

Residential Prosumers in the European Energy Union

EAHC/2013/CP/04

Mapping the legal and regulatory framework in the 28 Member States, Iceland and Norway

Estonia



This study is part of the mapping of the legal and regulatory framework for residential prosumers in the 28 Member States, Iceland and Norway, within the project on Residential Prosumers in the European Energy Union EAH/2013/CP/04, and carried out by Milieu Ltd (Belgium), Chaussée de Charleroi, 112, B-1060 Brussels, tel: +32 (0)2 506 1000; web address: www.milieu.be

This study presents the legal and regulatory framework for residential prosumers in Estonia and has been prepared by Triin Frosch as the author and reviewed by the managers of the project Marta Ballesteros (Marta.Ballesteros@milieu.be) and Marta Santos Silva (Marta.Santos.Silva@milieu.be). The study has been completed in June 2017.

Disclaimer: The information and views set out in this study are those of the authors and do not necessarily represent the official views of the Commission.

National report on the regulatory framework for residential prosumers: Estonia

General Description of the national legal and regulatory framework

General

Two main pieces of legislation set out the legal framework of the electricity market in Estonia: the Electricity Market Act adopted by the Estonian Parliament (*Riigikogu*) on 11 February 2003 and subsequently amended¹ and the Grid Code adopted on 26 June 2003 by the Decree No 184 of the Government of the Republic of Estonia and subsequently amended². There are also several policy documents, e.g. the Estonian National Action Plan for Renewable Energy until 2020, adopted on 26 November 2010 by the Decree No 452 of the Government of the Republic of Estonia³. A new National Development Plan for the Energy Sector which is to be valid until 2030 is currently being discussed by the Estonian Parliament.

The Estonian legislation does not have separate rules for residential prosumers and, therefore, in most cases general rules set forth in the Electricity Market Act and the Grid Code apply.

The Electricity Market Act foresees three types of contracts to be entered into by a market participant: connection contracts, network contracts and electricity contracts. For the purposes of connecting to a network and amending the consumption or generation conditions, connection contracts are entered into with a network operator. For the provision of other network services, including transmission and distribution of electricity, network contracts are entered into with a network operator and for the sale of electricity, electricity contracts are entered into with a network operator or a seller. There are two types of electricity contracts: open supply and fixed supply contracts.

Each market participant (including residential prosumer) is required to have an open supply contract, which covers the balance responsibility of that market participant. A responsibility to keep the balance means that a market participant has to ensure that the amount of electricity supplied to the network and/or purchased by the market participant in each trading period is equal to the amount of electricity acquired from the network and/or sold by the market participant. For that purpose, a market participant is required to enter into an open supply contract with a supplier. The supplier shall designate the balance provider who has assumed the balance responsibility obligation to maintain the balance of the market participant. In addition to the open supply contract, a market participant may enter into a fixed supply contract. Under this type of electricity contract, sale of a fixed amount of electricity takes place in a trading period.

The EU target for Estonia's end consumption of energy from renewable resources is 25%. Estonia achieved the referred target already in 2011. As at 2014, the total share of renewable energy in gross final energy consumption was 26.5%.

¹ Available in English from the electronic version of *Riigi Teataja* (i.e. the official online publication of the Republic of Estonia, which publishes legislation and other documents): <https://www.riigiteataja.ee/en/eli/527122016001/consolide>.

² Available in Estonian from the electronic version of *Riigi Teataja*: <https://www.riigiteataja.ee/akt/116022016014>.

³ Available in Estonian on the webpage of the Ministry of Economic Affairs and Communications: https://www.mkm.ee/sites/default/files/taastuvenergia_tegevuskava.pdf.

1. What types of residential prosumers are there in your country on the basis of type of RES used and size of the installation?

Answer:

The main type of RES used in Estonia by residential prosumers is solar power. Wind energy and, to a small extent, hydro energy are also used. The average capacity of the installations is 10 kW or less.

A residential prosumer qualifies as a micro producer whenever they use a single-phase installation with a maximum nominal capacity of 3.68 kW or a triple-phase installation with a maximum nominal capacity of 11 kW. A micro-production installation may also comprise of several installations, as long as its total capacity does not exceed the aforementioned capacities.

2. What is the institutional framework & division of competences regarding residential prosumers in your country?

Answer:

There is no separate institutional framework or division of competences regarding residential prosumers in Estonia. As such, general rules described below in this section apply.

The Ministry of Economic Affairs and Communications has overall responsibility for the energy sector, however, the Estonian Competition Authority (the "ECA") acts as the regulatory body. The functions of the ECA and the Ministry of Economic Affairs and Communications have been clearly separated by legislation and both institutions work efficiently in their respective domains.

