

The revision of the Guidelines on State aid for climate, environmental protection and energy

smartEn wording recommendations

[smartEn](#), the European business association integrating the consumer-driven solutions of the clean energy transition, welcomes the upcoming revision of the Climate, Energy and Environmental Aid Guidelines (CEEAG) as an opportunity to put Europe on track to achieve climate neutrality in cost effective way and to make the clean energy transition a success for the environment, economy and society.

As acknowledged in the Energy System Integration Strategy, distributed flexibility sources are the bridging solutions to support clean electrification and the penetration of renewable energy in all end-use sectors (building, transport, industries) as well as a more efficient energy system. Demand-side flexibility is provided by decentralised energy resources such as demand response, distributed energy storage and distributed variable generation which will be crucial assets of the future energy system to meet the new requirements of the decarbonisation challenge.

Well-functioning and competitive energy markets are at the core of a cost-effective clean energy transition. In the exceptional cases where state aid is needed, support mechanisms should be as least distortive as possible, market-based, and harmonised at European level.

We are deeply concerned of the incomplete approach reflected in the revised draft State aid Guidelines which focus only on the clean electrification of end-use sectors and their efficiency improvement at individual level without considering their contribution to the whole energy system. With the revised State Aid Guidelines, the European Commission should set a framework geared toward system efficiency and climate neutrality.

The present document outlines smartEn's wording formulation for the revision of the State aid guidelines to ensure that whenever applied, state aid foster system efficiency through the empowerment and active participation of all European energy end-users, by unleashing demand-side flexibility potential.

Draft revised Guidelines on State aid for climate, environmental protection and energy (June 2021 version)	smartEn drafting formulation for the upcoming revised Guidelines on State aid for climate, environmental protection and energy (in bold and italic)	smartEn justification
<p>(Definition 34) ‘energy from renewable sources’ means energy produced by plants using only renewable energy sources as defined in Article 2, point (1), of Directive (EU) 2018/2001 of the European Parliament and of the Council, as well as the share in terms of calorific value of energy produced from renewable energy sources in hybrid plants which also use conventional energy sources and includes renewable electricity used for filling storage systems connected behind-the-meter (jointly installed or as an add-on to the renewable installation), but excludes electricity produced as a result of storage systems</p>	<p>(Definition 34) ‘energy from renewable sources’ means energy produced by plants using only renewable energy sources as defined in Article 2, point (1), of Directive (EU) 2018/2001 of the European Parliament and of the Council, as well as the share in terms of calorific value of energy produced from renewable energy sources in hybrid plants which also use conventional energy sources and includes renewable electricity used for filling storage systems connected behind-the-meter (jointly installed or as an add-on to the renewable installation), but excludes electricity produced as a result of storage systems</p>	<p>Such definition of energy from renewable sources that excludes electricity produced as a result of storage appears in contradiction with the Electricity Directive which defines storage as an independent activity which consists out of the timely deferral of the use of electricity.</p> <p>If renewable energy, which is temporarily stored to match demand and react to market signals, cannot be considered and sold as renewable electricity anymore, business models based on flexibility (i.e. rooftop PV associated with storage system that react to external signals from the system) will be at a significant disadvantage.</p>
<p>Compatibility assessment</p>		
<p>(47) As a general principle, aid will be considered as limited to the minimum needed for carrying out the aided activity or project if the aid corresponds to the net extra cost (funding gap) necessary to meet the objective of the aid measure, compared to the counterfactual scenario in the absence of aid. The net extra cost is determined by the difference between the economic revenues and costs (including the investment and operation) of the aided project and those of the alternative project which the aid beneficiary would credibly carry out in the absence of aid.</p>	<p>(47) As a general principle, aid will be considered as limited to the minimum needed for carrying out the aided activity or project if the aid corresponds to the net extra cost (funding gap) necessary to meet the objective of the aid measure, compared to the counterfactual scenario in the absence of aid. The net extra cost is determined by the difference between the economic revenues and costs (including the investment and operation) of the aided project and those of the alternative project which the aid beneficiary would credibly carry out in the absence of aid. The next extra cost</p>	<p>Methodologies for the national baseline quantification used to determine the funding gap must be defined to prove the cost-effectiveness of State aid investment in achieving the objectives that the planned State aid measure wants to meet.</p> <p>This requires a technology inclusive approach, taking into account efficiency at system level to support the Green Deal objectives, rather than focusing on a specific technology or project. In this light, these methodologies should duly valorise all</p>

