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New concepts in the Clean Energy Package: Energy communities VS collective self- consumption

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Content

- Energy communities, an organisational concept
- The Clean energy package encourages social and technological innovation

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- The Clean energy package encourages social and

The Clean Energy Package

Electricity
Regulation

Electricity
Directive

Renewables
Directive

Governance
Regulation

Energy
Performance of
Buildings
Directive

ACER
Regulation

Energy
Efficiency
Directive

Risk
preparedness
Regulation

REC and CEC, why 2 definitions?

Context: the legal perimeter

CEC → Electricity Directive

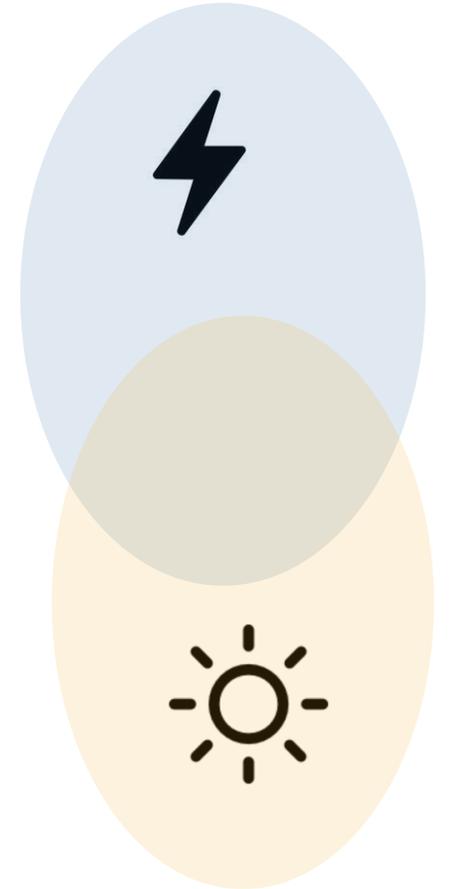
👍 **Includes** all activities related to **electricity**

👎 **Excludes** gas, biomass and other sources of heat

REC → RED II

👍 **Includes** all activities related to **RES** (incl. biomass, biogas, etc)

👎 **Excludes** non-renewable energies (natural gas e all fossil fuels)



Transposition deadlines

Dispositions of the Electricity Directive (CED): 31 December 2020



Dispositions of the Renewable Energy Directive (RED): 30 June 2021

Definition: CEC

11. 'citizen energy community' means a legal entity that:
- (a) is based on **voluntary and open participation** and is effectively controlled by members or shareholders that are **natural persons, local authorities, including municipalities, or small enterprises**;
 - (b) has for its **primary purpose** to provide **environmental, economic or social community benefits to its members** or shareholders or to the local areas where it operates rather than to generate financial profits; and
 - ➔ (c) **may engage in** generation, including from renewable sources, distribution, supply, consumption, aggregation, energy storage, energy efficiency services or charging services for electric vehicles **or provide other energy services** to its members or shareholders;

(Electricity Directive, art. 2, "Definitions")

Definition: REC

(REDII, Art 2.16) 'renewable energy community' means a legal entity:

- (a) which, in accordance with the applicable national law, is based on **open and voluntary participation**, is **autonomous**, and is **effectively controlled by shareholders or members** that are located in the **proximity** of the renewable energy projects that are owned and developed by that legal entity;
- (b) the shareholders or members of which are **natural persons, SMEs or local authorities, including municipalities**;
- (c) the **primary purpose** of which is to provide **environmental, economic or social community benefits** for its shareholders or members or for the local areas where it operates, rather than financial profits;

Definition: REC

(REDII, Art 22.2). Member States shall ensure that renewable energy communities **are entitled to**:

- (a) produce, consume, store and sell renewable energy, including through renewables power purchase agreements;
- (b) share, within the renewable energy community, renewable energy that is produced by the production units owned by that renewable energy community, subject to the other requirements laid down in this Article and to maintaining the rights and obligations of the renewable energy community members as customers;
- (c) access all suitable energy markets both directly or through aggregation in a non-discriminatory manner.

