlining procedures for capacity mechanisms - presentation

Delegations will find in the annex the presentation of the report and proposal on streamlining procedures for capacity mechanisms.



# Report and proposal on streamlining procedures for capacity mechanisms

EWP, 27 March 2025

# Regulation (EU) 2024/1747 – new Article 69(3) in the Electricity Regulation

**Streamlining the framework** for introducing a capacity mechanism:

- The Commission shall request ACER to **amend the ERAA Methodology**
- The Commission shall submit a **report** assessing possibilities of streamlining and simplifying the process of applying a capacity mechanism
- The Commission shall come forward with concrete **proposals** on how to simplify the process of assessing capacity mechanisms

# Report and proposal on streamlining procedures for introducing a capacity mechanism

- The [report](#)
  - evaluates current framework for introducing a capacity mechanism
  - identifies main challenges encountered by Member States and stakeholders
  - contains measures to streamline current framework and to facilitate implementation by Member States throughout the process
- The [proposal](#) for streamlining Commission approval process for capacity mechanisms are included in new draft State aid rules to support the Clean Industrial Deal (CISAF)

# Measures introduced by the report

- Simplified, improved and flexible ERAA Methodology:
  - additional central reference scenario ('trends & projections scenario')
  - fewer target years
  - risk aversion of investors
  - contribution of non-fossil flexibility
- ACER calculates metrics to facilitate Member States in setting their reliability standard
- ENTSOE to publish key data to facilitate Member States in establishing auction parameters and designing availability obligations

➡ **Simplification, flexibility & increased transparency**

# The Clean Industrial Deal State aid framework contributes to streamlining

- **Clean Industrial Deal Communication 26 February 2025:**  
*“ The new Clean Industrial Deal State Aid Framework will enable necessary and proportionate State aid that crowds in private investment. It will [...] further facilitate support to [...] capacity mechanisms”*
- A new draft **Clean Industrial Deal State Aid Framework** was launched into public consultation on 11 March 2025
- It introduces a new possibility for a fast-track approval of ‘target model’ capacity mechanism designs, in line with Art. 69(3) Electricity Regulation

# A new State aid framework delivering a fast-track approval for specific designs

- The draft delivers on 3 simplification goals, while maintaining an efficient State aid control to preserve a level-playing field in the internal market:
  1. **Providing visibility to Member States** on design features, whose respect would allow for a swift approval decision (**“off-the-shelf” target models**);
  2. **Simplifying approval by introducing a “one-stop-shop”**: target models ensure compliance with Electricity Regulation, ACER rules and State aid rules, thus avoiding overlapping assessments of the measure;
  3. **Simplifying participation for market participants**: the use of the target models will facilitate market participants' participation in capacity mechanisms across the Union.
- The **CEEAG** will remain applicable, so other designs can also be approved following the usual process.

# Design requirements ensuring compliance with competition and sectoral rules (1/2)

**Checklist for 2 target models: strategic reserve and central buyer market-wide mechanism**

## **Necessity of the aid & Art. 20, 21 and 22 of Electricity Regulation**

Justifications of the capacity mechanisms and relevant parameters are based on:

- ✓ The European Resource Adequacy Assessment (ERAA)
- ✓ Security of supply criteria published by ACER (as soon as available)

## **Market failures and appropriateness & Art. 20 and 21 of Electricity Regulation**

- ✓ Implementation plan (or “market reform plan”) submitted and plan for implementing any recommendations
- ✓ In case of a market-wide capacity mechanism, confirmation that the design of a strategic reserve was considered

## **Eligibility & Art. 22 and 26 of Electricity Regulation**

- ✓ Open to the participation of all technologies, respecting objective and non-discriminatory environmental criteria
- ✓ Justified, transparent and non-discriminatory technical criteria can be introduced
- ✓ Use of ERAA de-rating factors to put different technologies into fair competition
- ✓ Market-wide capacity mechanism open to explicit and direct cross-border participation



# Design requirements ensuring compliance with competition and sectoral rules (2/2)

## Proportionality of the aid & Art. 22 of Electricity Regulation

- ✓ Competitive bidding process, providing sufficient visibility to all participants
- ✓ Minimum levels of non-availability payments based on current practices
- ✓ Co-optimization of capacity mechanisms and flexibility measures
- ✓ Electricity consumers creating the need for the measure contribute to its costs

## Avoidance of distortions of trade & Art. 22 of Electricity Regulation

- ✓ Availability for market wide capacity mechanism based on market bids
- ✓ Strategic reserve held outside the market and only dispatched according to Electricity Regulation rules

- We would be grateful to receive feedback on these requirements, as part of the State aid Clean Industrial Deal Framework **public [consultation open until 25 April 2025](#)**.

# Timeline / Next steps

## ERAA Methodology

Commission report defines scope of changes

ACER requests ENTSOE to change methodology

ENTSOE submits proposal within 6 months

ACER decision: within 3 months

## CISAF

Annex I CISAF: published on 11 March 2025

Member States can submit feedback until 25 April 2025

Final publication of CISAF: June 2025

# Thank you

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