

*Key points of the BEE consultation response*

**„Future-Oriented Market Design“**

- There is a need to transform the existing centralized and conventionally-fuelled energy system into one “fit for renewables”. The new market design should serve as an opportunity for the Commission and member states to eliminate the barriers preventing implementation of the internal energy market and thus increase integration and regional cooperation.
- A new market design that puts renewable energy at its core will guarantee security of supply, minimize costs and enable innovation and sustainability. Scarcity pricing is a vital component of a future market design. In this context, price peaks are crucial in signalling scarcity of adequate generation capacity and demand management to potential investors, as well as scarcity of other sources of flexibility, and are therefore a desired market outcome that incentivizes investments.
- There should be no role for capacity markets in a new energy system. They are artificial and over-regulated instruments and counteract desired developments by increasing overcapacity, hindering the development of innovative, future-oriented solutions, and preventing the full implementation of the internal energy market, particularly as they limit the use of cost-effective cross-border balancing potential.
- With high shares of renewable energy at its core, the future energy system will require a high degree of flexibility. A large number of flexibility options are now already available and economically viable, or will become so through continuous technological development. In the short run, price signals on the power market stimulate the use of existent cost-efficient flexibility options and in the long run stimulate investment and their innovation.
- Well-designed and transparent balancing markets are the key counterparts of a new power market based on high shares of renewable energy. The design of balancing markets needs to be tailored to enable competition between flexibility options and for renewables’ and new flexibility technologies’ (such as storage) participation in the market. Obstacles to this, such as long tendering periods or minimum bid sizes, need to be reviewed and adapted to prevent discrimination amongst players.
- The first step towards integrating renewables into the market is removing market distortions. Reforming the European Emissions Trading System to reflect the true costs of greenhouse gas emissions, and reducing the fossil-nuclear overcapacity and minimum generation of conventional power plants are prerequisites for renewables’ integration and for the completion of a fully-functioning internal energy market.