ENTSO-E RESPONSE TO EUROPEAN COMMISSION CONSULTATION ON THE DRAFT CLEAN INDUSTRY STATE AID FRAMEWORK (CISAF)

25 April 2025

From: Market Committee

Overview

This document presents ENTSO-E's contribution to the public consultation on the draft CISAF. It is structured to provide a comprehensive and transparent overview of our feedback, with the aim of constructively supporting the finalisation of the CISAF framework. The document includes the following elements:

1. *ENTSO-E's responses to the consultation, as submitted via the official consultation portal.*

2. *Supplementary input on the capacity mechanism target model: due to character limitations on the consultation platform, ENTSO-E was unable to provide a full response to this question. Additional views are provided on pp. 6–7 of this document, and further details as well as recommendations for the design of CMs can also be found in our latest policy paper available here.*

3. *Proposed amendments to the draft CISAF text (pp 9-19) outlining specific suggestions to improve the clarity, coherence, and effectiveness of the current draft, in view of its expected finalisation and publication in June 2025.*

General comments

Please provide any comments you may wish to bring to the Commission's attention in relation to the draft proposal for a new Clean Industrial Deal State aid Framework - *5000 character(s) maximum*

ENTSO-E welcomes the overall objective of the proposed CISAF to accelerate the roll-out of clean energy, decarbonised demand, and energy infrastructure, including electricity grids. ENTSO-E encourages leveraging the existing EU framework, notably the Clean Energy Package and the recently adopted EMD reform, to ensure a coherent and predictable regulatory environment.

The current EC proposals, however, fail to address the need to streamline and simplify the application process of Capacity Mechanisms (CMs). Such simplification and is essential to "ensure that adequacy concerns can be addressed by Member States in a timely manner" as recognised by the recent Electricity Market Design reform. We thus call for the EC to amend the proposed provisions to "fast-track" the approval of CMs following two key principles:

1) **Keep the current options available for MSs to demonstrate the necessity of capacity mechanism and preserve subsidiarity in the responsibility to manage national security of supply (SoS).** This entails recognising, also in fast-track approval processes, the complementarity of ERAA & NRAA, and MSs' competence in calculating the parameters for reliability standard.

2) **Focus State Aid Guidelines on the assessment of design features of capacity mechanism, with the objective of a quicker and simpler implementation.** This implies avoiding too prescriptive requirements on issues such as derating factors, implementation of cross-border participation, auction volumes and lead times. Instead, design features necessary for a streamlined and simplified EC approval of CMs should promote pragmatic design solutions.

The complementarity between National Resource Adequacy Assessments (NRAAs) and the European Resource Adequacy Assessment (ERAA) is vital for accurately identifying resource adequacy concerns and the potential need for CMs, as well as for ensuring the consistency in the assessment of national flexibility needs. Together, these assessments provide a more robust picture of the SoS and system flexibility across MSs, taking into account both national measures and the interconnected nature of the pan-European power system. To preserve this complementarity, it is essential that MSs retain 3 equally valid options when assessing the need for a CM:

1) MS may use ERAA results directly;

2) Starting from the latest ERAA data and models, MSs may perform a NRAA which includes additional sensitivities to assesses the most important country-specific and relevant risk(s) of either national or regional nature, if the modified assumptions are expected to have a limited impact on market decisions;

3) MSs may perform a NRAA which fully updates the ERAA central reference scenarios based on more recent data and assumptions, or even elaborates additional reference scenarios (and sensitivities) to assess the most important country-specific and relevant risk(s) – of either national or regional nature – if the modified assumptions are expected to have a considerable impact on market decisions. These additional reference scenarios should also be able to identify adequacy concerns.

Recognising the flexibility entitled by this complementarity principle is essential to ensure that MS can benefit from the simplified procedure for introducing CMs to address adequacy concerns in a timely manner, while safeguarding the prerogative that SoS remains a national responsibility.

At the same time, some proposed revisions to the ERAA methodology risk expanding its scope and complexity. Our reaction to the EC report on simplifying and streamlining the application process of CMs further elaborates on our concerns about this increased complexity. To ensure timely delivery and usability at both EU and national levels, it is crucial that the revised methodology is streamlined and more functional than the current version.

In addition, a critical shortcoming in the EC own report on streamlining and simplifying the implementation of CMs is that it does not address how to accelerate the submission of market reform plans by MSs or the issuance of the EC formal opinion. This omission risks delaying timely responses to adequacy concerns.

The new framework must also adequately support investments in transmission and distribution grids. These investments are critical for integrating increasing shares of RES, enhancing cross-border trade, enabling greater electrification, and improving system resilience.

Moreover, we underscore the need for a market-based approach fostering competition while ensuring a level playing field for all market parties. The framework should reinforce these principles, ensuring that State aid measures complement rather than distort market signals, thereby enhancing overall system efficiency and resilience.

Finally, ENTSO-E highlights the importance of close cooperation between policymakers, NRAs, and TSOs to ensure that State aid measures align with long-term system needs and the integration of the IEM. A transparent, predictable, and coordinated approach will be key to unlocking the full potential of Europe's electricity system in the energy transition.

Aid to accelerate the rollout of renewable energy

Please provide any comments specific to section 4.1 of the draft framework ("Aid schemes to accelerate the rollout of renewable energy") - *5000 character(s) maximum*

We welcome the focus on preventing distortions in market functioning (paragraph 50). Ensuring that price signals remain robust — particularly by avoiding incentives for renewable generators to bid below marginal cost — is crucial for maintaining investment signals and supporting overall market efficiency. Safeguarding the integrity of these signals is key to ensuring the proper valuation of flexibility services and the long-term sustainability of the electricity market.

