

REScoop.eu Response to CEER's White Paper on Renewable Self-Consumers and Energy Communities

REScoop.eu is encouraged that CEER welcomes the Commission's proposals to provide an enabling framework for active customers and energy communities. In order to play a significant role in the energy transition, consumers and communities need recognition, a set of clear enabling rules (a set of rights and responsibilities), and support from national regulatory authorities (NRAs) to provide a safe space for their participation throughout the energy system.

CEER's recently published White Paper provides much insight into how active customers, renewables self-consumers, renewable energy communities (RECs), and local energy communities (LECs) are perceived by NRAs. Given that REScoops only recently registered on the radar of many NRAs, it is essential that a common understanding be developed around 'who' or 'what' REScoops are, the benefits they offer society, the energy system and the environment, the challenges they face, and what they need from regulators so they can benefit from a level playing field. Below, we address and respond to several points covered by CEER's White Paper.

Key Messages

- **Definitions for energy communities should clearly specify the characteristics that distinguish them from traditional public and commercial energy companies, provide flexibility to accommodate the company laws of different Member States, and guard against abuse**
- **Monitoring and oversight must be a two way street: in addition to ensuring consumer protection and system security/safety, NRAs should ensure active customers and communities can exercise their rights, and that market and regulatory barriers are removed**
- **To the extent that active customers and energy communities must cover costs they impose on the system, grid charges and remuneration should also fully reflect the value of such activities to the grid, society and environment**

1. CEER's recommendations for definitions of renewable/local energy communities, active customers and renewable self-consumers

The LEC definition and the REC definition/criteria are arguably the most important provisions for REScoops in the entire clean energy package. If left unacknowledged or – worse – mischaracterised, REScoops could get left behind by Europe's new market design.

a. CEER's suggested changes for the definitions of RECs and LECs

We share CEER's understanding that RECs should be understood as a subset of energy community that engages in the production, storage and supply of energy from renewable sources. Furthermore, we are encouraged by CEER's stance that, generally, energy communities should be seen as entities effectively controlled by final customers, which we agree would help promote REScoops while ensuring citizen ownership/control and avoiding abuse by larger energy companies. However, we are concerned that CEER's position on the following points may represent a misunderstanding of the nature of REScoops:

- **Legal form.** While we agree that the legal forms of energy communities specified in the Renewable Energy Directive and the Electricity Directive should be consistent, they

should not be limited to not-for-profit entities. This is not what differentiates REScoops from other energy companies; what differentiates REScoops from traditional commercial and public energy companies is the principles upon which they operate: 1) open economic participation of all potential shareholders, most in their capacity as final consumers and non-professional investors; 2) democratic governance based on the principle of ‘one person, one vote’; and 3) limitations on distribution of profits and a predominant aim of providing social, economic and environmental benefits for its members and/or the local community. These characteristics can be embodied through many legal forms, most of which incorporate at least some profit motive. Furthermore, EU law cannot favour one specific legal form – any definition must be broad enough to be flexibly incorporated by each Member State according to its own company laws. As such, we recommend delimiting energy communities in terms of SMEs or non-profit entities based on specific operating principles.

- **Geographical scope.** The definition of energy communities in the Electricity Directive must not exclude national REScoop suppliers. While cooperatively owned and governed by citizens according to principles that differentiate them from traditional commercial and public utilities, they are often required by legal or practical reasons to operate across the national market. For example, in Belgium REScoop suppliers operate on a regional basis, while in Spain and Italy they have customers/members across the country. Overly-complicated and costly administrative procedures and other regulatory barriers to becoming a licensed supplier is problematic for many energy communities, and the ability to become a supplier is very uneven across different Member States. Supply is a fundamental issue that must be enabled through the EU legal framework.
- **Open participation.** Energy communities should be effectively controlled by citizens in their capacity as final customers, in order to ensure local ownership/control and avoid misuse by larger energy companies. However, this principle should not prohibit other actors, including local authorities and other SMEs, from participating in the LEC or becoming a partner. For instance, in France, REScoops organize as sociétés coopératives d'intérêt collectif (SCIC), which allow four types of membership: final customers, producers, employees, and local authorities. Such collaboration allows for knowledge and expertise sharing within the energy community and should be encouraged in the Electricity Directive, as long as decision-making among all members remains equal.