The Ministry of Economic Affairs and Communications has a separate energy department which has the following main competencies in the energy sector:

- preparing draft legislations in the energy sector;
- participating in the preparation of and ensuring the carrying out of development plans intended to increase the effectiveness, level of competitiveness and environmental friendliness of fuel and energy management.

The ECA supervises both the electricity and gas markets. Its main duties in relation to the electricity sector include:

- issuing licences, including certification of the transmission system operator;
- overseeing the prices set for the supply of electricity under the general service concept and the prices charged by the transmission system operator and the distribution system operators (or in some cases, the method used to calculate prices);
- approval of standard terms and conditions for the supply of electricity under the general service concept;
- approval of standard terms and conditions of network service contracts; and
- in certain cases, approval of different renewable energy support rates than the ones provided for in the Electricity Market Act.

Specific Questions on the regulatory framework for residential prosumers**3. What is the regulatory framework for residential prosumers in your country?****General**

There is no separate legislation regarding residential prosumers. General rules which are set forth in the Electricity Market Act and the Grid Code apply.

3.1. What is the existing legislative framework regulating Renewable Energy Projects in your country?**Answer:**

Renewable Energy Projects are mainly regulated by the Electricity Market Act.

National support schemes in the form of feed-in tariffs have been put in place in Estonia to promote production from renewable energy resources. A fixed price for each kWh generated (i) from a renewable source with a generating installation the capacity of which does not exceed 100MW (at the rate of 0.0537 euros/kWh), (ii) from biomass in an efficient co-generation plant (at the rate of 0.0537 euros/kWh), (iii) from waste, peat or retort gas in an efficient co-generation plant (at the rate of 0.032 euros/kWh), or (iv) with a generating installation the capacity of which does not exceed 10MW (at the rate of 0.032 euros/kWh) is paid by the transmission system operator in addition to the price received upon sale of the electricity on the market.⁴ The relevant cost is passed on in the network charges and thus the support is financed by all consumers in proportion to their volume of consumption of network services.⁵ Only electricity supplied to the network qualifies for the support, i.e. own consumption is not subsidised.⁶ The support is paid for a period of 12 years following commencement of production.⁷

A generator may benefit from the support scheme if the electricity is generated from a renewable source or in an efficient co-generation plant, in both cases subject to restrictions set out in the Electricity Market Act (e.g. wind energy producers may use the subsidy for up to a maximum of 600GWh of electricity produced in a calendar year⁸).

A draft act has been prepared and is currently being discussed in the Parliament according to which the support scheme will be revised in a way that, going forward, different support schemes will be applied to existing producers and new producers.⁹

According to the draft act the existing support scheme will remain in place with regard to generation installations which are operating and supplying electricity to the network. Currently planned break-off date is 1 July 2018 or 31 December 2020 in case of wind parks and generation installations with net capacity below 50kW.

⁴ Articles 59(1) and 59(2) of the Electricity Market Act.

⁵ Article 59²(1) of the Electricity Market Act. The numbering used throughout the document to Estonian legal acts (e.g. Article 59²(1) of the Electricity Market Act), is used in case of amendments to the legal acts whereby new articles and/or sections are introduced but no consolidated version of the legal act is prepared. Therefore, if the new article is best placed between e.g. Articles 59 and 60, it is numbered as 59¹. If additional Articles are being introduced, the numbering can go as high as needed (e.g. 59¹⁰).

⁶ Article 59¹(2)(5) of the Electricity Market Act.

⁷ Article 108(1) of the Electricity Market Act.

⁸ Article 59¹(5) of the Electricity Market Act.

⁹ The draft act No 290 SE on Amendment of the Electricity Market Act is available in Estonian on the webpage of the Parliament: <https://www.riigikogu.ee/tegevus/eelnoud/eelnou/5b8f3e3a-617c-424a-89a8-e10cc25f34d4/Elektrituruseaduse%20muutmise%20seadus/>.

So-called “new generation installations” will have a possibility to receive support only in case Estonia needs additional renewable energy capacities in order to meet the target for the share of electricity in end consumption that is generated from renewable energy sources. According to the explanatory note to the draft act, the current target is set at 17.6% by 31 December 2020 (whereas in 2015 16.7% of end consumption of electricity was generated from renewable energy sources¹⁰). Thereafter the revised target shall be determined by the Parliament.

If, in view of the referred target, there is a need for additional renewable generation capacity, the Government will arrange auctions where the tender is won by the producer offering the lowest feed-in tariff.