voluntary and open
participation

members are natural
persons, local
authorities, including
municipalities, or small
enterprises;

effectively control by
members

It is about the 'how',
Not about the 'what'

environmental,
economic or social
community
benefits to its
members as
primary purpose

Organisational concepts

CEC (Electricity Dir.)	REC (REDII)
legal entity	a legal entity
voluntary and open participation	open and voluntary participation
-	autonomous
effectively controlled by members or shareholders	effectively controlled by shareholders or members
-	located in the proximity
members or shareholders that are natural persons, local authorities, including municipalities, or small enterprises	shareholders or members of which are natural persons, SMEs or local authorities, including municipalities;
primary purpose to provide environmental, economic or social community benefits	primary purpose of which is to provide environmental, economic or social community benefits

Cooperatives are energy communities

Citizen initiatives respecting the following principles:

- Open and Voluntary Membership
 - Democratic Member Control
 - Members' Economic Participation
 - Autonomy and Independence
 - Education, Training, and Information
 - Cooperation Among Cooperatives
 - Concern for Community
- A legal entity
 - participación voluntaria y abierta
 - autonomous
 - effectively controlled by shareholders or members
 - members are natural persons, local authorities, including municipalities, or small enterprises
 - primary purpose of which is to provide environmental, economic or social community benefits



Energy communities are for local actors

Electricity Directive, Recital 44

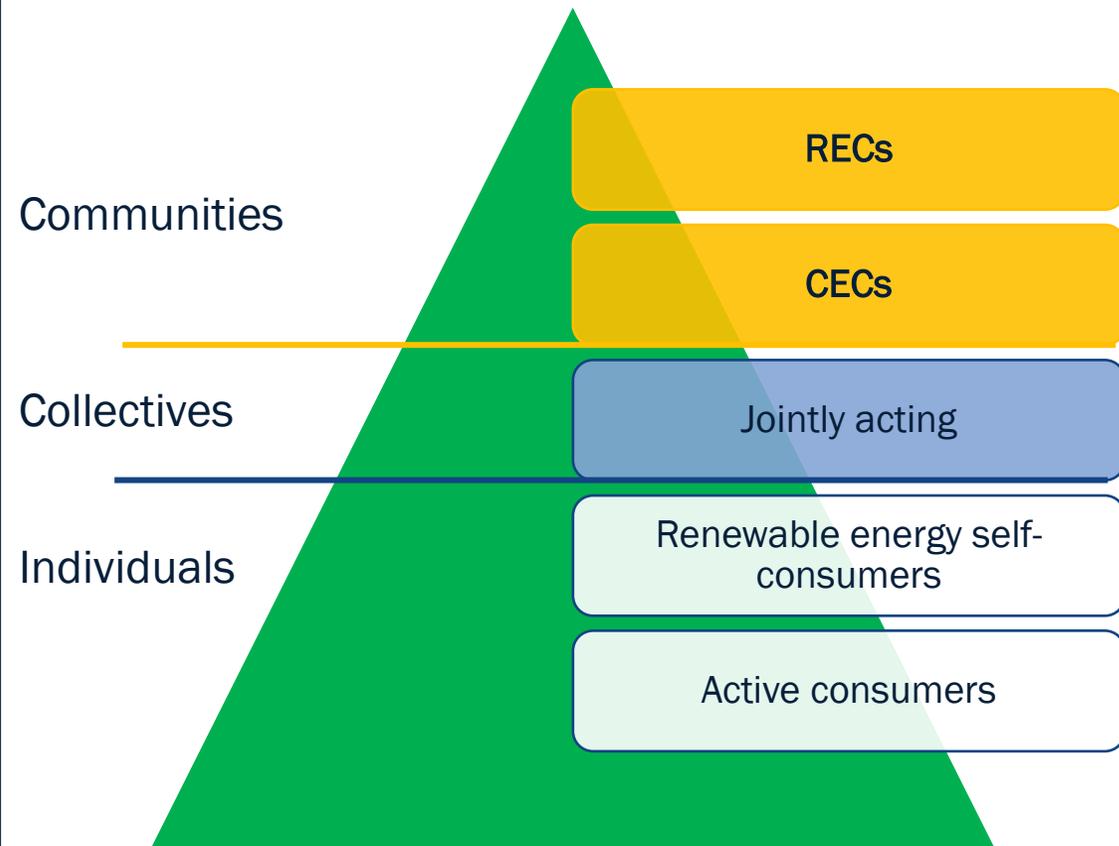
Citizen energy communities are considered to be a category of cooperation of citizens or local actors that should be subject to recognition and protection under Union law.