The proposed requirements for MS to ensure that storage and demand response can participate in day-ahead, intraday, and ancillary service markets (paragraph 34) represent essential steps toward enhancing system flexibility. ENTSO-E underscores the importance of complementing these measures with clear regulatory frameworks that facilitate the seamless integration of these resources. This includes promoting streamlined processes across Member States (e.g. via the upcoming NC demand response), and price signals that adequately reflect system needs. Furthermore, addressing barriers to entry and ensuring fair competition between traditional generation, storage, and demand-side resources will be critical to unlocking their full potential.

ENTSO-E supports the principle of allocating aid through competitive bidding to ensure cost-efficiency and market-driven outcomes (paragraph 43). Competitive allocation mechanisms provide a robust framework for fostering innovation and driving down costs. However, for emerging technologies such as long-duration storage, renewable hydrogen, and hybrid projects, some flexibility in administrative procedures may be warranted. Early-stage projects often face unique challenges, including higher upfront costs and untested business models. Introducing tailored support mechanisms, such as pilot programmes or dedicated innovation streams to further support the development of necessary infrastructure, could accelerate deployment and provide valuable insights into the performance of these technologies under real-world conditions.

Additionally, ENTSO-E recommends close monitoring of market outcomes to ensure that aid schemes do not inadvertently create imbalances between Member States or hinder cross-border participation. Enhanced cooperation and coordination at the regional level could further reinforce market integration while avoiding fragmented national approaches.

Finally, consideration should be given to the long-term evolution of aid schemes to avoid lock-in effects and ensure that support mechanisms adapt to evolving market conditions. Regular assessments of the schemes' impact on market dynamics, investment signals, and the achievement of renewable deployment targets will be crucial to ensuring their continued effectiveness.

In summary, ENTSO-E welcomes the proposed measures to accelerate the rollout of renewable energy and emphasises the need for a holistic approach that balances market efficiency with tailored support for emerging technologies, while enhancing integration and cooperation across Member States.

If you consider the proposed completion deadlines or exemptions therefrom (see point (37)) are not appropriate, please provide concrete justification for any alternative timeline or other exemptions you would consider more appropriate.

While we acknowledge the importance of setting timely completion deadlines to accelerate the deployment of renewable energy projects, the proposed 36-month deadline (included in paragraph 37) may not be appropriate for certain technologies and project types beyond the exemptions currently outlined for offshore wind, hydropower, and renewable hydrogen production.

For instance, large-scale or long-duration storage projects, hybrid projects combining renewables with storage, interconnectors, and hybrid offshore projects may require additional time due to added layers of complexity, such as cross-jurisdictional permitting processes, extensive feasibility studies, intricate grid integration requirements and more.

Aid to accelerate the rollout of renewable energy

Please provide any comments specific to section 4.2 of the draft framework (“Aid for non-fossil flexibility support schemes”) - *5000 character(s) maximum*

Point 53: we support the requirement for aid schemes to be open to all non-fossil technologies capable of providing flexibility. However, ensuring a level playing field across technologies is crucial. Pre-qualification criteria and technical requirements should be carefully designed to avoid undue discrimination, while recognising the specificities of different flexibility sources. The overarching goal is the development and deployment of non-fossil flexibility solutions.

On point 57, we express great concern on footnote 37, which limits the transition period for co-existence of market-wide CMs and non-fossil flexibility support schemes (NFFSS) to 2 years. These mechanisms serve different purposes: CMs ensure adequacy, while NFFSS integrates variable RES. Their respective objectives, design features, and locational considerations are not necessarily aligned. Prematurely forcing their merger risks undermining both. A more pragmatic approach, recognising their distinct roles and objectives, would be more suitable. Moreover, this limitation contradicts Article 19g of the Electricity Market Regulation, which allows MS to operate both mechanisms in parallel.

Regarding point 61, limiting contract duration to 10 years does not reflect the long investment cycles, performance criteria, and asset lifespans of flexibility sources. Such a limitation risks undermining investment security, especially for new entrants. It also diverges from established precedents: CMs allow contracts of up to 15 years, and RES support schemes often extend to 25 years. We recommend deleting this provision to ensure consistency across support mechanisms and to ensure long-term investment certainty for deployment of flexibility solutions.

Point 62: the current wording suggests that the bidding price is the sole criterion for awarding support, contradicting the definition of competitive bidding laid out in point 9d. We recommend clarifying additional criteria—such as de-rating factors or system value—may also be considered. This would ensure that selected bids deliver not just cost-effective flexibility, but also broader system benefits such as improved power flow distribution and reduced total system costs.

Point 63: the proposed penalties for non-availability should strike an appropriate balance between ensuring system reliability and avoiding disproportionately high risks that could deter participation—particularly from newer or emerging flexibility providers. Calibrating penalties to reflect real-time system needs — e.g. via scarcity pricing mechanisms — may enhance efficiency and incentivise participants to respond accurately to market signals.

Point 65 mixes two separate objectives: promoting cross-border participation in flexibility support schemes and providing competitive advantages to non-fossil flexibility resources in CMs. This lack of clarity may result in confusion and inconsistent interpretation or implementation by MSs. We therefore recommend that this provision be deleted or at least clarified.

Point 66 on cost allocation to consumers based on their consumption during periods of system stress, raises several concerns:

1. Flexibility needs in the system are not solely driven by consumption. Generation, including RES not exposed to price signals, also play a significant role in creating system imbalances. The proposed rules should reflect this holistic view of flexibility drivers, rather than focussing exclusively on the demand side.
2. The lack of advanced metering infrastructure in some countries, would unfairly burden consumers unable to adjust consumption patterns.
3. Furthermore, limited and non-timely availability of information, aggregated consumption, and transit flows may further complicate the allocation of responsibilities and ultimately lead to unjust charges for consumers not actively contributing to system stress. Finally, special consideration must be given to consumers located in congested areas.

