The Coalition for ENERGY SAVINGS

Consultation on a new Energy Market Design

Coalition for Energy Savings response

September 2015

General remarks

The Coalition for Energy Savings is concerned that the new energy market design consultation is built upon the premise that electricity demand is set to grow significantly. Latest energy projections (PRIMES 2013) suggest that electricity demand will increase by 7% between now and 2030. However, these projects assume that energy efficiency will only improve by 21%, when the European Council agreed in October 2014 that the 2030 energy efficiency target should be at least 27% by 2030, President Juncker has committed to a target of at least 30% by 2030, and the European Parliament has called for a 40% target for 2030. This higher ambition would more likely result in the stabilisation of electricity demand.

In addition, research for the European Commission[1] assessing the economic potential for energy saving across all sectors of the economy found that tapping this potential would stabilise electricity demand, while increasing the share of electricity in the energy mix of different sectors, especially in the buildings sector.

The consultation is mainly focuses on improving investment in supply capacity and demand response, and overlooks important elements of energy efficiency and consumers. The Coalition for Energy Savings would like to see more attention to tackling the issues of improving investment in energy efficiency through the design of the energy market and interactions between consumers and the market.

The European Commission has stated in its proposals for the Energy Union the need to put "energy efficiency first" and ensure that energy efficiency and demand response can compete on equal terms with generation capacity. While we are pleased to see the mention of "energy efficiency first" in this market design communication, it limits the discussion to demand response and continues the status quo in terms of continuing the bias towards prioritising investment in energy generation and thus increasing capacity rather than considering energy efficiency and taking a longer term outlook considering the transition to a new efficient, sustainable and safe energy system needed for Europe in the future.

Response to specific questions

Question 15 Shall there be a European approach to distribution tariffs? If yes, what aspects should be covered; for example tariff structure and/or, tariff components (fixed, capacity vs. energy, timely or locational differentiation) and treatment of self-generation

[1] Fraunhofer ISI et al, 2014, Study for the European Commission evaluating the current energy efficiency policy framework in the EU and providing orientation on policy options for realising the cost-effective energy efficiency/saving potential until 2020 and beyond.

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Response to Question 15:

Consideration must be given to the energy efficiency within any approach to distribution tariffs, since there must not be an obstacle to energy efficiency. The Energy Efficiency Directive (Article 15) states that Member States shall ensure the removal of those incentives in transmission and distribution tariffs that are detrimental to the overall efficiency (including energy efficiency) of the generation, transmission, distribution and supply of electricity or those that might hamper participation of demand response, in balancing markets and ancillary services procurement.

Question 17 Is there a need for a harmonised methodology to assess power system adequacy?

Response to Question 17

Any methodology to assess power system adequacy must consider the potential for energy efficiency. There is a need to take a comprehensive approach to power system planning which includes looking at the potential for energy savings. Reducing demand through energy efficiency measures will reduce the need for energy production, storage and distribution capacity and also address the risk of stranded assets and lock-in which could prevent the transition to a safe, secure and sustainable energy system.
Energy planners regularly underestimate energy savings in the projections that they use for large-scale infrastructure planning and funding allocation, such as projections by ENTSO-E and ENTSO-G, and those used for Projects of Common Interest (PCI) funding allocation. For example, the gas demand projections used by the Commission to allocate funding for gas infrastructure projects under the Connecting Europe Facility are 30% higher than the Commission's reference scenario for gas demand by 2030, and 72% higher than projections if a 30% energy savings target is met[2].

As things stand there is no requirement to ensure consistency between the demand projections used by official EU planning authorities and those used by the Commission, which assume the success of EU energy savings targets and policies. It is well understood that planners need contingencies, but greater attention is needed to 'energy efficiency proof' energy projections in order to prevent overestimation of demand and consequently superfluous and wasteful investments in energy infrastructure.

[2] E3G, 2014, Energy Security and the Connecting Europe Facility, September 2014. http://e3g.org/x3KXb

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