EU Retail Electricity Markets in Transition: The Quest for Adequate Design

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After a gradual process of reforms, retail electricity markets in Europe are well-established. In parallel, the decarbonization agenda and rapid technological progress lead the way towards a renewable-based electricity system, in which new business models emerge. Distributed resources, prosumers and peer-to-peer trading are all part of the most likely scenarios. While the 2016 Clean Energy Package responds to the consensus that the electricity market design needs to adapt and aims at putting consumers at the center of the clean energy transition, most recent analyses focus on wholesale issues. I narrow this gap by focusing on arrangements downstream of the distribution network level. First, I analyze the EU retail market design in isolation and second, I study its interaction with EU renewable energy policies. I do this in both the current and the forthcoming legislative framework to elucidate if the recently politically-agreed reforms mitigate conflicts or facilitate synergies in the European energy policy framework. While I find reforms to be promising in some respects, I also find several other fundamental unresolved conflicts. As remedial measures for EU Member States, I suggest promoting broadly-defined consumer engagement, reconciling renewable financing schemes with the decarbonization goal, and ensuring that distribution network tariffs are well-designed.