The provisions on citizen energy communities do not preclude the existence of other citizen initiatives such as those stemming from private law agreements.

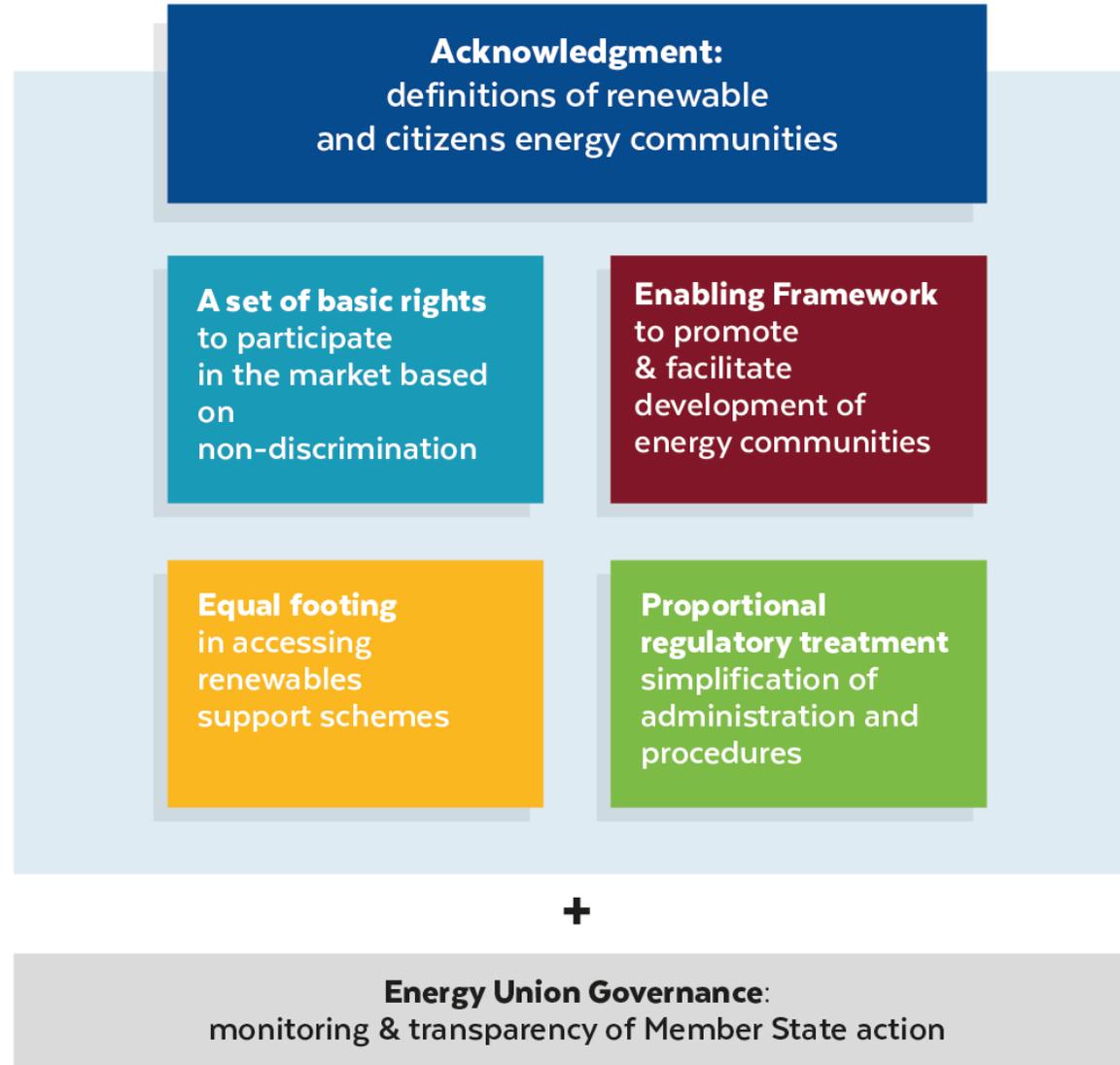
→ **Transposition must prioritise citizens, local authorities and small businesses to form energy communities**