	<p>determination should be based on a technology inclusive approach to prove the cost-effectiveness of the aid in meeting its objective.</p>	<p>decentralised energy resources and their contribution to a smart, efficient, and integrated energy system.</p>
<p>(48) A detailed assessment of the net extra cost will not be required if the aid amounts are determined through a competitive bidding process, because it provides a reliable estimate of the minimum aid required by potential beneficiaries. Therefore, the Commission considers that the proportionality of the aid is ensured if the following criteria are fulfilled:</p> <p>(a) the bidding process is competitive, namely: it is open, clear, transparent and non-discriminatory, based on objective criteria, defined ex ante in accordance with the objective of the measure and minimising the risk of strategic bidding;</p> <p>(b) the criteria are published sufficiently far in advance of the deadline for submitting applications to enable effective competition;</p> <p>(c) the budget or volume related to the bidding process is a binding constraint in that it can be expected that not all bidders will receive aid;</p> <p>(d) the expected number of bidders is sufficient to ensure effective competition; the design of undersubscribed bidding processes during the implementation of a scheme is corrected to restore effective competition in the subsequent bidding processes or as soon as possible;</p> <p>(e) ex post adjustments to the bidding process outcome (such as subsequent negotiations on bid results or rationing) are avoided as they may</p>	<p>(48) A detailed assessment of the net extra cost will not be required if the aid amounts are determined through a competitive bidding process, because it provides a reliable estimate of the minimum aid required by potential beneficiaries. Therefore, the Commission considers that the proportionality of the aid is ensured if the following criteria are fulfilled:</p> <p>(a) the bidding process is competitive, namely: it is open, clear, transparent, fair and non-discriminatory to allow for the participation of all resources on a level-playing field, based on objective criteria, defined ex ante in accordance with the objective of the measure and minimising the risk of strategic bidding and foreclosed competition in the bidding process;</p> <p>[...]</p> <p>48bis: By way of derogation and in a few exceptional case, technology-specific bidding processes could still be foreseen when inefficiencies and barriers persist to the participation of all resources. Dedicated support measures for innovative and maturing sustainable solutions could be introduced as a temporary measure to put them on equal footing with other solutions and trigger their market uptake.</p>	<p>smartEn supports competitive bidding processes that are open, clear, transparent, non-discriminatory and defined in accordance with the objective of the measure as set in paragraph 48, provided that they truly allow for the participation of all resources on a level-playing field.</p> <p>Key is to ensure that incumbents are not privileged and that demand-side flexibility is not discriminated against. This is particularly relevant for competitive bidding processes in nascent markets where a player with a strong market position prevents significant new entry. Such barriers should be taken into account when designing fair bidding processes to allow innovative and maturing climate neutral solutions to compete equally with other technologies. This is the case notably for schemes targeting resource adequacy where decentralised energy resources still suffer from unequal market access (no level-playing field)</p> <p>Technology specific bidding processes can address the persisting barriers that do not allow the participation of all resources on a level-playing field and re-balance the situation where incumbent are in a privileged position. Such approach would support the development of</p>