Assigning additional charges based on technical criteria can be problematic, as such factors are outside the control of individual consumers. This approach would be inconsistent with current cost allocation practices for congestion management measures—such as redispatching and countertrading— typically socialised across all consumers within a control area. Any locational allocation under flexibility schemes should therefore align with these established principles.

Point 67: the 5year approval limit for NFFSS is concerning as such a short duration places these schemes at a disadvantage, particularly compared to CMs which can benefit from longer approval and contract timelines. This asymmetry could discourage MSs from implementing NFFSS, despite their crucial role in decarbonising the power system. In light of growing investment needs in storage and, demand response, this provision is misaligned with the overarching goals of the energy transition. A longer and more stable approval framework would be more appropriate.

Aid to accelerate the rollout of renewable energy

Please provide any comments specific to section 4.3 and Annex I of the draft framework (“Aid for capacity mechanisms following a target model”) - *5000 character(s) maximum*

The EMD recognised capacity mechanisms (CMs) as structural elements at the disposal of MSs. As such, the focus of CISAF should be to ensure appropriate a& efficient implementation of CMs rather than complexifying the identification

of CMs needs and their design. We call for the EC to adapt the proposals of the new state aid framework to ensure the following elements:

- Fully recognising the complementarity of ERAA and NRAA for identifying the need for a CM, as well as the competence of MSs for managing their SoS is the best way to simplify the procedure for introducing CMs while preserving high standard in assessing their need;
- Differentiating between the tools and analysis used for the identification of adequacy needs (ERAA, NRAA) from the tool and analysis used for determining the design parameters of CMs, also considering the difference in objective, scope, governance and processes.
- As such, determination of reliability standards must remain a prerogative of MSs to ensure national accountability for SoS. This is essential to reflect consistency with EU Treaties (Art. 194(2) TFEU) which state that national security remains the sole responsibility of MSs. Delegating the calculation of national values for CONE & VOLL to ACER is therefore not appropriate and should remain the responsibility of MSs. Furthermore, this proposal does not seem to simplify but rather complexify the process, due to the possible conflict between any central calculation performed by ACER and the official calculation performed by the MSs according to the ACER methodology for VOLL, CONE, and RS (Decision of 2 October 2020).
- Aiming at simpler, accessible and more efficient adoption processes while avoiding increasing complexity in the design & implementation of CMs (e.g. including via prescriptive requirements on de-rating factors; auction volumes & timings; implementation of XB participation; etc.).

We ask the EC to consider the following remarks:

#1: the sole reliance on ERAA central scenarios for identifying the need for CMs is a great concern. ERAA & NRAAs should be complementary, as both can identify adequacy concerns. Using solely ERAA central reference scenarios as basis for dimensioning CM parameters risks oversimplifying the complexity of national systems and not reflect actual adequacy needs of individual MSs.

#2: the condition to use VOLL & CONE figures provided by ACER for fast-tracking approval could lead to imposing one-size-fits-all reliability standard not appropriate for all MS.

#7: The possibility for capacity providers to deviate from predefined de-rating factors would lead to unnecessary complexity, inconsistencies & administrative challenges. “Self-derating” should only be a design option.

#8: ENTSO-E calls for gradual implementation of XB-participation, allowing for direct interconnector participation & implicit participation as an interim solution (or enduring solution under certain conditions), so to avoid undue delay of capacity procurement through CMs. We recommend deleting provisions in footnote 5 to avoid increasing complexity even further.

#1.b, & 9-28: the definitions of several parameters are crucial but must allow for national specificities. 'Delivery time,' 'delivery windows,' & 'delivery period' are used inconsistently: all parameters should be clearly defined & applied accordingly.

#9: Incorporating derating factors into ERAA could improve consistency but also increase complexity, especially for countries without CMs. The lack of standardised methods for calculating de-rating factors raises concerns. Embedding these factors in ERAA could affect the transparency, timelines & resource requirements. Legally mandated requirements within national calculations follow different purpose, scope & timings than the ERAA, including consultation processes & NRA approvals.

#10: Specifying minimum volumes for tenders could also lead to perverse incentives: they should thus be determined individually depending on expected bids.

#17: It is essential to allow for flexibility in the timing of strategic reserves (SR), ensuring that they are deployed when & where most needed, as some countries may require reserves only during winter, while others over a longer period. SR contracts should be allowed to cover 2 or more years. Similarly for market-wide CMs, both short-term & long-term contracts should be possible.

#20: Beneficiaries must be able to sell ancillary services regardless of being subject to CMs. Conditions related to activation or stress period should be clarified nationally.

#24 & 25: while we generally agree with the principle, sufficient flexibility should be allowed as cost allocation mechanisms should be simple, equitable and consider categories of consumers without the means or the awareness to shift or reduce consumption, including those lacking smart meters.

#28, poses a problem for some countries as non-activated bids cannot be precisely allocated to unit blocks (e.g. pool bids in balancing markets). Each country should design details of availability individually.

Additional details not included on the European Commission consultation portal due to character limitations:

A key concern on requirement 1 relates to the reliance solely on the ERAA central scenarios for identifying the need for a CM. As outlined in Art 21(4) of the Electricity Regulation, ERAA and NRAAs should be complementary, and both can identify adequacy concerns. ERAA could potentially serve as the basis for dimensioning the parameters of the capacity mechanism only when no national resource adequacy assessment is available. However, by using solely the ERAA central reference scenario(s) the proposed approach risks oversimplifying the complexity of national energy systems and could lead to misalignments between the tool's scope (i.e. identifying adequacy concerns) and the actual adequacy needs of individual MSs.