According to the draft act, another possibility to receive support would be through co-operation with other EU Member States either in the form of (i) statistical transfers of electricity by Estonia in which case the Government will arrange auctions to appoint the producer in order to fulfil the commitments taken by the State under statistical transfer agreements or (ii) co-operation projects undertaken by the producer with another EU Member State whereas such co-operation shall be facilitated by the Ministry of Economic Affairs and Communications.¹¹

The aim of the draft act is to find a balance between promoting production of energy from renewable energy resources and the financial burden of the support placed on the end consumers (the rate of the renewable energy fee charged to the consumers has risen from 0.14 c/kWh in 2007 to 0.96 c/kWh in 2016) and to reduce the market distortions caused by support schemes. For the time being, it remains unclear to what extent and as of when the current renewable energy support scheme will be changed.

There is also a national investment support scheme under which small households are eligible for investment support intended for the purposes of adopting the use of renewable energy sources.

3.2. Does the Renewables National Action Plan include any objectives for residential prosumers (if so, please specify)

Answer:

There are no references to residential prosumer in the Renewables National Action Plan.

3.3. Is there a definition (legal or regulatory) of residential prosumers (or self-consumption) in your country? If so, state it and describe the elements of this definition?

Answer:

There is no specific definition of residential prosumers in Estonian legislation, as referred to above in the answer to question 1. A general term of “micro producers” (which also includes residential prosumers) is used.

¹⁰ Please see page 2 of the explanatory note to the draft act No 290 SE for more details. The explanatory note is available in Estonian on the webpage of the Parliament: <https://www.riigikogu.ee/tegevus/eelnoud/eelnou/5b8f3e3a-617c-424a-89a8-e10cc25f34d4/Elektrituruseaduse%20muutmise%20seadus/>.

¹¹ New Articles 92⁴ and 92⁵ planned to be introduced to the Electricity Market Act by the draft act No 290 SE.

4. What are the permitting requirements for each type of residential prosumer?

General

The general rules of permitting are laid down in the Electricity Market Act. There are no separate rules for residential prosumers.

An undertaking is required to hold a permit to engage in the generation of electricity, except where the producer uses generating installations the total net capacity of which falls below 100 kW.¹²

The permit for generation as well as the permit for the sale of electricity is issued to the undertaking if it meets the following requirements:

- an electricity undertaking is a company which is registered in the European Economic Area;
- the share capital of a producer or seller is at least 31,950 euros.

However, the above requirements shall not apply to producers and sellers in case of generating installations which have a total net capacity of less than 100 kW.

Thus a residential prosumer who generates electricity with generating installations having total net capacity of less than 100 kW and sells the excess electricity generated by such installations is not required to obtain a permit for generation or a permit for sale of electricity.

A draft act on amendment of the Electricity Market Act has been prepared by the Ministry of Economic Affairs and Communications which among others aims to simplify the rules applicable to energy cooperatives and small producers.¹³ Under the draft act no permit would be required to generate and/or sell electricity in case of generating installations which have a total net capacity of less than 200 kW. Also, the requirements on the legal form and capital would not apply in such a case.

4.1. Does your country recognize certain forms of self-consumption and subject prosumers to certain

- requirements,
- application fees and
- one-off costs

in order to give them a permit or licence to generate energy?

Answer:

There is no specific legislation with regards to residential prosumers and therefore general rules apply.

As stated above, under question 4, generally an undertaking is required to hold a permit to engage in the generation of electricity and the sale of electricity, except where the producer uses generating installations the total net capacity of which falls below 100 kW.

The capacity of a residential prosumer's generating installations will, as a rule, fall significantly below the referred threshold and therefore there is no requirement to obtain a permit for generation and/or sale of electricity. However, should a residential prosumer operate installations with a total net capacity of 100 kW or more then it has to obtain a permit for generation and/or sale of electricity. In which case it would have to comply with the full set of the permitting requirements

¹² Article 22(1)(1) of the Electricity Market Act.

¹³ Available in Estonian from EIS (i.e. Government database incorporating all draft legal acts): <https://eelnoud.valitsus.ee/main/mount/docList/153f187a-60fd-4ffb-acba-6ec9f9d7383b>.

set out in the Electricity Market Act (including share capital and legal form requirements described above). As stated above, under question 4, a draft act on amendment of the Electricity Market Act has been prepared which would raise this threshold to 200 kW.

The ECA must decide on issuing the permit within 60 days as of receipt of the respective applications.¹⁴ However, a preliminary reply is usually given by the ECA already in three days' time.

A permit shall be issued for an unspecified term. A state fee shall be charged for the processing of the permit and for each year of validity of the permit. The state fee applicable in case of a permit for generation of electricity is 160 euros per year. The state fee applicable in case of a permit for sale of electricity is 640 euros per year.¹⁵ There are no other fees or charges connected with the issuing of the permit.

- 4.2. Does the national legal/regulatory framework determine the contractual conditions under which prosumers are allowed to feed or sell their surplus back into the grid or to other consumers?

Answer:

There is no specific legislation with regards to residential prosumers and therefore general rules apply.