<p>undermine the efficiency of the process's outcome.</p>		<p>demand-side flexibility which contribute to system efficiency and decarbonisation.</p> <p>Dedicated support measures can be implemented fast and in a temporary way until a level-playing field and non-discriminatory access to all markets are ensured.</p>
<p>(49) The selection criteria in the competitive bidding process should as a general rule be based on the aid amount requested by the applicant put in direct or indirect relation to the contribution to the objective of the measure (for example in terms of unit of environmental protection or unit of energy). In a few exceptional cases, it may be appropriate to include other non-price selection criteria (for instance additional environmental, technological or social criteria). In such cases, such other criteria must account for not more than 25 % of the weighting of all the selection criteria. The Member State must provide reasons for the proposed approach and ensure it is appropriate to the objective pursued.</p>	<p>(49) The selection criteria in the competitive bidding process should as a general rule be based on the aid amount requested by the applicant put in direct or indirect relation to the contribution to the objective of the measure (for example in terms of unit of environmental protection or unit of energy). In a few exceptional cases, It may be appropriate to include other non-price selection criteria (for instance additional environmental, technological, social or system efficiency criteria). In such cases, such other criteria must account for not more than 25 % of the weighting of all the selection criteria. The Member State must provide reasons for the proposed approach and ensure it is appropriate to the objective pursued.</p>	<p>The selection criteria should be complemented by other non-price criteria such as the contribution to system efficiency or cost-effective decarbonisation. This will contribute to reinforce the cost-effectiveness criteria for the selection of projects: State aid in the energy sector should be placed under the overarching Energy Efficiency First principle (EE1st) applying a system efficiency approach, in line with the recently adopted Recommendations and Guidelines on the application of the EE1st principle</p>
<p>Aid for the reduction of greenhouse gas emissions including through renewables</p>		
<p>(74) This Section lays down the compatibility rules for aid measures primarily aimed at reducing greenhouse gas emissions, including aid for the production of renewable and low carbon energy, aid for energy efficiency including high-efficiency cogeneration, aid for carbon capture, storage and use, and aid for the reduction or avoidance of emissions resulting from industrial processes. It</p>	<p>(74) This Section lays down the compatibility rules for aid measures primarily aimed at reducing greenhouse gas emissions, including aid for the production of renewable and low carbon energy and their cost-effective integration in the energy system through demand-side flexibility, aid for energy efficiency including high-efficiency cogeneration, aid for carbon capture, storage and</p>	<p>This aid category focuses mainly on the production of renewable energy but does little to support the integration of renewable energy into the energy system, thus limiting the impact of the intended objective of reducing greenhouse gas emissions.</p>

<p>also covers support for the removal of greenhouse gases from the environment. This Section does not apply to measures whose primary objective is not the reduction or removal of greenhouse gas emission. Where a measure contributes to both the reduction of greenhouse gas emissions and the prevention or reduction of pollution other than from greenhouse gas emissions, the compatibility of the measure will be assessed on the basis of this Section or Section 4.5, depending on which of the two objectives is predominant.</p>	<p>use, and aid for the reduction or avoidance of emissions resulting from industrial processes. It also covers support for the removal of greenhouse gases from the environment. This Section does not apply to measures whose primary objective is not the reduction or removal of greenhouse gas emission. Where a measure contributes to both the reduction of greenhouse gas emissions and the prevention or reduction of pollution other than from greenhouse gas emissions, the compatibility of the measure will be assessed on the basis of this Section or Section 4.5, depending on which of the two objectives is predominant.</p>	<p>Demand-side flexibility should be added both in the scope (paragraph 74) and eligible criteria (paragraph 83) as a solution able to support the reliability of the system, the integration of renewables and achievement of decarbonisation in a cost-effective way.</p>
<p>83. The Commission will assess the reasons given as justification and will, for instance, consider that a more limited eligibility does not unduly distort competition where:</p> <ul style="list-style-type: none"> (a) a measure targets a specific sectoral or technology based target established in Union law, such as a renewable energy or energy efficiency scheme; (b) a measure aims specifically to support demonstration projects; (c) a measure aims to address not only decarbonisation but also air quality or other pollution; (d) a Member State provides evidence that eligible sectors or innovative technologies have the potential to make an important contribution to environmental protection and deep decarbonisation in the longer term, particularly in terms of cost effectiveness; 	<p>83. The Commission will assess the reasons given as justification and will, for instance, consider that a more limited eligibility does not unduly distort competition where:</p> <p>[...]</p> <ul style="list-style-type: none"> (f) a more selective approach can be expected to lead to lower costs of achieving environmental protection and decarbonisation (for example through reduced grid integration costs and/or result in less distortion of competition 	