Moreover, footnote 2 suggesting that VOLL and CONE figures provided by ACER should be used by MS to calculate their reliability standard as a condition for fast-tracking raises further concerns. While standardisation can provide clarity, this approach could overlook specific national characteristics and lead to the imposition of a one-size-fits-all reliability standard that may not be appropriate for all MS. Given that economic parameters can vary widely between the different MS, nationally calculated VOLL and CONE figures should also be allowed to serve as the basis for identifying the need for a capacity mechanism.

The possibility for individual capacity providers to deviate from predefined de-rating factors leads to unnecessary complexity, which could lead to inconsistencies within the mechanism and administrative challenges. Therefore, “self-derating” should not be mandatory, but should only be a design option.

On cross-border participation (requirement 8), ENTSO-E advocates for a gradual implementation, allowing for direct interconnector participation and implicit participation as an interim solution, which can facilitate a faster approval and stepwise implementation process, ensuring that implementation of cross-border participation does not unduly delay the procurement of capacity through a CM. It should be explored under which conditions implicit participation can be allowed as an enduring solution. Furthermore, ENTSO-E are critical of the provision in footnote 5 (requiring at least 10% of the volume required for the delivery period plus the MEC to be demanded in adjustment auctions if cross-border participation is not allowed in the main auction), which introduces new requirements on how to implement cross-border participation beyond the existing ACER Decision. In order not to increase complexity even further, we recommend deleting the provision currently included in footnote 5.

The definitions of several parameters related to auction design (throughout requirements 1.b, and 9 to 28) —such as de-rating factors, auction volumes, auction lead-times, cross-border participation, penalties, planning and delivery windows, and investment thresholds for multi-year contracts—are crucial, but it is important that they allow for national specificities. In this regard it is crucial to differentiate between the tool used for the assessment of the resource adequacy needs (ERAA, NRAA), and the tool used for the design of the parameters for the capacity mechanism, which depending on the national legal framework will not only have different aim and scope, but also governance process. A one-size-fits-all approach may not work across Europe, given the significant differences in energy systems, technological developments, and market conditions among MS. Additionally, terms like 'delivery time,' 'delivery windows,' and 'delivery period' are used inconsistently in the draft proposal. To avoid any confusion, all parameters should be clearly defined and applied accordingly.

Regarding requirement 9, currently, no de-rating factors are published in the ERAA, and countries that wish to implement a CM must include them in their NRAA or related study. While incorporating de-rating factors into the ERAA could improve consistency, it would also increase complexity, especially for countries without CM plans. The lack of standardised methods for calculating de-rating factors and the additional complexity for non-CM countries raise concerns about proportionality. Moreover, embedding these factors in the ERAA could affect the transparency, timelines, and resource requirements of the assessment process, which should be carefully considered. Finally, legally mandated requirements within national calculations of design parameter, follow different purpose, scope and timings than the ERAA, including extensive consultation processes and approvals by competent national authorities, clearly beyond the scope and mandate of ERAA.

Specifying minimum volumes for individual tenders (No. 10) could also lead to false incentives and should therefore be determined individually depending on the expected bid.

Another concern arises with the fixed delivery window as outlined in requirement 17 for strategic reserves. To optimise resource allocation and enhance energy security, it is essential to allow for flexibility in the timing of strategic reserves, ensuring that they are deployed when and where they are most needed, as some countries may require reserves only during winter, while others may need them over a longer period. Also, contracts for Strategic reserves should be allowed to cover 2 or more years and not only one. Similarly for market-wide CMs, both short-term (e.g., one year) and long-term contracts should be possible.

In requirement 20, it is not clear whether the delivery period mentioned is the period of CM activation in stress situations, or the period refers to the whole delivery window (e.g. years). In any case, beneficiaries must be able to sell ancillary services for any capacity regardless of being contracted under a CM. National specificities must be considered when beneficiaries sell their capacity during stress periods or activations.

Requirements 24 & 25, outlining that at least 90% of the CM costs to be allocated to consumers based on their consumption during peak price periods raises some concerns. While we believe that distribution of CM costs should generally reflect consumers' contribution to system stress periods, cost allocation mechanisms should also be simple, equitable and consider categories of consumers that may not have the means or the awareness to shift or reduce consumption. Moreover, in countries lacking advanced metering infrastructure, when consumption from multiple actors is aggregated, some may be unfairly charged even if they did not consume electricity during activation. Finally, while we acknowledge the aim to allocate costs to periods of system stress (being cost-reflective), we recommend retaining more national flexibility on how to achieve this. As an example, recovering capacity costs based on a spot-price based tariffication methodology may be more favourable in some MSs, but this is not possible within the wording of the current text proposal.

Requirement 28, outlining that availability is calculated as the sum of power delivered and the availability on short-term electricity markets poses a problem for some countries. Non-activated bids in short-term markets cannot be precisely allocated to unit blocks (e.g. pool bids within balancing markets), and consequently, there is no data available to monitor the availability of non-activated bids. Due to these issues and the varying data availability in each country, there is a need for each country to design the details of availability individually.

Additionally, the current definition in point 28 on how availability is calculated may introduce some inappropriate incentives for capacity providers, specifically seen in relation to the fact that capacity providers receive capacity payment based on de-rated installed capacity. With the current definition of availability, capacity providers - most specifically non-dispatchable assets such as variable renewables, batteries or demand side response - may have incentives to bid below their actual potential in the energy markets in order to minimise the risk/size of potential penalties, given that this does not impact their capacity revenues. ENTSO-E recommends taking careful consideration of these issues to avoid introducing wrong incentives that may negatively impact dispatch efficiency.