As referred to above under the question "general", residential prosumers, like other market participants, are required to ensure that the amount of electricity supplied to the network and/or purchased by the market participant in each trading period is equal to the amount of electricity acquired from the network and/or sold by the market participant. For the purposes of fulfilling that requirement, a market participant shall enter into an open supply contract with a seller (open supplier). An open supply is the sale of the total amount of electricity needed by the market participant or, in order to ensure the balance, the sale of the amount of electricity that the participant lacks in a trading period or the purchase from the market participant of surplus amount of electricity during a trading period.

Pursuant to the Grid Code, a market participant is allowed to change the open supplier at the turn of the month. The open supplier shall keep the balance for the market participant.

5. What are the rules applicable to the access to the grid?

General

The connection of generation installations to the grid is mainly regulated by the Grid Code. There are no separate regulations regarding residential prosumers.

In order to connect to a grid, an application for connection has to be submitted to the network operator.¹⁶ No additional documents or information is required if the application for connection concerns a generating installation with a total capacity of 15 kW.¹⁷

The distribution network operator shall review the application and issue an offer for connection

¹⁴ Article 23(1) of the Electricity Market Act.

¹⁵ Article 154(1) of the State Fees Act.

¹⁶ Article 32(1) of the Grid Code.

¹⁷ Article 32(2) of the Grid Code.

within 30 days from receiving the application.¹⁸ The offer shall be valid for 60 days.¹⁹

The network operator has an obligation to develop the network in a way that the continued provision of network services to all consumers, producers, line possessors and any other network operators connected to the network is ensured having regard to their justified needs. Also, there has to be a possibility to connect the electrical installations which meet established requirements and belong to market participants located within the service area of the operator to the network. When developing the network, the network operator acts with a view to ensure the security of supply, to achieve efficiency and the integration of markets.²⁰

5.1. What is the inter-connection configuration used for each type of residential prosumer?

Answer:

General rules apply with regard to residential prosumers. The network configuration and technical parameters and the specifics of the connection are determined by the network operator to whose network the generating installation is being connected to.²¹ The network operators follow the European standard EN50160 which defines the voltage characteristics of the electricity supplied by public distribution systems and provides the limits within which any customer can expect voltage characteristics to remain.

There are three basic types of distribution system designs: radial system, loop system and network system. Combinations of these systems are also used. A radial system has only one power source for a group of customers and is mostly used in sparsely populated areas. The loop system provides better continuity of service than the radial system, with only short interruptions for switching. Network systems are interlocking loop systems where a given customer can be supplied from two, three, four, or more different power supplies which gives the added reliability. It is mainly used in congested, high load density municipal or downtown areas.

5.2. Does the competence to determine the inter-connection configuration lie at State level or at a regional/lander level?

Answer:

The network configuration and technical parameters and the specifics of the connection are determined by the network operator under the Electricity Market Act, which is adopted by the Parliament and under the Grid Code, which is adopted by the Government. Local governments do not have competencies to determine inter-connection configurations.

5.3. Are there any rules to ensure that prosumers are inter-connected to the distribution network/the grid?

Answer:

There are no separate rules to ensure that residential prosumers are inter-connected to the network. As a rule, all producers are required to be connected to the network (provided that their generating installations comply with applicable requirements) and, hence, general rules explained in the answer to question 5 above apply with regards to connection to the network. Pursuant to the Electricity Market Act the ECA monitors the compliance of network operators with the requirement to develop the network and to connect market participants thereto.

¹⁸ Article 32(7) of the Grid Code.

¹⁹ Article 32(8) of the Grid Code.

²⁰ Article 66(1) of the Electricity Market Act.

²¹ Article 32(3) and (5) of the Grid Code.

5.4. What are the grid access and grid use principles and rules for the energy generated by each type of residential prosumer?

Answer:

Residential prosumers have the right to consume the energy produced by them. No network fees are levied on residential prosumers for the energy they produce and consume. Residential prosumers are also allowed to sell the excess energy to the grid. As a rule, this is done through mandatory open supply contracts. There are no separate rules concerning residential prosumers' access to, and use of, the grid. If a generating installation with a nominal capacity above 15 kW is connected to the grid, the design of the electrical sector of the plant must be coordinated with the network operator. The network operator shall decide within 30 days from receipt of the relevant application. If further investigation is required, the decision shall be made within 60 days.

