January 23, 2018

Dear Rapporteur, Dear Shadows,

We would like to draw your attention to a worrisome change in the latest compromise amendments to articles 4 and 11 of the regulation on the internal market for electricity.

Exempting demonstration projects from balancing responsibility and granting them priority dispatch is necessary to reduce costs and risks, and we are glad to see that this is recognized in the latest compromise text. However, the mention of **"emerging technologies as defined in Article 66 and 67 of Regulation (EU) 2016/631" would in practice completely undermine these exceptions.**

Regulation (EU) 2016/631 concerns technical grid connection criteria and cannot be readily applied to market rules.

The regulation's definition of 'emerging technology' would greatly limit the size of the demonstration project modules (turbine, plant, etc.) that could benefit from balancing exemption and priority dispatch, excluding most of our technologies from the definition (article 66). Furthermore, it highly limits the total capacity of demonstration projects that can be considered as 'emerging technology'-(article 67).

Demonstration projects are non-commercial projects which have a negligible impact on the market. They aim at proving the performance of a technology and reduce its cost. Further specifying the term would thus be armful for the European renewable industry and unnecessary.

At a minimum, a wider definition of 'emerging technology' is essential if these paragraphs of the Internal Electricity Market Regulation are to have real meaning.

A more detailed explanation of the implications is provided below.

Do not hesitate to contact us for further information.

Best regards,

Initial Analysis: Implications of using 'emerging technology' definition from Regulation (EU) 2016/631

- The Regulation severely limits the total capacity of 'emerging technology' that can be deployed. For example, the electricity regulator for France has concluded that there can be no more than a cumulative 87.4MW of all types of 'emerging technology' under this definition. Their counterparts in Great Britain and Brussels have calculated limits of 58MW and 10.6MW for their respective member states. This means that even 1 large scale demonstration project for 1 technology type could potentially take up an entire Member State's quota;

- The Regulation requires that 'emerging technology' be of a capacity size corresponding to 'Type A'. This figure differs by Member States, but the regulators Great Britain and France have both set a maximum capacity size of 1MW. To generate meaningful results and cost

reductions, it must be possible to run demonstration projects at full scale – which can require devices greater than 1 MW;

- The Regulation requires that 'emerging technology' must be *'commercially available power-generating module technology'*. By their very nature, demonstration projects are required for technology which is not commercially available. It is precisely the demonstration projects which allow emerging technology to become commercially available. The Agency for the Coordination of Energy Regulators has published a Report which includes criteria as to how each NRAs defines this requirement (see Table 8 of Annex 1). In many cases the conditions which must be met are significant.

Alternative definition proposed as part of the original Commission proposal (Art 2 §2 x): (45) 'demonstration project' means a project demonstrating a technology as a first of its kind in the Union and representing a significant innovation that goes well beyond the state of the art.).