<p>(e) a measure is required to achieve diversification necessary to avoid exacerbating issues related to network stability;</p> <p>(f) a more selective approach can be expected to lead to lower costs of achieving environmental protection (for example through reduced grid integration costs), and/or result in less distortion of competition</p>		
<p>Aid for improving the energy performance of buildings</p>		
<p>115. Aid may be granted for the improvement of the energy efficiency of buildings.</p>	<p>115. Aid may be granted for the improvement of the energy performance of buildings, including their integration in the energy system as flexible assets.</p>	<p>The aid category for improving the energy performance of buildings focuses on the energy efficiency improvement and CO2 reduction at building level, but fails to take into account the positive impact at system level of active buildings. State aid should also support the decarbonisation of the energy demand from buildings through the deployment of decentralised energy resources and the activation of their demand-side flexibility, enabling buildings to become flexible assets that are integral part of the increasingly electrified local system, able to integrate more renewable energy in the building sector in a cost-effective way.</p>
<p>(116) This aid may be combined with aid for any or all of the following measures:</p> <p>(a) the installation of integrated on-site renewable energy installations generating electricity, heat or cold;</p> <p>(b) the installation of equipment for the storage of the energy generated by on-site renewable energy installations;</p> <p>(c) the construction and installation of recharging infrastructure for use by the building users, and</p>	<p>(116) This aid may be combined with aid for any or all of the following measures:</p> <p>(a) the installation of integrated on-site renewable energy installations generating electricity, heat or cold;</p> <p>(b) the installation of equipment for the storage of both the energy generated by on-site renewable energy installations and energy from the grid stored in reaction to external signals;</p>	<p>The current formulation is too prescriptive as it contemplates, only in energy efficiency terms, energy generated by on-site renewable installation. Stored energy from the grid in reaction to external signals should also be covered since it contributed to CO2 reduction and system efficiency.</p> <p>Support to charging infrastructure in buildings should contribute to full energy system</p>

<p>related infrastructure, such as ducting, where the car park is located either inside the building or it is physically adjacent to the building;</p> <p>(d) the installation of equipment for the on-site digitalisation of the building, in particular to increase its smart readiness. Eligible investments may include interventions limited to passive in-house wiring or structured cabling for data networks and, if necessary, the ancillary part of the passive network on the private property outside the building. Wiring or cabling for data networks outside the private property is excluded;</p> <p>(e) other investments that improve the energy or environmental performance of the building, including investments in green roofs and equipment for the recovery of rain water.</p>	<p>(c) the construction and installation of recharging infrastructure with bidirectional functionalities (V2B/H) when there is no on-site generation for use by the building users, and related infrastructure, such as ducting, where the car park is located either inside the building or it is physically adjacent to the building;</p>	<p>integration. In this regard, the revised State aid should be aligned with the 'Fit for 55' package and complement it by ensuring that there is no lock-in effect to charging capabilities that hinder full energy system integration.</p> <p>More specifically, smartEn believes that the upcoming revision of the EPBD should mandate smart-capable charging functionalities in all buildings able to communicate with grid/building through a BEMS and require bidirectional functionalities (V2B/H) when there is on-site RES generation. If the EPBD revision embraces this vision, State aid should go one step further by supporting V2B/H when there is no on-site generation to compensate the extra costs for this solution in light of its system benefits.</p>
<p>(121) The Commission considers that, in principle, aid to projects with a payback period of less than five years does not have an incentive effect. However, the Member State may provide evidence to demonstrate that aid is needed to trigger a change in behaviour, even in the case of projects with a shorter payback period.</p>	<p>(121) The Commission considers that, in principle, aid to projects with a payback period of less than five years does not have an incentive effect, but it also acknowledges the emergence of new business models capable of triggering an incentive effect with lower payback time. However, the Member State may provide evidence to demonstrate that aid is needed to trigger a change in behaviour, even in the case of projects with a shorter payback period.</p>	<p>Contemplating only aid for measures with a payback period above 5 years creates barriers to some decentralised energy resources with a lower payback time, but significant system benefits. A short pay-back time should not limit the possibility for some solutions to benefit of State aid for their business models to flourish.</p>
<p>(125) The eligible costs correspond exclusively to the investment costs directly linked to the achievement of a higher level of energy or environmental performance.</p>	<p>(125) The eligible costs correspond exclusively to the investment costs and operational costs directly linked to the achievement of a higher level of energy or environmental performance.</p>	<p>Demand response solutions do not incur high upfront investment costs but rather operating costs. Such solutions would by default be excluded from a CAPEX-only approach to State aid. Both</p>

