**Press Release** (ACER PR-02-20) (CEER PR 20-04)

# Whilst gas wholesale markets for the most part function efficiently, challenges remain for both electricity and retail energy markets across Europe

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**Progress has been identified regarding the integration of the gas and electricity wholesale markets in the EU with an estimated 75% of the gas consumed benefitting from well-integrated markets. However, significant challenges remain in delivering a well-integrated electricity market with delays in the delivery of market coupling and insufficient utilisation of interconnectors hampering progress. At the retail level, markets continue to show divergences between Member States regarding the price paid for energy and the level of consumer engagement. In some markets, supplier switching rates and therefore access to better prices exceed 20% while in others switching rates are much lower.**

These are some of the findings of the latest report on the results of monitoring the internal electricity and gas markets (MMR) presented today via a webinar by the European Union Agency for the Cooperation of Energy Regulators (ACER) and the Council of European Energy Regulators (CEER). The MMR consists of three volumes: Electricity Wholesale, Gas Wholesale and Retail and Consumer Protection. The research carried out with the support of the Energy Community focuses on 2019, but it also includes insights regarding the impact that COVID-19 is currently having on Europe's energy markets.

ACER Director Christian Zinglersen stated: "It is difficult to overstate the importance of integrated energy markets for the major political priorities impacting Europe today. Whether it's underpinning cost-efficient pathways to reach Europe's ambitious decarbonisation targets, future-proofing investment in Europe's economic recovery, or underpinning the competitiveness of European industry; the benefits of further market integration across Member States are real and significant. For these reasons, extensive market monitoring is now more important than ever. Hopefully, you will find our three volumes this year supportive of that conviction."

CEER President Annegret Groebel said: "If consumers become an integrated part of Europe´s energy markets, they will contribute to both efficient and well-functioning markets, as well as the energy transition. It is therefore vital to monitor the level of consumer activity, as well as their empowerment and protection. We also must ensure that our approach is inclusive, so that when markets evolve, no one is left behind."

Energy Community Secretariat Director Janez Kopač said: "Creating truly integrated pan-European gas and electricity markets that empower customers to make use of demand side opportunities and at the same time protect consumer rights and vulnerable customers is in the centre of the Energy Community. These issues are a common concern of the EU Members States and the Energy Community Contracting Parties, both participants to the single European energy market."

### Why are wholesale markets not better integrated with retail markets?

In electricity, full price convergence was observed almost 50% of the time in the so-called Central-West Europe region, including Austria, Belgium, France, Germany, Luxemburg and the Netherlands. However, recurrent delays in some key projects, such as flow-based market coupling covering 13 Member States (the abovementioned ones as well as Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia) are hindering the further integration of electricity wholesale markets.

In gas, high levels of gas wholesale price integration between Member States continue to increase supply side competition. Gas hubs are increasingly liquid and the large EU regasification and storage capacities are attracting global LNG suppliers to Europe driving down the gas price to record lows.

However, the difference between wholesale and retail energy prices widened in 2019, highlighting barriers in retail markets. Regulated prices in some Member States can limit the entry of new suppliers and reduce consumer choice. Such choice will be important to enable consumers to unlock cost savings in their energy bills where possible, particularly when some of the non-contestable aspects such as taxes and levies may increase in the future to help deliver decarbonisation.

In addition, empowering energy consumers, for example, with a wider rollout of smart meters, may enhance switching supplier rates and potentially unlock lower prices and enhanced quality of service.

**Remaining barriers**

Despite the progress identified, there are remaining barriers for the further development of the internal energy market and integrating a high share of renewables. The share of cross-border electricity capacity available for trade among Member States remains insufficient and far from the minimum 70% target envisaged in the Clean Energy Package. In addition, several Member States continue to use national capacity mechanisms – instruments to ensure the necessary level of resource adequacy – even if they do not always face an adequacy problem.

In the field of gas, the experts recommend that any future upgrade of internal gas market rules aimed at decarbonising the sector be built on foundations of the current market design at EU level, so that the energy transition does not lead to market fragmentation along national borders.

**How is COVID-19 affecting energy markets?**

In the first half of 2020, average electricity demand in the EU dropped by 7% while in gas it fell by 8% and prices decreased in all EU markets. The use of renewable energy increased and accounted for 40% of the generation mix in the EU and for the first time surpassed the share of fossil fuels in the generation mix.

With regard to retail markets, national regulatory authorities across the EU have implemented a range of measures aimed at ensuring the continued energy supply to European energy consumers as well as support for vulnerable consumers.

You can access all Volumes and related documents here.

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