

What local energy communities need from the Clean Energy Package

Introduction

By bringing citizens together, local energy communities (e.g. REScoops) can help drive the energy transition. REScoops improve competition, provide local investment, facilitate local and regional cooperation, retain economic benefits locally, address socio-economic needs, and get citizens involved in the fight against climate change. REScoops also empower their members to consume energy more responsibly, contribute to energy savings and help grids become more flexible so they can operate more efficiently. It is no wonder that countries that have prioritised involving citizens also have some of the most successful stories regarding the energy transition.

Currently, EU legislation does not mention community participation in the energy sector. Even so, community energy has existed in some countries for decades, and there is increasing interest of citizens to become involved. By 2050, almost half of all EU households could be involved in producing renewable energy, about 37% of which could come through involvement in an energy community.¹ However, old ‘centralised’ market thinking in many countries prevents citizens from participating, while policy changes – both at EU and nation level – are making it harder for citizens to join energy communities.

With its ‘*Clean Energy for All Europeans*’ Package, the Commission has signaled that the current situation must change. However, the package must be strengthened if citizens are going to become central players in the energy markets of the future. Moreover, with its current ambition, Europe is far from decarbonising the energy system by 2050. Its target of at least 27%, therefore, needs to be increased. This is an opportunity the EU cannot miss.

Key Points

1. REScoops can play a meaningful role in the energy transition, but they need a supportive EU legal framework with a set of minimum rules that ensure they can participate across the energy system on a level playing field with larger commercial players.
2. All EU citizens should have a right to participate in demand response, (self)production, storage, consumption and sale of renewable energy – individually and collectively. To incentivise investment decisions that mutually benefit citizen participation and the grid, distribution tariffs and remuneration for distributed energy resources (e.g. solar, storage, electric vehicles and

¹ CE Delft (2016). *The Potential of Energy Citizens in the European Union*.
http://www.cedelft.eu/publicatie/the_potential_of_energy_citizens_in_the_european_union/1845

demand response) should reflect their wide range of benefits to the energy system, society and the environment, not just the value of energy on wholesale markets.

3. Criteria for 'renewable energy communities' should be flexible but also guard against abuse, namely prevent larger energy companies from setting up pseudo-energy communities. Criteria should also encourage open participation for all potential participants at the local level.
4. Renewable energy communities must not be prevented from participating in tenders simply because of their small size or limited resources. Member States should be required to ensure they can participate in available support schemes. Furthermore, tenders should include criteria such as local acceptance, and benefits to the local economy and the environment.
5. REScoops should be able to sell their electricity through a reliable tracking scheme; currently they rely on guarantees of origin (GOs) to provide transparency that their electricity is from renewables. Renewable energy communities that generate and supply renewable energy for their members' consumption should not be required to purchase GOs through an auction process. All available EU legislative tools should be improved so that consumers have more information on the overall energy mix and investment policy of the supplier.
6. Not only should the Commission oversee implementation of provisions on local energy communities, but national regulators should have a duty to monitor market opening for local energy communities, prevent discrimination and ensure regulatory barriers are removed.
7. Until subsidies and other market distortions for inflexible overcapacity are dealt with, priority access/dispatch rules for renewables should be maintained. Likewise, balancing responsibilities must be coupled with full access to balancing markets for REScoops, taking into account their size, and ensure they receive a fair value for balancing and other flexibility services.
8. The introduction of capacity mechanisms by Member States should be tightly regulated and overseen at EU level to ensure they do not raise costs for consumers, discriminate against renewables, discourage flexible consumption, or disincentivise energy efficiency.
9. REScoops must be able to provide flexibility services to DSOs on a level playing field with other actors. REScoops should also be entitled to enter into the necessary agreements with the DSO to set up and operate micro-grids connected to the public grid that can help improve efficient and safe operation as distributed renewables penetration increases.
10. REScoops that are existing DSOs should benefit from the same treatment as other DSOs, including rules for DSOs with less than 100,000 customers. The development of EU network codes for distribution should be led by independent regulators, not self-interested DSOs, and ensure REScoops and other small actors are adequately represented.
11. Member States should be required to assess and develop more visible objectives for how they will promote local energy communities, and to have a process in place to ensure local energy communities can participate in developing national energy and climate plans.
12. All households, including the energy poor, vulnerable, and tenants living in multi-unit apartment buildings, should be able to benefit from the energy transition. The role of local energy communities in driving energy savings and addressing energy poverty should be better acknowledged in EU law and policy.