→ **Supportive frameworks for industry, energy companies should be treated as separate initiatives**

Commercial market actors can benefit from the CEP without needing to form energy communities



A policy foundation for energy communities



- ~~Energy communities, an organisational concept~~
- The Clean energy package encourages **social and technological innovation**

New way of doing things

↪
CEC

Organisation, governance
and objectives

↩
CER

Activities

- Self-consumption
 - Electricity production
 - Energy efficiency
 - Electric mobility
 - Electricity supply
 - Aggregation
 - Community network
 - Energy sharing
 - Other services
- RES self-consumption
 - District heating and cooling
 - Energy efficiency (linked to RES supply)
 - Electric mobility (using RES)
 - Electricity supply (from RES)
 - (RES) Aggregation
 - Energy sharing (from RES)

CEP is encouraging social and technological innovation

Opening up opportunities for new activities:

- Right to engage in 'joint self-consumption' (same building or apartment block)
- Right to engage in peer-to-peer energy trading
- Right to share energy among members of the community
- If Member States allow, can set up micro-grids or become operators of the public grid

Making the business case :

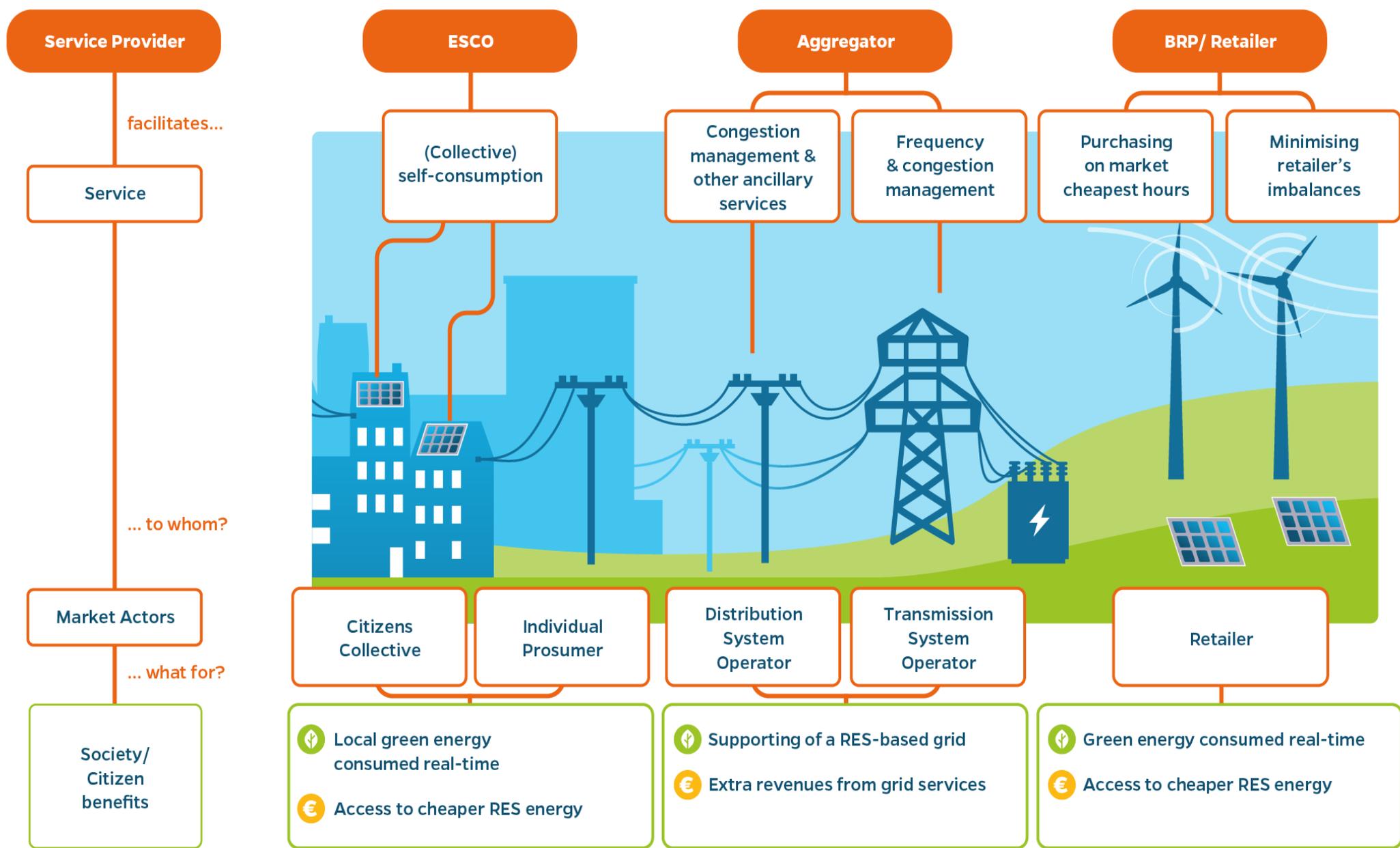
- Right to access all markets – individually and through aggregation
- **Remuneration: at least market value** ('may' take into account long-term value of electricity to the grid, environment and society)
- When determining contributions to costs, must acknowledge **value of active customers & energy communities to energy system** – fair, balanced contribution to system costs w/ cost-benefit analysis



Credit: USEF



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Joint self consumption & energy trading