		investment (CAPEX) and operating (OPEX) costs should therefore be eligible for State aid;
<p>(118) The aid must induce:</p> <p>(a) in the case of renovation of existing buildings, energy performance improvements leading to a reduction in primary energy demand of at least 20 % as compared to the situation prior to the investment. By way of derogation, where the improvement is part of a staged renovation, the latter must lead to an overall reduction in primary energy demand of at least 30 % as compared to the situation prior to the investment, over a period of 3 years;</p> <p>(b) in the case of new buildings, energy performance improvements leading to at least 10 % of primary energy savings compared to the threshold set for the nearly zero-energy building requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council .</p>	<p>(118) The aid must induce:</p> <p>(a) in the case of renovation of existing buildings, energy performance improvements should contribute to the reduction in both primary and final energy demand as well as CO2 emissions leading to a reduction in primary energy demand of at least 20 % as compared to the situation prior to the investment. By way of derogation, where the improvement is part of a staged renovation, the latter must lead to an overall reduction in primary energy demand of at least 30 % as compared to the situation prior to the investment, over a period of 3 years;</p> <p>(b) in the case of new buildings, energy performance improvements leading to at least 10 % of primary energy savings compared to the threshold set for the nearly zero-energy building requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council .</p>	<p>Aid for improving the energy performance should not be limited to primary energy reduction but should adopt a more comprehensive approach covering also final energy reduction, carbon footprint and digitalisation enabling demand-side flexibility, in line with the mandatory minimum standards that should be set in the revision of the Energy Performance of Buildings Directive to support the integration of buildings in the energy system, its interaction with the grid and other end-use sectors such as transport (e.g. electric vehicles).</p>
<p>Aid for the deployment of recharging infrastructure</p>		
<p>(170) Projects may also include installations for smart charging operations and for the on-site production of electricity or hydrogen from renewable sources, connected to the recharging or refuelling infrastructure by means of a direct link, as well as on-site storage facilities for electricity and hydrogen to be supplied as transport fuels.</p>	<p>(170) Projects must also include installations for smart charging operations in particular for long-duration parking and for the on-site production of electricity or hydrogen from renewable sources, connected to the recharging or refuelling infrastructure by means of a direct link, as well as on-site storage facilities for electricity and hydrogen to be supplied as transport fuels. Projects may also include installations for</p>	<p>If State aid needs to be provided for charging infrastructure of electric vehicles, the smart charging capability should be the main focus to allow the electricity system to cope with the increased electrification in transports.</p> <p>State aid should not lead to a lock-in effect to charging capabilities that hinder full energy system integration: they should enable the activation of their demand-side flexibility</p>

	<p>bidirectional charging operations when contributing to system efficiency.</p>	<p>potential to increase both efficiency of the overall energy system and consumer empowerment, contributing to climate neutrality in the most cost-effective way. Bidirectional chargers should be supported as an additional functionality contributing to system efficiency.</p> <p>As EVs should be decentralised energy resources integrated in the energy system, smart charging should not be limited to the on-site production of electricity from renewable sources with physical connection to the charger, but should also include smart charging from the grid in reaction to external signals.</p>
<p>(180) By way of derogation from point 179, the aid may be granted on the basis of methods other than a competitive bidding process in the following cases: (a) where the expected number of participants is not sufficient to ensure effective competition or avoid strategic bidding; or 56 (b) where a competitive bidding process, as described in points 48 and 49, cannot be organised.</p>	<p>(180) By way of derogation from point 179 and in compliance with article 33 of Directive 2019/944/EU, the aid may be granted on the basis of methods other than a competitive bidding process in the following cases: (a) where the expected number of participants is not sufficient to ensure effective competition or avoid strategic bidding; or 56 (b) where a competitive bidding process, as described in points 48 and 49, cannot be organised.</p>	<p>The foreseen derogation to the competitive bidding process (paragraph 180) should be carefully assessed to ensure that market participants retain priority over system operators in the competitive bidding process in line with the electricity market design which guarantees the neutral market facilitator role of system operators regarding the development, management and operation of recharging points for electric vehicles. In this light, any extension of the reach of a DSO network into a private building (for example to supply individual spaces in parking lots with electricity), financed on its regulated asset based by the network tariff, should be scrutinised as State aid if it comes in direct competition with a private infrastructure providers and hampers the</p>