In addition, we believe that a CM target model should allow the option for MS to address system needs and local requirements on top of resource adequacy. While CMs primarily aim to address adequacy concerns, they also offer potential benefits for ancillary services, non-frequency services, and locational signals. Incorporating these additional objectives into CM designs may increase complexity but could lead to cost savings and increase system security. In some countries, integrating locational signals within the CM design could enable capacity providers in congested areas to offer necessary system services, thus reducing the need for separate congestion management payments. As a result, ENTSO-E advocates that when applicable, CMs that take these needs into account can still be considered as part of the target model.

Proposed amendments for the draft text of the Clean Industry State Aid Framework (CISAF)

Section 4.2. AID FOR NON-FOSSIL FLEXIBILITY SUPPORT SCHEMES

Amendment 1

	Text proposed by the European Commission	***Amendment proposal by ENTSO-E***
(52)	The measure should be designed to support new investment in non-fossil flexibilities, while preventing undue distortions to the efficient functioning of electricity markets.	The measure should be designed to support new investments in non-fossil flexibilities ***or investments refurbishing existing installations to make them non-fossil***, while preventing undue distortions to the efficient functioning of electricity markets.

Justification

To accelerate the deployment of non-fossil technologies and ensure a level playing field, it is crucial that support is extended to entities upgrading their installations to become low-emission or non-fossil flexibility resources. This approach not only incentivizes the adoption of cleaner technologies but also ensures that existing infrastructure can transition towards sustainable practices without being disadvantaged. By making support admissible to those upgrading their installations, we foster an inclusive environment that promotes innovation and sustainability across all sectors.

Amendment 2

	Text proposed by the European Commission	***Amendment proposal by ENTSO-E***
(57)	If a capacity mechanism is implemented in the Member State concerned, the design of this capacity mechanism should be open to the participation of non-fossil flexibility such as demand response and storage to this capacity mechanism and promote their development in this capacity mechanism[37].	~~***If a capacity mechanism is implemented in the Member State concerned, the design of this capacity mechanism should be open to the participation of non-fossil flexibility such as demand response and storage to this capacity mechanism and promote their development in this capacity mechanism[37].***~~
	[37] In duly justified cases, the measure can envisage a limited transition period up to 2 years, during which market-wide capacity mechanisms and non-fossil flexibility measure can co-exist, for the integration of urgent measures for flexibility into a capacity mechanism, provided they remain proportionate and do not lead to overcompensation.	~~***[37] In duly justified cases, the measure can envisage a limited transition period up to 2 years, during which market-wide capacity mechanisms and non-fossil flexibility measure can co-exist, for the integration of urgent measures for flexibility into a capacity mechanism, provided they remain proportionate and do not lead to overcompensation.***~~

Justification

The timeframe reported in footnote 37 limits the transition period for co-existence of market wide capacity mechanisms and non-fossil flexibility support schemes to 2 years. This does not adequately reflect the distinct objectives and operational characteristics of these two mechanisms. While capacity mechanisms address resource adequacy, while flexibility schemes target system needs linked to variability and ramping. Their respective objectives, design features, and locational considerations are not necessarily aligned. Prematurely forcing their premature convergence risks undermining the effectiveness of both. A more pragmatic approach, recognising their complementary but distinct roles, would be more appropriate. Furthermore, this limitation appears to contradict Article 19g of the Electricity Market Regulation, which explicitly permits Member States to operate both mechanisms in parallel.

Amendment 3

	Text proposed by the European Commission	***Amendment proposal by ENTSO-E***
(61)	The aid is granted in the form of contracts covering a period no longer than 10 years providing a direct grant in exchange for the flexibility service.	~~***The aid is granted in the form of contracts covering a period no longer than 10 years providing a direct grant in exchange for the flexibility service.***~~

Justification

The 10-year timeframe may not align with the long-term performance requirements and the operational lifespan of the systems. Additionally, it does not align with the contract length envisaged in the target model for capacity mechanisms (up to 15 years) or for RES support schemes (up to 25 years). We recommend revisiting this timeframe to ensure it supports sufficient investment and aligns with the evolving needs of the energy system, and to ensure the level playing field for technologies applying for different types of support schemes.

Amendment 4

(62)	The aid amount is determined through a competitive bidding process with bids ranked (and support awarded) according only to their price.	The aid amount is determined through a competitive bidding process with bids ***primarily*** ranked (and support awarded) according ~~***only***~~ to their price ***per derated capacity***. ***Additional criteria— in line with the principles set out in point 9d —may also be considered to ensure that supported projects deliver not only cost-effective flexibility but also contribute to broader system benefits.***

Justification

The current wording implies suggests that the bidding price is the sole criterion for awarding support, which contradicts the definition of competitive bidding set out in point 9d. We recommend rephrasing paragraph 62 to clarify that bids should be primarily ranked based on price per derated

capacity, while allowing for the inclusion of additional criteria—such as system value. This would help ensure that the selected bids not only deliver cost-effective flexibility but also contribute to broader system benefits, including improved power flow distribution and reduced overall system costs.

