Main issues discussed

After presenting the main areas of its activity E.ON expressed its interest in the reform of the electricity market design and noted that the timeline was advanced. E.ON asked about the objectives and principles underlying the reform and about the indicative timeline. E.ON stressed that the reform should preserve the price signals and the marginal pricing.

ENER referred to the latest EUCO conclusions and the upcoming TTE council which should bring more clarity on the process and its timeline, in particular in view of the requested work on a cost benefit analysis of the Iberian measure. ENER invited E.ON to share their ideas on how to improve the electricity market design, in particular as regards the decoupling of electricity and gas prices.

EON noted that since the meaning of decoupling is ambiguous it is difficult to find a common denominator for the price of gas should the Iberian mechanism was considered. E.ON warned about negative impact of the measure on the internal market if difference price caps were applied. E.ON recalled that before the implementation of the Clean Energy Package is completed it is difficult to consider a new reform.

E.ON said that high energy prices are problematic from their point of view as they raise the affordability question for customers. At the same time, strong signals in moments of scarcity are necessary. Solutions should be robust and should not distort the merit order or lead to fuel switch. They should focus on the real problem of insulating consumers from volatile prices, while the retail market should at the same time reflect the wholesale prices.

EON acknowledged that generators never expected to collect such revenues and that there should be a claw back mechanism. To pass the benefits to consumers, RES producers need to have certainty that they would be able to recover the cost of investment. A 2-way CfD could be a way to manage such risk. CfDs would contribute to more mature and liquid markets, however more standardisation is needed.

ENER asked how to ensure an optimal resource planning to secure the continuous availability of electricity. The problem already appears in some Member States.

EON agreed that finding an efficiency optimum bridging between RES and the flexibility is needed. E.ON considers that the market will provide incentives for the necessary investments but an additional stimulus to deliver them in a timely manner might be needed. Targeted capacity remuneration mechanisms could play a role and in their view they should become part of the future market design. E.ON proposed to make PPAs more attractive. Regarding the retail side, E.ON considers that there should be a penalty for consumers if they switch a supplier. Otherwise, retailers who are bound by a long-term contract will bear the risk which will have to be passed on to consumers through tariffs. If energy suppliers face bankruptcy public bodies via taxpayers will ultimately have to pay the cost of their bailout. To incentivize greater flexibility E.ON suggested that a part of consumption could be regulated while including a component would reflect the price volatility on the market.

Regarding the liquidity of forward markets, E.ON pointed to strictly regulated parameters of products that can be traded. New products should be allowed and incentivized. E.ON will continue reflecting on the topics raised during the meeting.
### Internal participants

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