



1. Introduction

On 13 June 2024, Regulation 2024/1747 and Directive 2024/1711 of the European Parliament and Council were officially adopted. The main purpose of these new Regulation and Directive is to amend Regulation 2019/943 ('Electricity Regulation') and Directive 2019/944 ('Electricity Directive') in order to improve the Union's electricity market design ('EMD').

Some measures will be inserted in a consolidated version of the Electricity Regulation ('the New Electricity Regulation') and entered into force on 17 July 2024. Other measures will be inserted in a consolidated version of the Electricity Directive ('the New Electricity Directive') and need to be transposed by Member States by 17 January 2025.

A distinction between the different measures can also be made depending on the markets where the different operators are active: (i) the market for wholesale and production of electricity; (ii) the market for electricity transmission (high-voltage grid); (iii) the market for electricity distribution (low-voltage grid); and (iv) the retail market for electricity supply. On each of these markets, different operators are active: traders and producers, transmission system operators ('TSOs'), distribution system operators ('DSOs') and electricity suppliers.

While a first Newsflash gave an overview of the measures for traders, electricity producers and TSOs active on the market for wholesale and production of electricity and on the market for electricity transmission (see [here](#)), this second Newsflash deals with the measures for DSOs and electricity suppliers.



2. Measures on the market for electricity distribution

The main measures of the EMD impacting the market for electricity distribution are the following:

- **Tariff methodologies** should incentivise DSOs to operate and expand the networks cost-efficiently. To that end, network tariffs should be designed to take into account both operational and capital expenditures, including anticipatory investments.¹ Regulatory approval of these costs will play a central role in ensuring that sufficient investment is provided not only to foster market integration and security of supply, but also to foster the integration of renewable energy, promote flexibility services, and facilitate energy storage and demand response. The requirement for cost-reflectiveness should not restrict the opportunity to redistribute costs efficiently where locational- or time-variant network charges are applied (Article 18 of the New Electricity Regulation and Recital 23 of Regulation 2024/1747).
- National regulatory authorities ('NRAs') or any other Member State's designated competent authority shall develop a framework for TSOs and DSOs to offer the possibility of establishing **flexible connection agreements** in areas where there is limited or no network capacity availability for new connections. Such flexible connection agreements would, for example, take into account energy storage or limit the times in which a

generation power plant can inject electricity to the grid or the capacity that can be exported, enabling its partial connection. Network reinforcements providing structural solutions must be prioritised so that flexible connection agreements are made firm as soon as the networks are properly developed and ready. However, for areas where network reinforcements are not deemed the most efficient solution by the national competent authority, flexible connections must be enabled as a permanent solution, including for energy storage (Article 6a of the New Electricity Directive and Recital 15 of Directive 2024/1711).

- Given the slow roll-out of smart metering systems in certain Member States, TSOs, DSOs and relevant market participants may use, upon the consent of the final customer, data from **dedicated measurement devices** for the observability and settlement of demand response and flexibility services, including from energy storage facilities. In cases where smart metering systems are not yet installed or in cases where they do not provide for the sufficient level of data granularity, TSOs and DSOs shall accept the data from such dedicated measurement devices and shall not discriminate against the final customer in their procurement of flexibility services (Article 7b of the New Electricity Regulation and Recital 18 of Regulation 2024/1747).
- DSOs shall publish in a transparent manner **clear information on the capacity available for new connections** in their areas of operation with high spatial granularity, respecting public security and data confidentiality, including the capacity under connection request and the possibility of flexible connection in congested areas. DSOs shall provide in a transparent manner clear information to system users about the status and treatment of their connection requests within three months of the submission of the request (Article 57 of the New Electricity Regulation and Article 31 of the New Electricity Directive).



3. Measures on the retail market for electricity supply

The main measures of the EMD impacting the retail market for electricity supply are the following:

- Upon a Commission proposal, the Council has the power to **declare**, by means of an implementing decision, **a regional or Union-wide electricity price crisis** (Article 66a of the New Electricity Directive and Recital 28 of Directive 2024/1711).
 - Such an electricity price crisis declaration is subject to two cumulative conditions:
 - Very high average prices in wholesale electricity markets of at least 2,5 times the average price over the previous 5 years, and at least 180 EUR/MWh, which is expected to continue for at least 6 months, excluding from the average price during the previous 5 years periods where a regional or Union-wide electricity price crisis was declared; and
 - Sharp increase in electricity retail prices in the range of 70%, which is expected to continue for at least 3 months.
 - When the Council adopts a decision declaring such a crisis, Member States can apply temporary targeted public interventions in price setting, including the