1 Acknowledging local energy communities and giving them a name

The first step in providing a supportive legal framework for REScoops is identifying ‘who’ they are and how they are different from traditional players. While a few clarifications are needed, we welcome the Commission’s attempt to provide a comprehensive set of definitions for energy citizens and communities in its legislative proposals.

- **An overarching definition for local energy communities**

We welcome the broad and comprehensive acknowledgment of activities that REScoops are capable of performing through the definition of ‘local energy communities’ provided in the Recast Electricity Directive. Importantly, *local control and value-driven purposes* – as opposed to solely profit-driven purposes – are highlighted as key features of local energy communities. Other than size and a democratic form of governance, these are key characteristics that distinguish REScoops from traditional commercial energy companies. It is worth noting that these distinct features also present certain challenges to local energy communities in accessing energy markets.

- **Recognising the exemplary role of REScoops in achieving energy savings?**

The definition of local energy communities does not acknowledge the role they play in encouraging energy savings and in providing efficiency energy services. The EU framework, including the definition of local energy communities, should encourage this important aspect of REScoops. For instance, the EU’s proposed framework for combating energy poverty, including through energy efficiency obligation schemes, should better acknowledge and support the role that REScoops play in addressing these issues.

- **“To be or not to be” a renewable energy community? That is the question**

We welcome more focused criteria for ‘renewable energy communities’ in the Recast Renewable Energy Directive. However, as drafted, the criteria could potentially allow larger energy companies to game the system and undermine trust of local citizens. To prevent abuse and market distortions from arising, the criteria should be narrowed. Furthermore, to encourage inclusiveness at the local level, an additional criteria of ‘open’ local participation should be inserted.

The cap on installations should at the very least enable REScoops to cover the consumption of their members, and allow them to grow as generation technologies progresses over the next decade. As such, we support the proposed cap of 18 MW, which should not be reduced.

Lastly, there is a need to strengthen coherence between the definition of local energy community as a broad overarching concept, and the definition of renewable energy community, which should be reflected as a subcategory of local energy communities.

2 Supporting renewable energy communities

All EU citizens should have the opportunity to benefit from participation in renewables. Too often, Member States put barriers in place rather than remove them. Therefore, we welcome new provisions in the Renewable Energy Directive that would support a right for citizens and renewable energy communities to generate, consume, store and sell renewable energy.

More is needed, however, in order to create equal market opportunities and incentives for citizens and REScoops to contribute towards more decentralised energy systems.

- **Simplifying administrative barriers and providing more information**

One of the main challenges new REScoops face in developing renewables projects is navigating complex, uncertain administrative procedures and a lack of sufficient information. Therefore, we welcome proposals for single administrative contact points to coordinate permitting processes, procedure manuals for project developers, simple notification requirements for small projects, and simplified permit granting processes. If these tools are developed with renewable energy communities in mind, they can significantly ease the burden for REScoops trying to realise local projects. There should however be stronger informational requirements and reduced time limits for approving renewable energy community projects, especially smaller ones.

- **A bike lane for community participation in support schemes**

It is well known that auctions/tenders pose significant barriers to participation from smaller players. REScoops have competed successfully in tenders, particularly those that include criteria on local community benefits. However, in most cases the inability to spread higher risk across multiple projects, and high participation barriers that are difficult to finance prevents REScoops from participating.

While it is positive that the proposals would require ‘consideration’ of renewable energy communities in the development of tenders this may only amount to a requirement of process, not result. The proposal should be clarified to ensure a requirement for Member States to ensure renewable energy communities can participate in available support schemes. There are a number of cost-effective ways this can be achieved, including separate tender processes, exemptions from tenders and instead providing direct access to feed-in tariffs/premiums, or reduced participation criteria. Competitive bidding processes should also be required to consider community-based criteria to ensure they account for local economic and environmental benefits, as well as public acceptance, which is already commonplace in public procurement.

