

Energy Policy, Climate Policy

A milestone for the electricity agreement: Now it's time to focus on consumers

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At a glance

- In electricity policy, the goal is to balance security of supply, investments in production, stable grids, and affordable electricity prices.
- The electricity agreement is central to this. It ensures market access and provides the necessary impetus for domestic reform.
- Ultimately, policymakers must not lose sight of those who ultimately pay for the electricity: households and businesses.

The Energy Commission of the Council of States' approval of the electricity agreement sends an important signal. The commission emphasizes what has long been clear to many companies: Better integration into the European electricity market creates new market opportunities for Switzerland, increases security of supply, and advances long-overdue reforms of the Swiss electricity market.

More Choice for SMEs

It is particularly welcome that a majority of the commission supports opening the market to SMEs with an annual consumption of 50 megawatt-hours or more. Companies will have greater freedom of choice and will be able to purchase their electricity from providers that offer the right combination of price and service. Suppliers, in turn, will have greater freedom, but they will have to work harder to win over customers and focus on innovation—the logic of competition. Today's Swiss electricity market is often romanticized, but for companies on both sides of the market, the reality is grim: a lack of security of supply, virtually no expansion of winter power generation, high regulatory costs and fees, and prices roughly three times higher than in Asia or the U.S. Reforms are therefore urgently needed.

The decision against continuing the minimum feed-in tariff for solar power is therefore also a positive step. This tariff hinders the targeted expansion of renewables for the cold and dark season because it diverts subsidies away from existing plants. Furthermore, it exacerbates the misallocation of electricity: overproduction at the wrong time is subsidized, while Switzerland's winter problem remains unresolved. Financing through the grid surcharge, as advocated by the minority of the commission, could cost consumers billions more. It is particularly crucial for Switzerland as an industrial hub that the burden of fees on electricity bills decreases—or at least does not continue to rise.

Don't Regulate Away the Benefits

For other decisions, the interim assessment is less clear-cut. The continuation of the sliding-scale market premium for large-scale hydropower or potential transition fees for entering the free market raise sensitive questions regarding

compatibility with the negotiated agreement. Furthermore, the market opening is to be accompanied by an expanded universal service and various supplementary measures. Arguments can certainly be made for each of these individual aspects. Overall, however, the protection of existing structures must not be given greater weight than ensuring competition that is as attractive as possible for producers and customers. A new, costly “Swiss Finish” must also be avoided. After the market is opened, the Energy and Electricity Supply Act must not be more extensive than it was before.

In the end, electricity customers must benefit

Parliament should pay particular attention to this in its further deliberations. Opening up the market can lead to lower prices, better offerings, and more choices. But to achieve this, the market must be allowed to function freely. The open market must be attractive to SMEs and electricity producers, the basic supply must function efficiently, and regulation must ensure fair competition. The narrow majorities in the committee show that striking this balance remains a politically challenging task. This makes it all the more important not to lose sight of the goal:

Security of supply and favorable investment conditions are key. But ultimately, a more integrated and competitive electricity market must, above all, benefit those who finance it: electricity consumers. Otherwise, we risk regulating away some of the agreement’s benefits ourselves.



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