The Grid Code sets forth specific requirements for generating installations that are allowed to be connected to the grid. E.g. a windshield must be installed to wind energy generators and wind parks; different relay protections must be installed for wind energy generators, wind parks and solar power plants. As mentioned above, upon use of the grid balancing obligation must be fulfilled, i.e. a market participant must ensure that the amount of electricity supplied to the network and/or purchased by the market participant in each trading period is equal to the amount of electricity acquired from the network and/or sold by the market participant. In order to ensure the requirement of balance is met, a market participant enters into an open supply contract.²²

5.5. What are the network costs and charges for each type of residential prosumer?

Answer:

Generally, there are different charges levied on energy producers and consumers. The charges payable for network services provided by a network operator are as follows²³:

- a charge for connection to the network (connection charge);
- a charge for amendment of the conditions of consumption or generation (charge for amendment of conditions);
- a charge for ensuring the possibility to use a network connection (charge for using the network connection);
- a charge for the transmission/distribution of electricity (network fee);
- charges for extra services directly related to network services;
- charges for reactive power supplied to the network and acquired from the network.

The rate of network charges is determined by a network operator and may vary from one network operator to another. The charges must make it possible for a network operator to perform the obligations arising from legislation, fulfil the conditions of its permit and to ensure a justified return on invested capital. The network charges must also be sufficient to allow the operator to administer and to develop the data exchange platform.

Within the service area of a network operator, the network fee and the charge for the use of a network connection may not depend on the location of the market participant.²⁴

The producer pays a one-time charge (connection charge) for connecting the generation installation to the grid. If the residential prosumer qualifies as a micro producer (i.e. uses single-

²² Please refer to the answer to question 4.2 for further information on open supply contracts. Please also refer to the general information under question 5 for further information on the access and connection to the grid.

²³ Article 71(1) of the Electricity Market Act.

²⁴ Article 72(1) of the Electricity Market Act.

phase installation with a maximum nominal capacity of 3.68 kW or a triple-phase installation with a maximum nominal capacity of 11 kW) who already has a connection to the network (as a consumer) then as a rule the connection fee is low and includes usually only the cost of an appropriate meter and its installation. In some cases, minor additional works may be required on the network, and in such cases the residential prosumer as a micro producer shall be charged for that work, the equipment purchased and the materials used. If the residential prosumer does not qualify as a micro producer then the connection charge may be higher because as a general rule the connection charge for any producer shall include all costs the network operator incurs in connection with such connection. If a residential prosumer consumes the energy it has produced itself, no network fees apply. If, however, a residential prosumer purchases electricity from the network, network fees as well as renewable energy fee and electricity excise duty apply as in the case of all other consumers.

6. What are the incentives (e.g through taxes or tariffs) for each type of residential prosumers?

General

There are no separate incentives intended for residential prosumers, except easier connection to the network for the micro producers described in the answer to question 5 above. The support scheme for energy generated from renewable energy sources is provided for in the Electricity Market Act in the form of feed-in tariffs.²⁵ The support is only payable in case electricity is transmitted to the grid. No support is payable on own consumption of electricity by residential prosumers. However, in case of own consumption the residential prosumers are not liable to pay network fees which would apply in case electricity is purchased from the network.

6.1. Does your country apply specific tariffs to prosumers

- to charge them for the electricity they draw from the grid for consumption?
- or to compensate them for the electricity they feed back into the grid?

Answer:

Pursuant to Estonian legislation there are no specific tariffs to residential prosumers to charge them for electricity they draw from the grid for consumption. There are also no specific tariffs for residential prosumers to compensate them for the electricity they feed back into the grid. As such, general rules apply with regard to those issues.

Upon purchase of electricity from the network, network fees, renewable energy fee and electricity excise duty apply in addition to the price of electricity. Upon feeding of electricity to the network, residential prosumers are entitled to receive renewable energy support.²⁶

6.2. Does your country

- tax prosumers in a specific way?
- allocate to them a certain part of the cost to upgrade the grid to accommodate the extra generation they feed into the grid?

Answer:

There are no separate taxes intended solely for residential prosumers. There are also no separate tax incentives for electricity generated from renewable resources. However, generation of electricity from renewable resources is not subject to environmental charges which are applied to non-renewable electricity generation (e.g. charges for use of resources, emissions).

²⁵ Please see the answer to question 3.1 for the rates of feed-in tariffs.

²⁶ Please refer to the answer to question 3.1 for further details on the support scheme.

Connection charges are paid to a network operator for connecting to a grid or amending the conditions of consumption or generation. Please refer to the answer to question 5.5 for further information on different network charges payable to the network operator and to the answer to question 5.4 for details on access to the grid. The general principle applicable also to the residential prosumers is that the connection charge payable for the connection of any generating installation to the network includes all costs of necessary upgrade of the network.

7. A. What are the conditions that may encourage residential prosumers (to entry into activity or during functioning)?

General

There are no separate rules intended to solely encourage the activities of residential prosumers. However, there are investment support schemes in place to support micro producers and national support schemes in the form of feed-in tariffs²⁷. Also, there is no permit requirement if energy is generated with a generating installation the total net capacity of which does not exceed 100 kW.²⁸

B. What are the conditions that may act as barriers for residential prosumers (to entry into activity or during functioning)?

