The Community Power Coalition's position on the ongoing Electricity Market Design revision

How can the Electricity Market Design reform deliver for energy communities?

To achieve a just energy transition to a fossil-free and resilient energy system that meets the EU's climate targets, it is increasingly important to recognize the role of energy communities and energy sharing. This can be facilitated by promoting a decentralized and democratic energy market and acknowledging the importance of local ownership of renewables, which can help ensure fair pricing, local security of energy supply, and lower costs for consumers.

On the 14th of March, the Commission adopted its proposal to revise the Electricity Market Design (EMD). Although the proposal takes a positive step by allowing energy sharing among all households, public authorities, and SMEs, as well as making it possible to sell local renewables through power purchase agreements (PPAs) and emphasizing the importance of demand-side flexibility, it falls short in doing all it can to support the growth of community energy projects. Additionally, it overlooks the role of local ownership of renewable production and supply in helping communities protect themselves against the impacts of energy crises.

The Community Power Coalition maintains that the Electricity Market Design reform must deliver an equitable and resilient energy system, and to empower consumers to master, as much as possible, their own energy needs. To ensure this it is necessary to:

1. **Facilitate *local* ownership to empower *local* communities**

Local ownership of renewables involves individuals, communities, organizations, or local authorities having control over renewable energy resources in their area. This approach is one of the main drivers for consumer resilience and crucial for achieving a decentralized energy system that promotes distributed production and matches local consumption, and a just transition by promoting democratic participation in energy decision-making and boosting local economies.

Further enabling consumers to combine local ownership of renewables with energy sharing or supply allows them to set energy prices in their own interest (ensuring stable and low prices) and is the most efficient and cheapest way for Governments to protect consumers against volatile wholesale market prices and enhance resilience to crises. It can also generate revenue streams to combat energy poverty, support outreach and education on energy issues and markets, and encourage further local investment in renewable energy production and infrastructure. Additionally, local ownership can foster solidarity between territories and drive the adoption of technologies that provide distributed energy resources to the grid, such as storage, flexibility, and power supply. Prioritizing local ownership of

renewable production can also address the public acceptance of renewables and ensure that communities are consulted when allocating space for new developments. Thus, local ownership of renewable energy resources must be acknowledged as an overarching principle in the electricity market reform.

2. **Safeguard energy sharing as a resilience driver for consumers**

Energy sharing can increase energy sovereignty and community resilience by enabling consumers to share energy resources. However, to deliver this, it is important to develop clear and consistent definitions and frameworks to clarify the legal relationship (distinctions and commonalities) between energy sharing and other related concepts, such as collective self-consumption, peer-to-peer energy trading and net metering.

To ensure that shared electricity is priced in the interest of consumers, it must be owned by “active customers”. Energy-sharing models featuring profit-driven third-party ownership in which the consumer does not retain ownership of the electricity may contribute to profit-seeking over consumer welfare, higher and unpredictable prices (even higher than wholesale market price), which in turn may directly undermine the EMD reform's own goal to better protect consumers. It is important to ensure that consumers active in energy sharing retain ownership over shared production.

First, establishing a clear legal framework for energy sharing, where establishing the rights and responsibilities of energy providers, distribution system operators (DSOs) and consumers who engage in energy-sharing activities must be a priority. This includes ensuring that “active customers” are not subjected to unjustified administrative procedures that restrict their right to share electricity. Additionally, suppliers must not discriminate against customers who engage in energy-sharing, creating a level playing field for energy communities. Communities should be able to choose from different options of energy allocation rules, among others dynamic coefficients, to guarantee an efficient distribution system and that energy communities receive fair compensation for the electricity they produce and share with the grid.

3. **Creating space for investment in local energy sharing projects by local actors**

It is important to ensure that as commercial market actors increasingly focus on decentralised renewable energy production increases, consumers entitled to share energy and energy communities, are still able to invest in production and access the grid. In particular, compared to other market actors, due to their inherent characteristics. They face more significant constraints in navigating administrative procedures and accessing sites to construct production installations. This creates more barriers to the participation and involvement of citizens and local communities, further delaying the development of collective energy projects. Creating an enabling environment that removes barriers to entry of energy communities in energy-sharing projects must be prioritized.

To foster this and ensure that consumers active in energy sharing and energy communities can own the facilities and the shared electricity, it is necessary to create sufficient space for them to be able to

develop projects. First, this includes developing streamlined procedures (i.e. separate application process from commercially-driven projects) to fast track development of local collective projects initiated and owned by local citizens, energy communities, public authorities and SMEs. These actors should also have access to dedicated legal and technical support services through the DSO or another public authority, which is essential in navigating the complex regulatory requirements and technical challenges associated with energy sharing. Second, DSOs should ensure priority - or at least sufficient - grid access for locally-owned projects. Third, local actors should maintain priority over public spaces that are suitable for the installation of renewable energy production, so that they do not have to compete with larger well-resourced companies to access these spaces.