- **Entitling energy communities to retain the value they bring to the market**

The current system of guarantees of origin (GOs) is not perfect – it enables a significant amount of greenwashing and needs to be improved to provide more transparency to consumers. However, new provisions on GOs would not address this problem. Instead, they would result in the situation that even if a supply REScoop owns its own renewable energy production and buys electricity directly from its members, when it sells the electricity back it would now have to go out and purchase GOs through an auction if it or its members have benefited from a support scheme.

The proposals would provide no added transparency to the consumer, and would take GOs beyond their stated purpose, which is for tracking only. It would also amount to a tax on REScoop suppliers, and would prevent local REScoops from differentiating themselves in the market. Therefore, these provisions should be deleted. The Electricity Directive should be strengthened to ensure consumers have clearer information on the overall energy mix and investment policy of the supplier, for instance through comparison tools. The Renewables

Energy Directive should also clarify the purpose of GOs as a reliable tracking tool, not as a method of support for green electricity.

- **Allowing all EU citizens to benefit from participation in renewables**

Regardless of income or home ownership, all citizens should be able to benefit from the energy transition. Therefore, we welcome proposals to exempt shared apartment buildings from having to obtain a supplier's license to engage in renewables self-consumption. This will provide new opportunities for citizens in urban areas to develop REScoops, and allow new models such as *Mieterstrom* in Germany and collective self-consumption in France, to develop throughout Europe.

However, in order for these new models to take off, consumers must be able to see the incentives of their for self-consumption, including in their tariffs. This element needs clarification. Furthermore, the package does not propose any measures to enable households that rent or are experiencing energy poverty to participate. The Renewable Energy Directive should be strengthened to require Member States to assess barriers that prevent tenants and households experiencing energy poverty and vulnerability to participate in self-consumption and in energy communities. In addition, development of measures that encourage self-consumption schemes and local energy communities that enable tenants and households experiencing energy poverty to participate at national level should be required.

3 A market design to empower citizens and drive decentralisation

REScoops don't just produce and supply renewables – they can also perform activities that contribute to smarter, decentralised energy systems that empower citizens for However, existing energy markets were not designed for smaller, decentralized market actors that have different organisational and governance structures. We therefore support proposed rules in the Recast Electricity Directive that would entitle local energy communities to work across the energy system without discrimination (e.g. generation, supply, provision of services, etc.). However, a number of gaps need to be addressed so that the market design, as a whole, provides consumers and local energy communities a level playing field to participate across increasingly decentralised energy markets.

- **Opening up market access opportunities for REScoops**

The market design needs to evolve energy markets away from old centralised thinking towards a more decentralised approach that enables consumers, REScoops and other small/emerging actors to play a meaningful role in the system.

While in some Member States supply REScoops have been able to enter the market, in other Member States it is virtually impossible to become a licensed supplier due to regulatory barriers and administrative burdens. We therefore welcome provisions that would guarantee market access for local energy communities in a non-discriminatory manner, as well as fair, proportionate and transparent procedures. This will provide a level playing field across all Member States for REScoops that want to become suppliers or aggregators.

Requirements for national regulation to enable DSOs to procure distributed ‘flexibility’ services could provide REScoops with new local market opportunities. However, the proposals need to ensure that such services are developed with REScoops in mind and with independent oversight from national regulators so that REScoops can provide such services on a level playing field with larger commercial actors.

- **Balancing responsibility should also be an opportunity**

Supply REScoops already assume balancing responsibilities, while balancing is factored into the price many producers receive. However, new balancing responsibilities should not discriminate against, or overly burden, new smaller REScoops from being able to develop renewables production. As such, we support the exemption for small installations. In addition, balancing responsibilities must be conditioned on the ability for REScoops to fully access markets for balancing and other flexibility services, and receive a fair value.