General

The relative difficulty of connecting to the grid can serve as a barrier for the residential prosumer. For example, if the connection of the residential prosumer's generating installation to the network requires upgrade of the network, the connection fee can be too high and/or the connection process itself too lengthy for the residential prosumer. On average the connection fee is around 2000 euros and the connection process takes up to two months. In practice also the connection process applied by the network operator can be sometimes too rigorous for residential prosumers. Furthermore, the investment cost of the generating installation itself and the long return period are one of the main barriers. The average investment cost of generating installations used by prosumers is around 11,000 euros.

7.1. What are the metering systems for each type of residential prosumer? Do these systems provide adequate conditions for prosumers integration in the market?

Answer:

There is one general metering system in Estonia and no separate systems are intended for residential prosumers. According to the Grid Code all standard electricity meters in Estonia must be replaced with remote-readable meters by the end of 2016.²⁹

7.2. What are the billing conditions for each type of residential prosumer?

Answer:

There are no separate billing conditions intended for residential prosumer, hence general rules apply. The billing conditions are established by the network operator and electricity suppliers in

²⁷ Please refer to the answer to question 3.1 for more details.

²⁸ Please refer to the answer to question 4 for details on a proposed amendment to the threshold of 100 kW.

²⁹ Article 39(2) of the Grid Code.

their respective agreements. Pursuant to the Electricity Market Act, the ECA approves the general terms and conditions of the network service agreements and the standard terms and conditions for the supply of electricity under the general service concept.³⁰

7.3. Are there measures to encourage the creation of energy communities at municipal level, or other schemes to encourage inclusive development of the market?

Answer:

Energy communities can be formed in Estonia in the form of energy cooperatives. “Energy cooperative” is a form of cooperation resulting from private initiatives based on either location or other common interests with the main objective to produce and distribute electricity and heat through its equipment to the cooperative's members. However, the establishment of energy cooperatives is not separately regulated under Estonian legislation and there are no specific measures to encourage residential prosumers to join or form energy cooperatives.

7.4. Are there rules facilitating the creation of energy cooperatives to provide a legal entity to energy communities? Are there measures facilitating other type of schemes and if so which ones?

Answer:

There are no specific rules facilitating the creation of energy cooperatives. As explained in the answer to question 7.3 above, there are energy cooperatives in Estonia resulting from private initiatives. However, energy cooperatives as legal entities are not separately regulated under Estonian laws. Therefore general rules of establishing cooperatives apply.³¹

7.5. What are the procedures/provisions for establishing cooperatives for prosumers? Are they more simple/less costly than those for other schemes?

Answer:

The establishment of energy cooperatives is not separately regulated under Estonian legislation. As such, energy cooperatives are established under the general rules of establishing cooperatives. Thus, the procedure for establishing cooperatives for residential prosumers is not simpler or less costly than those for other schemes.

The most suitable legal form for an energy cooperative under the Estonian law is commercial association (*tulundusühistu*). However, operating as a limited partnership (*usaldusühing*) or a general partnership (*täisühing*) is also a possibility.

The activities and establishment of a commercial association are regulated under the Commercial Associations Act and the Commercial Code.³² A commercial association may be founded by at least two persons. A founder may be a natural person or a legal person. In order to found an association, the founders shall enter into a memorandum of association. Upon entry into a memorandum of association, the founders shall also approve the articles of association of the association as an appendix to the memorandum of association. The specific rules of accepting new members into the membership, the rules of electing supervisory board and management board members etc. are laid down in the articles of association. A memorandum of association and the articles of association approved therewith shall be notarised and signed by all founders. A

³⁰ Articles 73(1) and 76²(1) of the Electricity Market Act.

³¹ Please refer to the answer to question 7.5 for further details.

³² Please see Articles 4-10 of the Commercial Associations Act regarding the establishment of a commercial association.

commercial association shall be deemed founded when it is entered in the Commercial Register. In order to enter an association in the Commercial Register, the management board shall submit an application to the Commercial Register.

Limited partnerships and general partnerships are relatively seldom used as legal entities in Estonia. The reason behind it is that the members of partnerships are personally liable for the obligations of the partnership. A general partnership is a company in which two or more partners operate under a common business name and are jointly and severally liable for the obligations of the general partnership with all of their assets. A natural person or legal person may be a partner in a general partnership. A new partner may be admitted into a general partnership only with the consent of all partners. A general partnership shall operate on the basis of a partnership agreement entered into by the partners and a general partnership shall be deemed established when it is entered in the Commercial Register.

With regard to establishment, the same rules apply to both general partnerships and limited partnerships.³³ However, a limited partnership is a company established by at least two persons and in which at least one of the persons is liable for the obligations of the limited partnership with all of the general partner's assets, and at least one of the persons is liable for the obligations of the limited partnership to the extent of the limited partner's contribution.