Amendment 5

	Text proposed by the European Commission	***Amendment proposal by ENTSO-E***
(65)	The Member State concerned must confirm that the scheme promotes[40] the opening of the scheme to cross-border participation of those resources that are capable of providing the required technical performance, where a cost-benefit analysis is positive.	~~***The Member State concerned that the scheme promotes[40] the opening of the scheme to cross-border participation of those resources that are capable of providing the required technical performance, where a cost-benefit analysis is positive.***~~
	[40] For the purpose of this point, 'promotes' means giving a competitive advantage to non-fossil flexibilities in capacity mechanism auctions (e.g. minimum level of non-fossil flexibility awarded a contract in a capacity mechanism).	~~***[40] For the purpose of this point, 'promotes' means giving a competitive advantage to non-fossil flexibilities in capacity mechanism auctions (e.g. minimum level of non-fossil flexibility awarded a contract in a capacity mechanism).***~~

Justification

On point 65, the proposal that the scheme should promote the opening of the scheme to cross-border participation, where footnote 40 defines promoting as giving a competitive advantage to non-fossil flexibilities in capacity mechanisms, is difficult to understand. There seems to be a mixing up of concepts, where cross-border participation in non-fossil flexibility support schemes is mixed up with the participation of non-fossil flexibilities in capacity mechanisms. We recommend revisiting this point to further clarify what is actually meant or alternatively to delete the provision.

Amendment 6

	Text proposed by the European Commission	***Amendment proposal by ENTSO-E***
(66)	In order to provide efficient incentives to adjust consumption to price signals, consumers that contribute to creating the flexibility need should participate to the costs of the measure, on the basis of their consumption in periods giving rise to the need for the flexible resources. If locational technical criteria are applied, the additional costs of applying those criteria should be allocated to electricity consumers in the relevant locations. The Commission considers that such contribution can be considered proportionate when it is at least equal to 90% of the costs of the measure.	In order to provide efficient incentives to adjust consumption to price signals, consumers ***and producers*** that contribute to creating the flexibility need should participate to the costs of the measure, on the basis of their consumption ***and generation*** in periods giving rise to the need for the flexible resources. If locational technical criteria are applied, the additional costs of applying those criteria should be allocated to electricity consumers in the relevant locations. The Commission considers that such contribution can be considered proportionate when it is at

	least equal to 90% of the costs of the measure.

Justification

While we support the principle of cost-reflective contributions, the proposed approach overlooks key limitations. Firstly, the need for flexibility in the electricity system arises not only from consumption but also from generation patterns—particularly the variability of renewable sources. The proposed rules must reflect this broader system reality. *Secondly, in countries lacking advanced metering infrastructure, the proposed approach risks placing an undue burden on consumers with limited capability to adjust their consumption patterns. Moreover, where consumption is aggregated, charges may be unfairly allocated, penalising those not responsible for system stress. Lastly, without clear, timely information on stress periods, parties cannot act in their best interest. Measures to protect vulnerable consumers or those without access to flexibility-enabling technologies must also be explored.*

Amendment 7

	Text proposed by the European Commission	***Amendment proposal by ENTSO-E***
(67)	The measure is approved for a period of no longer than [5] years.	***~~The measure is approved for a period of no longer than [5] years.~~***

Justification

Given the close interplay between non-fossil flexibility support schemes and capacity mechanisms, it would be inappropriate to apply different approval periods to the two instruments. Doing so would place non-fossil flexibility schemes at a significant disadvantage relative to capacity mechanisms. It would also risk undermining their value as targeted tools to support resources such as demand-side response and storage—technologies that have historically struggled to compete with thermal generation in capacity auctions. Considering the urgent and growing need for investment in flexible, non-fossil resources, this approach would be misaligned with broader energy transition objectives.

ANNEX I - TARGET MODELS FOR CAPACITY MECHANISMS

Amendment 8

Requirement 1

Scope: SR, MW

Text proposed by the European Commission	***Amendment proposal by ENTSO-E***
a) the latest available European Resource Adequacy Assessment (ERAA)[1] central reference scenarios approved by the European Union Agency for the Cooperation of Energy Regulators (ACER) must be the sole basis for identifying the need for a capacity mechanism. The reliability standard, calculated as the ratio of cost of new entry (CONE) / value of lost load (VOLL)[2] , must not	***In absence of an approved NRAA,*** the latest available European Resource Adequacy Assessment (ERAA)[1] central reference scenarios approved by the European Union Agency for the Cooperation of Energy Regulators (ACER) ***~~must be the sole basis~~ shall be taken into account*** for identifying the need for a capacity mechanism. ***~~The reliability standard, calculated as the ratio of~~***

be met in the Member State concerned at least as of the first delivery window (see criterion 17 below) within the approval period; and b) all parameters calculated to assess availability, such as any de-rating factors, must be in line with the ERAA assumptions and results[3].	~~cost of new entry (CONE) / value of lost load (VOLL)[2] , must not be met in the Member State concerned at least as of the first delivery window (see criterion 17 below) within the approval period; and~~ ~~b) all parameters calculated to assess availability, such as any de-rating factors, must be in line with the ERAA assumptions and results[2].~~

Justification

The ERAA and NRAAs should be complementary, with ERAA serving as the basis for dimensioning the parameters of the capacity mechanism only when no national resource adequacy assessment is available. Using solely the ERAA central scenario the proposed approach risks oversimplifying the complexity of national energy systems and could lead to misalignments between the tool's scope (i.e. identifying adequacy concerns) and the actual adequacy needs of individual Member States. Moreover, suggesting that VOLL & CONE figures provided by ACER should be used by MS to calculate their reliability standard as a condition for fast-tracking raises further concerns. While standardisation can provide clarity, this approach could overlook specific national characteristics and lead to the imposition of a one-size-fits-all reliability standard that may not be appropriate for all MS. Given that these country-specific circumstances are vital for understanding local resource adequacy, VOLL and CONE values included in approved NRAAs should also be eligible.