- **Network charges & remuneration for self-consumers and energy communities**

Under the old model, citizen participation is often perceived as a cost to the grid and other consumers. On the contrary, especially when coupled with incentives to engage in storage, energy efficiency, and demand response, renewables self-consumption, as well as electrical vehicle charging, can provide a number of grid/system, environmental and societal services, including allowing for higher, more efficient penetration of renewables and efficient operation of the grid. The market design proposals do not yet reflect this opportunity.

The market design should require distribution tariffs and compensation to reward smart behaviour and incentivise investments from citizens and communities that benefit both themselves and the system in the long term. Furthermore, national regulators should have a duty to ensure that network tariffs for distributed energy resources are calculated according to an objective and transparent long-term cost benefit analysis that takes into account their wide range of benefits to the energy system, society and the environment. At the very least, distribution tariffs should be required to promote flexibility in order to optimise when renewables self-consumers and energy communities feed into or draw out of the grid.

- **Provisions on market access need institutional support and enforceability**

For enabling regulatory frameworks for REScoops to work, they need to be enforceable and backed by institutional support. Therefore, we welcome the Commission’s proposal to oversee Member States’ implementation of rules to empower local energy communities and self-consumption under its proposed Regulation on Governance.

However, REScoops face significant regulatory and market barriers that are not well understood or acknowledged by national energy regulators, and there is a need for more information as national markets develop. The package proposes no such duties for regulators, leaving a large gap when it comes to implementing and enforcing EU rules on market access and a level playing field for energy communities. Supported by the Agency for the Cooperation of Energy Regulators (ACER) and the Commission at EU level, national energy regulators should have a duty to encourage market access, prevent discrimination, monitor and enforce enabling regulatory frameworks for local energy communities, and guarantee respect for prosumer rights generally.

- **Priority access and dispatch for renewables needs to be maintained**

The Commission proposes to remove priority access and dispatch for renewables. However, until market distortions for inflexible overcapacity have been addressed, withdrawing priority access and dispatch for renewables will harm investment certainty for renewables, make investments in flexible demand response less attractive, and should be considered as a subsidy for inflexible conventional electricity production.

Rather, existing rules for priority access and dispatch should be maintained until market reforms demonstrate (through a scheduled review) a level playing field for renewables and other distributed energy resources, and curtailment/redispach of renewables are fully driven by market prices, including negative prices.

- **Preventing inflexible fossil fuels from distorting the market**

The Commission has yet to fully address a major barrier preventing citizen participation in the energy market: subsidies for fossil fuels. Newly proposed EU rules on capacity mechanisms could allow fossil fuel generators to hoodwink consumers out of their money for at least another decade. With a market that is already saturated with energy production, this will lock in dirty energy and continue to distort markets, preventing signals being sent to businesses and consumers that they should pursue energy savings and become active.

4 The opportunities for energy communities at the distribution level

Distribution grids are where a vast majority of the opportunities exist for REScoops. If empowered, they will drive integration of higher amounts of renewables while helping networks operate more efficiently and flexibly.

- **Allowing REScoops to help plan future development of distribution grids**

REScoops rely on transparency from, and the ability to have constructive dialogue with, DSOs in order to assess opportunities for rolling out different activities and investment. Therefore, we welcome proposed requirements for DSOs to develop network development plans. However, all DSOs – even small ones – should have this requirement. Provisions on distribution network planning should also be strengthened to ensure REScoops and other stakeholders have sufficient opportunity to input into the DSO's plan as it develops. Such engagement will better enable DSOs to identify new opportunities to achieve savings and other system benefits through cooperation with REScoops.

- **Empowering REScoops to assume more responsibility for local networks**

REScoops envision an energy transition where citizens come together in local energy communities to strengthen the local public grid in the long term, rather than weakening it or abandoning it entirely. In line with this vision, REScoops should be allowed to voluntarily assume more responsibility for the grid. We therefore welcome proposed rules that would enable local energy communities to set up and operate community networks (i.e. micro-grids) connected to the general grid. These new provisions will allow REScoops innovate locally, cooperate with DSOs to help them operate the grid more efficiently and safely, and engage consumers to use energy in a smarter, flexible way. We fully support voluntary participation by consumers in these initiatives, as the first operating principle of REScoops is voluntary and open participation.