		activation and valorisation of distributed flexibilities.
Aid for the Security of supply		
(285) This Section covers compatibility rules for aid measures aimed at increasing the security of electricity supply. This includes capacity mechanisms and interruptibility schemes for dealing with long and short-term security of supply issues resulting from market failures preventing sufficient investment in electricity generation capacity, storage or demand response, as well as network reserves which aim to treat the insufficiency of electricity transmission and distribution networks.	285. This Section covers compatibility rules for aid measures aimed at increasing the security of electricity supply. This includes capacity mechanisms, reliability options and interruptibility schemes for dealing with long and short-term security of supply issues resulting from market failures preventing sufficient investment in electricity generation capacity, decentralised energy resources such as distributed renewable generation , storage and demand response, as well as network reserves which aim to treat the insufficiency of electricity transmission and distribution networks.	<p>The State aid revision should be the opportunity to promote an energy end-user centric approach and the transition to a decentralised, interconnected energy system.</p> <p>New types of products should be considered in the context of State aid, such as reliability options. These products provide a guarantee for flexibility in the system, and help with Resource Adequacy, by providing a hedging product against price spikes. Such options represent a hybrid between a physical commitment and a commercial option: the physical commitment delivers security of supply to the consumer and a supplementary revenue stream to the provider of flexibility. Products like these are already viable (Italy and Ireland), can be implemented and should be considered as a cost-effective and market-based alternative.</p>
(299) In its assessment, the Commission will take account of the following elements to be provided by the Member State: (a) an assessment of the impact of variable generation, including that originating from neighbouring systems; (b) an assessment of the impact of demand-side participation, including a description of measures to encourage demand side management	(299) In its assessment, the Commission will take account of the following elements to be provided by the Member State: (a) an assessment of the impact of variable generation, including that originating from neighbouring systems; (b) an assessment of the impact of demand-side participation, including a description of measures to encourage demand side management and flexibility measures.	Aid for security of supply should specifically stress that all distributed flexibility assets in all end-use sectors (including industries, building and transport) should be equally considered. This is key for moving towards a more technology-inclusive approach.

<p>(302) The aid measure should be open to all beneficiaries or projects technically capable of contributing efficiently to the achievement of the security of supply objective. This includes generation, storage and demand response, as well as the aggregation of small units of these forms of capacity into larger blocks.</p>	<p>(302) The aid measure should be open to all beneficiaries or projects technically capable of contributing efficiently to the achievement of the security of supply objective in line with the application of the Energy Efficiency First principle at system level. This includes generation, storage and demand response, as well as the aggregation of small units of these forms of capacity into larger blocks. To ensure a level playing-field Member States should include a common set of harmonised requirements in all measures undertaken. These requirements should include parameters like, standardised technical requisites, measurement conditions, duration of contracts, frequency of procurement and derating factors of different technologies. Technical requirements for aid measures should ensure technology inclusiveness and be appropriately justified by system needs that the measure addresses.</p>	<p>The efficient achievement of the security of supply objective is crucial and should be in line with the application of the EE1st principle at system level in order to avoid unnecessary investments and valorise those solutions or projects that can help achieve security of supply while providing a benefit to the entire system. This will support moving from a generation adequacy to a truly technology inclusive resource adequacy assessment.</p> <p>The revised State aid should specify that demand-side resources should be treated equally to generation and utility scale storage in the competitive bidding procedure. This is a key clarification to overcome the shortcomings of many capacity mechanisms and strategic reserves in Europe.</p> <p>The European Commission should provide a comprehensive list of parameters that should be considered in the development of new Resource Adequacy programmes, to guarantee the technology inclusiveness of these. This list should include, among others: the specific needs to be covered, duration of contracts, frequency of procurement, testing requirements and derating factors for different technologies to support the competitive bidding process and encourage the use of demand-side flexibility.</p>
<p>(304) Member States are encouraged to introduce additional criteria or features in their security of supply measures to promote the participation of greener technologies (or reduce the participation of polluting technologies) necessary to support the delivery of the Union’s environmental protection objectives. Such additional criteria or features must be objective, transparent and non-discriminatory in relation to clearly identified environmental protection objectives, and must</p>	<p>(304) Member States are encouraged to introduce additional criteria or features in their security of supply measures to promote the participation of greener technologies (or reduce the participation of polluting technologies), including decentralised energy resources, necessary to support the delivery of the Union’s environmental protection objectives and to foster system efficiency. Member States are required to assess supply-side resources against demand-side resources, looking at costs and benefits from a</p>	

