Positioning of Thüga:

KEY REQUIREMENTS FOR THE DESIGN OF THE ELECTRICITY MARKET

Municipalities as well as local and regional energy providers play a decisive role in the design and realization of the energy transition onsite and in achieving the climate targets. Thanks to their **proximity to customers,** they provide **solutions that are close to the customers as well as practical**. Only through the active involvement of local actors and through using local and regional infrastructure can the energy transition be realized successfully and timely. This applies equally to the design of the future electricity market, particularly in the context of an increasingly decentralized power supply.

Our most important objectives for the evolution of the electricity market:

Evolution instead of revolution: A capacity market as an addition to the EOM

The current Energy Only Market (EOM) shows clear deficits, as it does not provide sufficient incentives for firm and dispatchable electricity generating capacities. To fix those deficits and counteract the growing capacity gap, **the existing EOM needs to be supplemented by a capacity market**, in which supply and demand for firm capacity are balanced through market mechanisms.

Sustain advantages of the EU internal market

The **overarching framework** for the electricity market must be **set on the European level** to avoid jeopardizing the benefits of a European internal energy market. There may not be a reverting back to national solutions. Last year's energy crisis has shown that shortages of energy (and gas) can only be overcome by a working EU internal energy market.

Given the negative effects of disruptive changes in a market design oriented for the long term, we consider an **evolutionary development** of the electricity market more sensible.

Remove obstacles in the deployment of renewable energies

Simultaneously, **existing obstacles** preventing the acceleration of the deployment of renewable energies have to be removed (e.g., lengthy permitting procedures, obstacles in the provision of surfaces, time-consuming environmental impact assessments, long courses of legal action, bottlenecks in the grid and the cross-border connection points, the so-called interconnectors).

A competitive approach with regulatory components

We propose a **primarily competitive market design with low entry barriers**, supplemented by **regulatory components to help achieving the targets for decarbonization and security of supply**. These goals are hard to reach with market mechanisms alone: Markets alone do not provide sufficient incentives for building more renewable energies, nor additional and controllable conventional generation capacities. The growing demand in these areas can most suitably be met through **generation and flexibilization capacities that are located close to the area of demand,** which can best be provided by public utility companies and regional energy providers.

Appropriate and stable regulatory frameworks create trust

While evolving the electricity market, we should focus on **lasting and reliable solutions** – not on short-term crisis management – to strengthen the confidence in the markets and create security for investments. Only an **appropriate and stable regulatory framework** can trigger the necessary investments in power generation plants. Market interventions should remain as rare and limited as possible. Market disruptions should be avoided. With any regulatory measures, potential reciprocal market effects must be considered.

Focusing on energy sector approaches

In addition, in the evolution of the electricity market design, legislators should focus on **energy sector approaches**. Objectives of the energy sector may not be mixed with other objectives (e.g., social policy, consumer protection for private customers or subsidy policies for SMEs or industrial customers). These tasks may not be part of a market design but should be tackled by the national legislators and governments in the respective policy fields (e.g., through direct state aid or existing social policy or consumer protection instruments).

Only feasible proposals are good proposals

Finally, any discussion on the future national or European electricity market design should consider the **(quick) feasibility** of the proposed instruments.