In order to help assist DSOs with the energy transition, local energy communities should be entitled to become micro-grid operators, and to enter into the appropriate agreements with the local DSO in order to set them up. DSOs should also be required to allow local energy communities, through their community networks, to offer services, such as flexibility, to the grid. This will require the development of proper incentives and remuneration for benefits and services provided by micro-grids, according to an objective and transparent long-term cost benefit analysis overseen by an independent regulator. The legislative proposals need to clarify how these provisions would operate in practice. Furthermore, there is probably a need to provide a common definition of ‘community networks’ to provide clarity to both local energy communities and existing DSOs.

- **REScoop DSOs abide by the same rules as any other DSO**

REScoop.eu has several members that act as a regular DSO, some of which built their grids over one hundred years ago. These REScoop DSOs benefit from the same treatment under existing EU law as other DSOs, including rules which provide certain unbundling exemptions for DSOs with less than 100,000 customers.

Where national laws permit, as long as REScoops meet necessary competency and licencing requirements they should also be entitled to hold DSO responsibilities just as any other actor. This is not an area for the legislative proposals to decide. Nevertheless, where the need exists, for instance in remote rural regions or islands, the legislative proposals should enable local energy communities to establish, own and manage such infrastructure.

National regulations should enable DSOs to invest in smarter grids that are more efficient and can integrate more renewables – this is one of the primary aims of REScoop DSOs. Therefore, we welcome requirements to ensure DSOs are encouraged and remunerated for investments in smart grids and other innovative solutions.

Furthermore, we support rules that would provide non-DSO REScoops with better opportunities to compete for rolling out storage and electrical vehicle charging infrastructure. Nevertheless, these rules should not overly prohibit innovative REScoop DSOs from engaging where market conditions are appropriate.

- **Avoiding corporate capture in regulatory decision-making**

We are concerned over the proposal to create a new EU level DSO body. It would put members of large integrated utilities, some of which are not in favour of the energy transition, in charge of developing EU network codes on integration (including curtailment) of renewables and storage, development of demand response, and deployment of smart grids. To be credible and to ensure non-discrimination, such rules need to be developed in a transparent and open process led by an independent regulator (e.g. ACER) – not industry. The process must also ensure that the voices of smaller DSOs (such as REScoops) are heard from within the DSO body, and that the voice of REScoops and other small actors are heard in general.

5 A governance system that works for Europe and its citizens

The governance framework for the Energy Union needs to help provide REScoops with a stable policy framework for investment and a clear understanding of potential opportunities to contribute to the achievement of national and EU climate and energy objectives.

- **More visibility for citizens and communities in setting national objectives**

National energy and climate plans (NEPCs) will help provide transparency to citizens, REScoops, cities and regions on how they can help drive the energy transition. We support proposed rules that would require Member States to include measures for empowering self-consumption and energy communities in their plans, and to report on how they implement those measures. However, Member States should be required to assess the potential of energy citizens to contribute to their national energy objectives. Based on these assessments, Member States should be required to set objectives for how they will empower energy communities, and to encourage and support regional and local authorities to set objectives for supporting and cooperating with energy communities.

- **National plans as an opportunity for REScoops to help set policy objectives**

Citizens and their communities need to be allowed to participate in the development of policies for transforming the energy system. Rules for development of NECPs could provide a good opportunity for REScoops to engage their government during the development of national energy laws and policies. However, provisions on public participation must be strengthened to ensure that citizens and communities have adequate opportunities to input into the development of legislation for the energy transition.

- **Governance as a way to support investor certainty**

REScoops need confidence that existing support will not be done away with retroactively. While we welcome proposals to restrict retroactive withdrawal of national support for renewables, reliable EU oversight is needed to ensure Member States implement of their commitments, and a credible mechanism should be in place to guarantee Member States stick to their pledges towards helping the EU meet its binding renewables target.