<p>not result in the overcompensation of beneficiaries.</p>	<p>system perspective. Such additional criteria or features must be objective, transparent and non-discriminatory in relation to clearly identified environmental protection objectives, and must not result in the overcompensation of beneficiaries.</p>	
<p>(324) To avoid undermining incentives for demand response and exacerbating the market failures that lead to the need for security of supply measures, and to ensure the security of supply intervention is as limited in size as possible, the costs of a security of supply measure should be borne by the market participants who contribute to the need for the measure. For example, this may be achieved by allocating the costs of a security of supply measure to electricity consumers in periods of peak electricity demand.</p>	<p>(324) To avoid undermining incentives for demand response and exacerbating the market failures that lead to the need for security of supply measures, and to ensure the security of supply intervention is as limited in size as possible, the costs of a security of supply measure should be borne by the market participants who contribute to the need for the measure. For example, this may be achieved by allocating the costs of a security of supply measure to electricity consumers in periods of peak electricity demand, imbalances or local congestion.</p> <p>Where costs are borne by consumers, this should only be applied once Member States have addressed barriers to the valorisation and participation in the different demand-side flexibility schemes.</p>	<p>While this provision may constitute an incentive to demand response and to the uptake of all distributed flexibility resources (for instance electrified heating system with smart functions, storage or smart charging), it does not overcome barriers to valorise distributed flexibilities in all markets nor to reward participating end-users for their contribution to an increased efficiency of the energy system.</p> <p>If barriers still persist and are not addressed, such measures would constitute an unfair penalisation to consumers who cannot react to price signals (implicit flexibility) and incentives to activate their DSF (explicit flexibility).</p> <p>As an example, if a consumer does not have a smart meter and dynamic price contract, how can he/she react and avoid a security of supply concern? This risk is the same for explicit flexibility: if markets are not open to DSF resources, there is no incentive in place to stimulate a flex consumption and avoid a security of supply concern.</p>

		<p>In addition, smartEn recommends not to limit the application of this provision to the example given in the stated paragraph where the cost of a security of supply measure should be borne by electricity consumers in period of peak electricity demand. In fact, demand response can also contribute to the system and be activated when there is imbalance or local congestion which can happen outside periods of peak electricity demand.</p>
<p>Aid for infrastructure</p>		
<p>(328) In order to meet the Union’s climate targets, significant investment and upgrading of energy infrastructure will be required. A modern energy infrastructure is crucial for an integrated energy market that meets climate targets while ensuring security of supply of in the Union. Adequate energy infrastructure is a necessary element of an efficient 81 energy market. Improving energy infrastructure enhances system stability, resource adequacy, integration of different energy sources and energy supply in under-developed networks.</p>	<p>(328) In order to meet the Union’s climate targets, significant investment and upgrading of energy infrastructure will be required. A a modern energy infrastructure is crucial for an integrated energy market that meets climate targets while ensuring security of supply of in the Union. Adequate energy infrastructure is a necessary element of an efficient energy market. Improving energy infrastructure enhances system stability, resource adequacy, integration of different energy sources and energy supply in under-developed networks.</p>	<p>The aid category for energy infrastructure is based on the assumption that grid investments are the only viable solution. Non-wire alternatives should be contemplated, as foreseen by the Electricity Market Design: the flexibility potential from decentralised energy resources should be prioritised to avoid unnecessary investments and use of resources from the market while guaranteeing security of supply, as stated by the EE1st Principle Guidelines recently adopted by the European Commission.</p>
<p>(330) This Section applies to support for the construction or upgrade of energy infrastructure, as defined in Section 2.4, point 18 (35). Unless the project is excluded from State aid control (see point 331), the Commission will assess it as set out in this Section.</p>	<p>(330) This Section applies to support for the construction, upgrade or optimisation of energy infrastructure, as defined in Section 2.4, point 18 (35) and provided that non-wire solutions such as market-based flexibility options have been considered as valuable alternatives to grid</p>	<p>With its current focus on the upfront grid infrastructure investment, the State aid is not taking into account flexibility nor incentivizing the procurement of flexibility services which is considered as an operating cost. Moving to a TOTEX approach taking into account both capital and operating expenditures would contribute to valorise and reward flexibility, thus providing incentives towards non-wire alternatives.</p>

	<p>extensions or reinforcements. Unless the project is excluded from State aid control (see point 331), the Commission will assess it as set out in this Section.</p>	
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About smartEn - Smart Energy Europe

smartEn is the European business association integrating the consumer-driven solutions of the clean energy transition. We create opportunities for every company, building and car to support an increasingly renewable energy system. Our membership consists of the following companies:



The positions expressed in this document represent the views of smartEn as an association, but not necessarily the opinion of each specific smartEn member.

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