8. Other questions on the regulatory framework

8.1. What are the complaint handling procedures for each type of residential prosumer?

Answer:

As referred to above, general rules described below in this section apply with regard to residential prosumers.

According to the Electricity Market Act, a market participant may file a written complaint with the ECA against the action or omission of another market participant which is in conflict with the Electricity Market Act or legislation established thereunder.³⁴

The ECA shall review the complaint and make a decision thereon within 30 days from receipt of the complaint. In case of a complaint in respect of a network operator, the ECA shall make its decision within 60 days from receipt of the complaint.³⁵ The proceedings in the ECA are free of charge.

If a party to the proceedings at the ECA does not agree with the ECA's decision, they may bring an action in administrative court. A state fee of 15 euros must be paid by the party filing the action with the administrative court. The state fee applicable upon filing an appeal on the decision of the court of first instance is also 15 euros. Upon filing an appeal in cassation on the decision of the court of second instance the state fee is 25 euros.

The average length of proceedings regarding proceedings where the action is fully adjudicated is in the first instance court, i.e. the administrative court approximately 248 days and in the second instance court, i.e. the district court approximately 257 days.³⁶

³³ Please see Articles 79-84 of the Commercial Code regarding regulation on the establishment of general partnerships and limited partnerships and Articles 125-134 of the Commercial Code regarding specific regulation on limited partnerships.

³⁴ Article 99(1) of the Electricity Market Act.

³⁵ Article 99(2) of the Electricity Market Act.

³⁶ Please see the analysis of the statistics on the webpage of the Supreme Court of Estonia - <http://www.kohus.ee/et/eesti-kohtud/kohtute-statistika> (available only in Estonian).

Additionally, there is a possibility to file a complaint with the Estonian Consumer Protection Board or a claim with the civil court.³⁷

The proceedings at the Estonian Consumer Protection Board are free of charge. A petition filed by a consumer shall be heard and the outcome of the dispute resolution procedure shall be made available to the parties within 90 days after the acceptance of the consumer's petition. In case of complex disputes the Board may extend that term.³⁸ A decision by the Estonian Consumer Protection Board is not an enforcement instrument in the meaning of Article 2 of the Code of Enforcement Procedure and hence, the decision cannot be enforced. However, there are some possibilities for the Board to try to motivate the obligated party to fulfil its obligation, e.g. the Board may list the name of the company not enforcing the Board's decision in the black list managed by the Board.

One may also file a statement of claim with the civil court. The length of the proceedings is subject to the general requirement of reasonable length of proceedings. According to the statistics by the European Commission³⁹ Estonian courts are one of the most efficient ones in the European Union regarding the length of proceedings. The average length of civil proceedings with regard to cases that were fully adjudicated in the first instance court, i.e. the county court is approximately 166 days and in the second instance court, i.e. the district court approximately 151 days.⁴⁰ The claimant filing the statement of claim with the court is required to pay a state fee the amount of which depends on the amount of the claim. An additional state fee in the same amount must be paid when filing an appeal on the decision of the court of first instance court. When filing an appeal in cassation on the decision of the court of second instance with the Supreme Court a security of one percent of the value of the civil matter is paid, which shall not be lower than 100 euros and not higher than 3000 euros. Other costs of the proceedings mainly depend on the procedural acts that are needed to be conducted during the proceedings.

8.2. Are there any specific redress procedures available only to residential prosumers?

Answer:

There are no specific redress procedures available only to residential prosumers.

³⁷ Article 93(5) of the Electricity Market Act.

³⁸ Article 56 of the Consumer Protection Act.

³⁹ Please see the analysis of the statistics on the webpage of the Supreme Court of Estonia - <http://www.kohus.ee/et/kohtute-tohusus>.

⁴⁰ Please see the analysis of the statistics on the webpage of the Supreme Court of Estonia - <http://www.kohus.ee/et/eesti-kohtud/kohtute-statistika> (available only in Estonian).

Country fiche (Summary and ranking)

The country fiche below summarises the information from the report and ranks the **level of favourable impact** of measures in relation to its favourable impact to the take up of residential prosumers.