Amendment 9

Requirement 7

Scope: SR, MW

Text proposed by the European Commission	***Amendment proposal by ENTSO-E***
The Member State confirms that de-rating factors have been set in accordance with criterion 1. The multiplication of the relevant de-rating factor by the installed capacity of one unit provides the default capacity value (in MW) which is eligible to participate in the capacity mechanism. Individual capacity providers are allowed to deviate from the default derating factor for the technology at issue (up to at least [15%] of the standard de-rating factor of that technology). In this case, capacity providers must face the risk of penalties related to their custom de-rating factor.	~~The Member State confirms that de-rating factors have been set in accordance with criterion 1. The multiplication of the relevant de-rating factor by the installed capacity of one unit provides the default capacity value (in MW) which is eligible to participate in the capacity mechanism. Individual capacity providers are allowed to deviate from the default derating factor for the technology at issue (up to at least [15%] of the standard de-rating factor of that technology). In this case, capacity providers must face the risk of penalties related to their custom de-rating factor.~~

Justification

We recognise the importance of accommodating diverse flexibility measures within CMs, especially to avoid discouraging participation from innovative or emerging flexibility providers. However, allowing individual capacity providers to deviate from standard de-rating factors (by a specific set value) should not be a mandatory requirement for capacity mechanisms to benefit from fast-tracking, as permitting individual capacity providers to deviate from predefined de-rating factors risks introducing unnecessary complexity, potentially leading to inconsistencies across the mechanism and creating additional administrative challenges.

Amendment 10

Requirement 8
Scope: MW

Text proposed by the European Commission	***Amendment proposal by ENTSO-E***
The capacity mechanism must be open to cross-border participation in line with ACER methodology[4]. Maximum entry capacity must be set based on the ACER rules.	The capacity mechanism must be open to cross-border participation in line with ACER methodology[4]. Maximum entry capacity must be set based on the ACER rules. ***A phased implementation approach shall be permitted, starting with the possibility for direct interconnector participation and allowing for implicit participation as an interim measure. The conditions under which implicit participation may be retained as an enduring solution shall be assessed, ensuring consistency with the principles of non-discrimination, cost-effectiveness, and system adequacy.***

Justification

A gradual implementation, allowing for direct interconnector participation and implicit participation as an interim solution, which can facilitate a faster approval and stepwise implementation process, ensuring that implementation of cross-border participation does not unduly delay the procurement of capacity through a CM. It should be explored under which conditions implicit participation can be allowed as an enduring solution.

Amendment 11

Requirement 9
Scope: SR, MW

Text proposed by the European Commission	***Amendment proposal by ENTSO-E***
The volume auctioned should be calculated based on ERAA central reference scenario results so that the reliability standard, determined as described in criterion 1, is reached. A demand curve should be set so that demand is reduced proportionately	The volume auctioned ***~~should~~ may*** be calculated based on ERAA central reference scenario results so that the reliability standard, determined as described in criterion 1, is reached. A demand curve should be set so that demand is reduced

if prices in the competitive bidding process exceed the CONE used to calculate the reliability standard. Bid caps can be introduced. If bid caps are used they must:	proportionately if prices in the competitive bidding process exceed the CONE used to calculate the reliability standard. Bid caps can be introduced. If bid caps are used they must:
a) be set at a level that avoids inefficient early closure of existing assets based on a detailed estimate of costs and revenues per reference project; or	a) be set at a level that avoids inefficient early closure of existing assets based on a detailed estimate of costs and revenues per reference project; or
b) be accompanied by a process for individual resources to justify to the NRA an exception from the price cap based on their specific costs.	b) be accompanied by a process for individual resources to justify to the NRA an exception from the price cap based on their specific costs.

Justification

It is crucial to differentiate between the tool used for the assessment of the resource adequacy needs (ERAA, NRAA), and the tool used for the design of the parameters for the capacity mechanism. For the design of the parameters, ERAA shall and cannot be the single source of design parameters.

Amendment 12

Requirement 10
Scope: MW

Text proposed by the European Commission	***Amendment proposal by ENTSO-E***
One main competitive bidding process for [75%]-[90%][5] of the estimated volume required for the delivery window should take place [4]-[6] years ahead of the delivery window. Adjustment competitive bidding processes can be organised closer to delivery, taking into account the lead time for developing demand response and storage.	~~***One main competitive bidding process for [75%]-[90%][5] of the estimated volume required for the delivery window should take place [4]-[6] years ahead of the delivery window. Adjustment competitive bidding processes can be organised closer to delivery, taking into account the lead time for developing demand response and storage.***~~

Justification

Specifying minimum volumes for individual tenders could also lead to false incentives and should therefore be determined individually depending on the expected bid.

Amendment 13

Requirement 13
Scope: SR, MW

Text proposed by the European Commission	***Amendment proposal by ENTSO-E***
Beneficiaries must be identified through a competitive bidding process with bids ranked (and	Beneficiaries must be identified through a competitive bidding process with ~~***bids ranked***~~

support awarded) according only to their price in EUR/de-rated MW/year of available capacity.	~~(~~***~~and~~*** support awarded~~)~~ according only to their price in EUR/de-rated MW/year of available capacity.

Justification

The phrasing 'bids ranked' is somewhat unclear. The ranking of bids should be excluded to allow for the implementation of individual design options within the capacity mechanism (e.g., bonuses).

Amendment 14

Requirement 17

Scope: SR, MW

Text proposed by the European Commission	***Amendment proposal by ENTSO-E***
The delivery window must be a single fixed period of up to one year [between 1 November of year Y until 31 October of year Y+1.]	***For strategic reserves, Member States may choose a delivery window*** of up to one year [between 1 November of year Y until 31 October of year Y+1.]***, with the possibility to specify shorter or longer periods where duly justified, in light of geographic, climatic or system-specific factors affecting seasonal adequacy risks.*** ***For market-wide capacity mechanisms, the delivery window may extend beyond one year, provided it is linked to multi-year contractual arrangements aimed at ensuring investment certainty and cost efficiency.***

Justification

The proposed flexibility in the delivery window is essential to accommodate the diverse energy security needs and system characteristics of Member States. For strategic reserves, a fixed timeframe could be overly restrictive, as the timing of reserve requirements varies significantly depending on conditions. Allowing for a flexible delivery window ensures that resources are allocated optimally to address national security of supply concerns. For market-wide mechanisms, longer-term contracts are necessary to provide investment certainty and to avoid the cost volatility associated with short-term contracts. Spreading costs over multiple years creates a more stable investment environment, which ultimately supports affordable and reliable capacity for consumers. The inclusion of a reference period from 1 November of year Y to 31 October of year Y+1 is retained as a default but can be adjusted based on national needs.