RED II, Article 21(4) "Member States shall ensure that **renewables self-consumers** located in the same building, including multi-apartment blocks, are entitled to engage **jointly** in activities referred to in paragraph 2 [generate, store and sell their excess production of RES-E] and that they are permitted to arrange **sharing of renewable energy that is produced on their site or sites between themselves**"

→ Member States should provide flexibility so that RECs and CECs have the option to engage in collective self-consumption (including buildings, apartments) and energy sharing (using local grid). This can allow for different business models to develop, and allow for choice by citizens.

→ Regardless of whether a legal entity is required or not, however, we recommend Member States ensure the possibility for citizens to engage in collective self-consumption through the establishment of a legal entity that qualifies as a REC or CEC.

Flexibility for distribution grid usage

Electricity Directive, Article 32(2) 2: "Distribution system operators, [...] shall [...] establish the specifications for the **flexibility services procured** and, where appropriate, **standardised market products for such services** at least at national level. The specifications shall ensure the **effective and non-discriminatory participation of all market participants**, including market participants offering energy from renewable sources, market participants engaged in demand response, operators of energy storage facilities and market participants engaged in aggregation. [...]"

→ To ensure that RECs and CECs are able to participate in such markets, the development of standards, as well as relevant administrative procedures, will need to take account of **the ability of energy communities to meet such standards** or navigate procedures to ensure they are not excluded. DSOs or regulators may **provide assistance or capacity building to energy communities**.

→ In any case, standards and procedures for participating in local flexibility markets, including prequalification, must **be clear, simple, and transparent** so energy communities easily understand them.

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