b. [CEER's suggestions for the definition of active customer and renewables self-consumer](#)

REScoop.eu is concerned over how CEER perceives the inter-relationship between different definitions provided in the Commission's proposals:

- **Differentiation between self-consumer and active customer.** The active consumer can participate individually, collectively (in the case of self-production/consumption), and through a third-party aggregator. The main difference between self-consumers and active customers is that the latter serves as an umbrella term for final customers who become active in the energy market (e.g. through self-production, storage, and provision of flexibility, etc). This is indeed confirmed by the text of the Commission's proposal for self-consumers, which characterises self-consumers as a subset of active customer.
- **Differentiation between self-consumer/active customer and REC/LEC.** Active customers that perform self-consumption should only be treated as an energy community if they have ownership/governance characteristics that would qualify them as an energy community. Therefore, we do not agree with CEER's view that 'collective self-

consumption' by multi-apartment blocks and commercial shared services is generally covered by the definition of LEC, because self-production/consumption can take several different forms (e.g. through a supplier, landlord, etc). Furthermore, we do not agree with CEER that the LEC definition would, broadly speaking, cover a group of active customers 'acting jointly' as it is expressed in the definition of an active customer. Acting jointly should be seen as a choice by final customers to participate in collective self-production/consumption. As mentioned above, joint action should equate to an energy community only if it complies with the requisite ownership/governance principles.

2. The role of NRAs in overseeing and enforcing a level playing field for RECs and LECs

REScoop.eu welcomes CEER's acknowledgment of the need for NRAs to actively monitor provisions related to energy communities. NRAs will necessarily need to help develop and oversee regulations to guarantee new 'active' consumer rights, preserve existing consumer protections for consumers that become active and participate in energy communities, and ensure quality and security of supply, particularly as energy communities begin to establish and operate 'community networks'.

However, oversight must also act as a two-way street. As non-traditional market actors, REScoops face many market and regulatory challenges not faced by other commercial and public energy companies. Moreover, REScoops are not well understood by regulators and other market actors, and are therefore more susceptible to explicit and implicit discrimination. REScoops must be able to rely on NRAs to help establish enabling regulations and provide proper monitoring and oversight so that:

- energy communities can enjoy non-discriminatory and equal treatment;
- over-burdensome regulatory and market barriers for energy communities are removed;
- rights and protections of active customers and energy communities are guaranteed so they can safely participate across the internal energy market; and
- energy community labels are not subject to abuse by larger, well-resourced companies.

3. Acknowledging the value active customers and energy communities provide

REScoop.eu does not contest the notion put forth by CEER that active customers and energy communities should pay for the costs they impose on the system. Again, however, this principle must operate as a two-way street. Energy communities and active customers are increasingly able to participate not just in the production of renewable energy, but also in the provision of flexibility and other resources and services (e.g. through storage, demand response, etc) to the distribution grid and the energy system as a whole. Remuneration and grid charges for active customers and energy communities must reflect any value or cost savings (e.g. reduced transmission/distribution losses, and avoided/deferred investment in infrastructure, reduced CO₂ emissions, reduced air pollution) realised to the grid or the DSO through their activity.

To help reveal the value of different resources and services that active customers and energy communities can provide, the Electricity Directive should provide NRAs with a duty to ensure that network tariffs are calculated according to an objective and transparent long-term cost benefit analysis (CBA) that takes into account the wide range of benefits that distributed energy resources (DER) can provide to the energy system, society and the environment. To ensure a holistic approach towards such an analysis, the Electricity Directive must provide a definition of DER.

Furthermore, the Electricity Directive and Regulation, which establish rules and principles for developing markets to remunerate flexibility and other resources and services, should ensure active customers and energy communities are not discriminated against and are fairly rewarded for the services they provide – both individually and through aggregation.