Amendment 15

Requirement 20

Scope: MW

Text proposed by the European Commission	***Amendment proposal by ENTSO-E***

Beneficiaries must be able to sell ancillary services outside the delivery period and for any capacity not subject to a contract within the capacity mechanism	Beneficiaries must be able to sell ancillary services ***regardless of being ~~outside the delivery period and for any capacity not~~*** subject to a contract within the capacity mechanism. ***National rules may define specific conditions for selling ancillary services during stress periods or activations***.

Justification

While CMs primarily focus on addressing adequacy concerns, they also offer potential benefits for ancillary services, non-frequency services, and locational signals. Incorporating these additional objectives into CM designs may increase complexity but can lead to cost savings and enhanced system security. In some countries, integrating locational signals within the CM design could enable capacity providers in congested areas to offer essential system services, thus reducing the need for separate congestion management payments. ENTSO-E advocates that, when applicable, CMs that incorporate these needs can still be considered part of the target model. Furthermore, beneficiaries must be able to sell ancillary services for any capacity, whether or not it is subject to a contract within the CM. This flexibility enhances the overall efficiency and security of the system.

Amendment 16

Requirement 21
Scope: MW

Text proposed by the European Commission	***Amendment proposal by ENTSO-E***
If Member State applies both a capacity mechanism and a flexibility measure, or already has a flexibility measure in place, capacity should be jointly procured.	***~~If Member State applies both a capacity mechanism and a flexibility measure, or already has a flexibility measure in place, capacity should be jointly procured.~~***

Justification

As outlined in amendment 2 on point 57, the differing objectives of these mechanisms must be recognised. While these mechanisms can be complementary, they serve distinct objectives: CMs address resource adequacy, while flexibility schemes target system needs linked to variability and ramping. The relationship between the two instruments can be better understood through the following framework: the ERAA/NRAA identifies adequacy risks, while the the National Flexibility Needs Assessment (NFNA), informed by the ERAA/NRAA, identifies flexibility needs. If both a CM and a Non-Fossil Flexibility Support Scheme (NFFSS) are implemented, various auction design options could be considered:

- *A sequential model, where NFFSS auctions are held first, and contracted volumes are deducted from CM dimensioning.*
- *A parallel model, where auctions are conducted simultaneously, allowing market participants equal access and ensuring pooled liquidity.*
- *A 'top-up' model, where NFFSS auctions follow CM auctions, targeting additional flexibility needs not met through the CM.*

Each approach carries trade-offs, and the choice should reflect national circumstances and system needs. Flexibility in design is essential to ensure effective integration of non-fossil flexibility into central adequacy frameworks. We therefore recommend deleting Requirement 21, as it imposes an overly prescriptive constraint that could hinder optimal market design.

Amendment 17

Requirements 24 & 25

Scope: SR & MW

At least 90% of any capacity mechanism costs not recovered through imbalance charges allocated in accordance with Electricity Regulation Article 22(2) of the Electricity Regulation must be allocated to consumers based on their consumption during the [1] – [5]% highest price periods each year.	~~***At least 90% of any capacity mechanism costs not recovered through imbalance charges allocated in accordance with Electricity Regulation Article 22(2) of the Electricity Regulation must be allocated to consumers based on their consumption during the [1] – [5]% highest price periods each year.***~~
At least 90% of the capacity mechanism costs must be allocated to consumers based on their consumption during the [1] – [5]% highest price periods each year.	~~***At least 90% of the capacity mechanism costs must be allocated to consumers based on their consumption during the [1] – [5]% highest price periods each year.***~~

Justification

The proposal does not specify which market should be used for settlement periods, leaving the decision to individual countries. This lack of clarity could result in divergent rules across member states, undermining the goal of regulatory consistency and creating a fragmented approach that complicates the functioning of the capacity mechanism across the EU. While it is important for the distribution of CM costs to reflect a consumer's contribution to system stress, such allocation mechanisms must also be simple, equitable, and considerate of consumer categories that lack the means or awareness to shift or reduce consumption. In countries lacking smart metering infrastructure, some consumers may be unfairly charged for participation in the SR, even if they do not consume electricity during an activation event. The use of standard load profiles, which assume a baseline level of consumption, fails to accurately reflect actual consumption patterns, leading to potential billing discrepancies and unfair charges for consumers.

Amendment 18

Requirements 28

Scope: MW

28	MW Availability is calculated as the sum of i) the power delivered; and ii) the availability proposed on the short-term electricity markets and which did not result in an activation.	~~***Availability is calculated as the sum of i) the power delivered; and ii) the availability proposed on the short-term electricity markets and which did not result in an activation.***~~

Justification

The proposed requirement presents challenges for certain countries, as bids in short-term markets cannot be allocated to unit blocks (e.g., pool bids within spot and balancing markets). As a result, there is no data available to monitor the availability of non-activated bids. Additionally, the requirement does not account for negative balancing activations as available capacity, which could negatively impact balancing markets. Given these issues and the varying data availability across countries, it is necessary for each country to design the specifics of availability on an individual basis.