

**Proposal for a Regulation of the European Parliament and of the Council on risk-preparedness in the electricity sector and repealing Directive 2005/89/EC
(COM (2016) 862)**

APPROVED FINAL DOCUMENT

The Committee on Economic Activities, Trade and Tourism of Italy's Chamber of Deputies,

having examined, in accordance with Rule of Procedure no. 127 of the Chamber of Deputies, the proposal for a Regulation of the European Parliament and of the Council on risk-preparedness in the electricity sector and repealing Directive 2005/89/EC (COM(2016) 862);

taking cognisance of the information and analyses acquired through the hearings that the Committee conducted in the course of considering the document in question;

subject to the considerations regarding all the proposals relating to the energy package as set out in the Final Document on the proposal for a Regulation on the internal market for electricity (COM (2016) 861);

and with the further premise that:

- Guaranteeing the security and continuity of the electricity supply at a reasonable cost is a prerequisite for the sound functioning of a modern society. It is therefore necessary to create conditions that prevent, or at least minimise, threats to security and continuity;
- It is towards this end, and towards a reduction of dependence on foreign suppliers, that Europe is developing its stock of generating facilities: Europe is moving from a system based on fossil fuels to one that relies more heavily on the use of renewable sources and low-carbon technologies;
- It is imperative to build a European electricity system capable of preventing the risks posed by the fragmentation of national markets. A well-functioning system is based not only on the availability of sources providing uninterrupted power, but also on interconnected and sufficiently flexible distribution and transmission networks that are capable of absorbing shocks;
- Security of supply requires an interconnected, synchronised network of well-functioning markets, encompassing cross-border solutions that allow Member States to benefit from production surpluses in other countries;
- The priority objective of the proposal for a Regulation is to ensure that all Member States acquire the necessary instruments to prevent and manage crises caused by extreme climatic conditions, interruptions of supply, or criminal acts, including cyberattacks;

- To this end, the proposal for a Regulation lays down rules, inspired by principles of solidarity, on how Member States should work together, and introduces the concept of a regional approach to the assessment and management of crises;
- For the European Commission, the proposal is a necessary corrective to the present situation in which Member States follow very divergent approaches based on their national circumstances only and disregarding what is happening in neighbouring states;
- The current legislation (Directive 2005/89/EC) limits itself to setting out general objectives for the security of supply, while leaving it up to Member States to choose the methods and instruments for achieving them. This Directive has proved to be ineffective;
- The proposal for a Regulation therefore repeals the Directive and plots out a more precise and detailed set of regulations to govern the various phases of crisis prevention and management. Although the legal instrument chosen to address the problem is a Regulation, and although the relevant rules are very precise as far as procedural and methodological questions are concerned, other matters, such as those pertaining to performance levels and the identification of protected customers, are not dealt with in detail, and have been deferred until a later stage;
- The design of the proposal for a Regulation corresponds in part to that of the proposal for a Regulation presented on 16 February 2016 concerning measures to safeguard the security of gas supply (COM (2016) 52); and yet, as experience of this gas Regulation shows, the idea of dividing Europe into regions should be superseded, for solidarity needs to be applied across the entire EU rather than just between regions;
- Moreover, the proposal offers even less detail than the gas Regulation, particularly as regards the identification of regions and categories of protected users, which are questions it defers to subsequent acts;
- Article 2 defines "region" as a group of Member States sharing the same regional operational centre, concerning the establishment of which (to be carried out by ACER acting following a recommendations by ENTSO-E) reference is made to another regulatory proposal that forms part of the "Clean energy" package;
- The proposal under consideration does not directly identify the categories of protected customers (households, essential services and district heating systems). In this it differs from that for the gas sector, which specifies which customers have priority claims on supplies even if it entails interrupting the supply to unprotected customers. Instead, in Article 11 *h*), the proposal defers the identification of these customers to the risk-preparedness plans;
- The seasonal adequacy assessments are to be carried out by the European Network of transmission system operators for Electricity (ENTSO-E), which can delegate tasks to regional operational centres, while the regional operational centres shall carry out week-ahead to intraday adequacy assessments for their respective regions (Articles 8-9);

- Mindful that the present final document needs to be forwarded without delay to the European Commission as part of the political dialogue, as well as to the European Parliament and the Council;

expresses a favourable opinion

with the following remarks:

- a) The proposal has the merit of elevating issues of security and risk prevention to a supranational plane, to which end it seeks to harmonise and rationalise the work of network operators that have hitherto managed both ordinary and emergency operations, mainly through bilateral and multilateral agreements. Even so, it remains to be seen whether the proposed regional approach is really the most effective way forward, and whether it takes sufficient account of Member States' needs for service continuity or of the peculiarities of national systems;
- b) Furthermore, the boundaries of responsibility between regional operating centres, Member States and national network operators need to be clearly demarcated so as to avoid complicating the decision-making process in a field that calls for very rapid reaction times. Otherwise the proposal risks weakening rather than strengthening the security of electricity systems. The distinction between the functions of regional operating centres and those of the TSOs needs to be spelled out so that their respective responsibilities are clear when they make operational choices and possibly decide on compensation;
- c) The TSOs need to be made jointly responsible for the system and, especially in crisis situations, their special capabilities need to be put to good use. This means they must be allowed to make their own assessments of how to handle crises and to implement non-market measures whenever it becomes necessary to react quickly and preventatively against deteriorating conditions;
- d) In general, what is needed is a balanced and effective division of powers between the supranational and the national level, and so Member States should have an adequate margin of discretion to prepare strategies to guarantee electricity supplies in their territory. It is worth considering a solution by which Member States, perhaps acting through national regulators, would establish oversight bodies to monitor the activities of the ROCs;
- e) Regions should be defined with reference to short-term operational planning requirements, which would enable Member States to find solutions that best fit their needs. Regions should also be in line with the geographic perimeters of the regional security coordinators (RSCs) that the transmission system operators (TSOs) put in place to help them keep the electricity system functioning securely (for example, Terna is part of Coreso RSC, which also encompasses the transmission system operators of France, Germany, Belgium, the United Kingdom and Portugal);

- f)* Adequacy assessments for less than a year ahead are currently made by individual Member States, which are fully responsible for the security of supply. The risk must be avoided that the adoption of a common European methodology should hamper Member States from carrying out adequacy assessments and from using their inside knowledge of the particular characteristics and risks of their own systems (e.g. exceptional weather situations, earthquakes, terrorist attacks). Therefore, Member States must be allowed to carry on making their own adequacy assessments;
- g)* It should be noted that regional coordination between the relevant authorities as envisioned in the risk management plans includes high-impact interventions such as “load shedding” (i.e. relieving an overburdened electricity system by interrupting supply in certain zones). Careful thought needs to be given to the merits of this solution because a failure of agreement between the relevant authorities would ultimately lead the European Commission to invite the Agency for the Cooperation of Energy Regulators (ACER) to intervene, which risks overriding the powers of Member States and depriving them of a function that should by rights remain theirs, at least in part;
- h)* In any case, it is important to avert the risk that the proposed changes, especially those aimed at improving the coordination of crisis response procedures across Europe, will lead to the setting of higher tariffs for businesses and citizens;
- i)* The various proposals that make up the package submitted by the Commission need to be negotiated simultaneously and in parallel with one another to avoid the risk of asymmetries and regulatory gaps.