- possibility to set electricity prices below cost, for the electricity supply to small and medium-sized enterprises ('SMEs') (for up to 70% of their consumption) and to households (up to 80% of median household consumption and up to 100% of the price for vulnerable and energy poor households).
- The period of validity of the declaration of an electricity price crisis can be of up to 1 year, which may be extended for consecutive periods of up to 1 year.
 - In the context of the **relationship between the electricity suppliers and their customers**, the EMD introduces important measures:
 - All customers should be **free** to not only have **more than one electricity supply contract**, but also to have **more than one energy sharing agreement at the same time**. To that end, customers should be allowed to have **more than one metering and billing point covered by the single connection point for their premises**, allowing different appliances to be metered and supplied separately. In addition, in cases where smart metering systems are technically able to directly cover more than one metering point, customers should be able to have more than one electricity supply contract or energy sharing agreement at the same time (Article 4 of the New Electricity Directive and Recital 19 of Directive 2024/1711).
 - By way of derogation to the general transposition deadline of Directive 2024/1711 which is set for 17 January 2025, Member States should transpose this measure by 17 July 2026.
 - Consumers should have access to a wide range of offers so that they can choose a contract that corresponds to their needs. Therefore, all final consumers should always have the possibility to opt, in addition to dynamic electricity price contract, for a **fixed-price, fixed-term electricity supply contract** with a duration of at least 1 year. Member States can **exempt suppliers with more than 200 000 final customers who offer only dynamic price contracts** from the obligation to offer fixed-term, fixed-price electricity supply contracts, provided that such an exemption does not have a negative impact on competition and retains sufficient choice of fixed-term, fixed-price electricity supply contracts (Article 11 of the New Electricity Directive and Recital 17 of Directive 2024/1711).
 - To ensure continuity of supply for consumers, particularly in cases of supplier failure, Member States must have in place a **supplier of last resort regime** (Article 27a of the New Electricity Directive and Recital 21 of Directive 2024/1711).
 - Such a regime should be available at least for household customers.
 - Final customers who are transferred to suppliers of last resort shall continue to benefit from all of their rights as customers.
 - Where a Member State obliges a supplier of last resort to supply electricity to a customer who does not receive market-based offers, the conditions set out in Article 5 of the Electricity Directive apply and the obligation can involve a regulated price only to the extent that the customer is entitled to benefit from regulated prices.

- Suppliers of last resort must communicate their terms and conditions to transferred customers without delay and ensure a seamless continuity of service for those customers for a period needed to find a new supplier, and at least 6 months.
- Suppliers of last resort shall be appointed in a fair, transparent and non-discriminatory procedure. This appointment can be done either before or at the moment of supplier failure.
- Such a supplier of last resort may be treated as a provider of universal service.
- Member States should ensure that vulnerable customers and customers affected by energy poverty are fully protected from **electricity disconnections**, by taking the appropriate measures. Such measures include for instance year-round or seasonal disconnection prohibitions, debt prevention, and sustainable solutions to support customers in hardship paying for their energy bills. Suppliers and relevant national authorities should also cooperate closely with social security authorities to that end (Article 28 of the New Electricity Directive and Recital 26 of Directive 2024/1711).
- All households, SMEs, public bodies, or other categories of final customers should have the right to participate in **energy sharing** as active customers and share renewable energy between themselves based on private agreements or through a legal entity (Article 15a of the New Electricity Directive and Recital 22-25 of Directive 2024/1711).
 - Participation in energy sharing cannot constitute the primary commercial or professional activity of active customers engaged in energy sharing.
 - Participation in energy sharing is done within the same bidding zone or a more limited geographical area determined by the Member State.
 - Energy sharing arrangements concern facilities of up to 6 MW capacity.
 - Active customers participating in energy sharing are entitled to have the shared electricity injected into the grid deducted from their total metered consumption within a time interval no longer than the imbalance settlement period and without prejudice to applicable non-discriminatory taxes, levies and cost-reflective network charges.
 - Active customers engaged in energy sharing are financially responsible for the imbalances they cause, without prejudice to the possibility for active customers to delegate their balancing responsibilities to other market participants. By way of derogation, households with an installed capacity up to 10,8 kW for single households and up to 50 kW for multi-apartment blocks are not required to comply with supplier obligations. Member States can adjust those thresholds, up to 30 kW for single households and to between 40 kW and 100 kW for multi-apartment blocks.
 - Member States shall take appropriate and non-discriminatory measures to ensure that vulnerable customers and customers affected by energy poverty can access energy sharing schemes. Those measures may include financial support measures or production allocation quota.
 - By way of derogation to the general transposition deadline of Directive 2024/1711 which is set for 17 January 2025, Member States should transpose the energy sharing regime by 17 July 2026.

- NRAs or any other Member State’s designated independent competent authority shall ensure that **electricity suppliers (i) implement appropriate hedging strategies** to limit the risk of changes in wholesale electricity supply to the economic viability of their contracts with customers, while maintaining liquidity on and price signals from short-term markets, and **(ii) take all reasonable steps to limit their risk of supply failure**. An appropriate hedging strategy should take into account the suppliers’ access to its own generation and its capitalisation, as well as its exposure to changes in wholesale market prices, the size of the supplier or the market structure, and may include the use of power purchase agreements (‘PPAs’) or other appropriate instruments such as forward contracts. The assessment of such a **supplier risk management** (which is equivalent to a prudential requirement) will be done by taking into account the size of the supplier or the market structure, as well as, if relevant, by carrying out stress tests or imposing reporting requirements on suppliers (Article 18a of the New Electricity Directive and Recital 18 of Directive 2024/1711).

If you have any question or if you want to discuss any aspect of your energy transition, please do not hesitate to contact your usual Strelia contact person or one of the key contacts below:



Pierre Goffinet
pierre.goffinet@strelia.com



Mediona Shehu
mediona.shehu@strelia.com

¹ For more information on anticipatory investments, see [the Commission’s EU Action Plan for Grids](#), November 2023 (available here); and [ACER and CEER Position paper on anticipatory investments](#), March 2024.