Country fiche	Ranking Low/Medium/High
General Description of the national regulatory framework 1. Types of residential prosumers The main type of RES used in Estonia by residential prosumers is solar power. Wind energy and, to a small extent, hydro energy are also used. The average capacity of the installations is 10 kW or less. 2. Institutional framework The Ministry of Economic Affairs and Communications has overall responsibility for the energy sector, however, the Estonian Competition Authority (the "ECA") acts as the regulatory body. The functions of the ECA and the Ministry of Economic Affairs and Communications have been clearly separated by legislation. 3. Applicable legislation, plans and objectives There is no separate legislation regarding residential prosumers. General rules which are set forth in the Electricity Market Act and the Grid Code apply. The Estonian National Action Plan for Renewable Energy until 2020 does not refer to residential prosumers. 4. Definition of residential prosumers There is no specific definition of residential prosumers in Estonian legislation. A general term of "micro producers" (which also includes residential prosumers) is used.	Low
Specific Questions on the regulatory framework for residential prosumers	
Permitting requirements for each type of residential prosumer The general rules of permitting are laid down in the Electricity Market Act. There are no separate rules for residential prosumers. A residential prosumer who generates electricity with generating installations having total net capacity of less than 100 kW and sells the excess electricity generated by such installations is not required to obtain a permit for generation or a permit for sale of electricity. A draft act on amendment of the Electricity Market Act has been prepared which would increase the above threshold of 100 kW to 200 kW, thereby widening the circle of small producers who could benefit from this exemption.	High
Rules applicable to the access to the grid The connection of generation installations to the grid is mainly regulated by the Grid Code. There are no separate regulations regarding residential prosumers. In order to connect to a grid, an application for connection has to be submitted to the network operator. No additional documents or information is required if the application for connection concerns a generating installation with a total	Medium

capacity of 15 kW. Residential prosumers have the right to consume the energy produced by them. No network fees are levied on residential prosumers for the energy they produce and consume. Residential prosumers are also allowed to sell the excess energy to the grid.	
Incentives (e.g taxes and tariffs) for each type of residential prosumers There are no separate incentives intended for residential prosumers, except easier connection to the network for the micro producers described in section 5 of the Estonian country report. The support scheme for energy generated from renewable energy sources is provided for in the Electricity Market Act. The support is only payable in case electricity is transmitted to the grid. No support is payable on own consumption of electricity by residential prosumers. However, in case of own consumption the residential prosumers are not liable to pay network fees which would apply in case electricity is purchased from the network.	Medium
Conditions encouraging residential prosumers There are no separate rules intended to solely encourage the activities of residential prosumers. However, there are investment support schemes in place to support micro producers and national support schemes in the form of feed-in tariffs⁴¹. Also, there is no permit requirement if energy is generated with a generating installation the total net capacity of which does not exceed 100 kW. A draft act on amendment of the Electricity Market Act has been prepared which would increase the above threshold of 100 kW to 200 kW, thereby widening the circle of small producers who could benefit from this exemption. Conditions acting as barriers for residential prosumers The relative difficulty of connecting to the grid can serve as a barrier for the residential prosumer. Metering systems for each type of residential prosumer There is one general metering system in Estonia and no separate systems are intended for residential prosumers. According to the Grid Code all standard electricity meters in Estonia must be replaced with remote-readable meters by the end of 2016. Billing conditions for each type of residential prosumer There are no separate billing conditions intended for residential prosumer, hence general rules apply. The billing conditions are established by the network operator and electricity suppliers in their respective agreements. Pursuant to the Electricity Market Act, the ECA approves the general terms and conditions of the network service agreements and the standard terms and conditions for the supply of electricity under the general service concept. Measures to encourage the creation of energy communities at municipal	High High Low

⁴¹ Please refer to the answer to question 3.1 for more details.

level? Establishment of energy cooperatives is not separately regulated under Estonian legislation and there are no specific measures to encourage residential prosumers to join or form energy cooperatives. Rules facilitating the creation of energy cooperatives (simplicity/cost as compared to other schemes/commonality of cooperatives as the legal status for energy communities) Establishment of energy cooperatives is not separately regulated under Estonian legislation. As such, energy cooperatives are established under the general rules of establishing cooperatives. Thus, the procedure for establishing cooperatives for residential prosumers is not simpler or less costly than those for other schemes. The most suitable legal form for an energy cooperative under the Estonian law is commercial association (<i>tulundusühistu</i>). However, operating as a limited partnership (<i>usaldusühing</i>) or a general partnership (<i>täisühing</i>) is also a possibility.	Low
Other questions on the regulatory framework - Complaint handling procedures for residential prosumer According to the Electricity Market Act, a market participant may file a written complaint with the ECA against the action or omission of another market participant which is in conflict with the Electricity Market Act or legislation established thereunder. Additionally, there is a possibility to file a complaint with the Estonian Consumer Protection Board or a claim with the court. - Redress procedures available only to residential prosumers There are no specific redress procedures available only to residential prosumers.	Medium

Executive Summary

The development of residential prosumers has been slow in Estonia. Under currently applicable legal acts there are **no separate incentives solely intended for residential prosumers**. As all other producers of renewable energy residential prosumers benefit from renewable energy support in the form of feed-in tariffs in case excess electricity is transmitted to the network. Also, in case of own consumption no network fees are charged.

Estonia is increasingly encouraging small-scale production of renewable energy. **Two draft acts on amendment of the Electricity Market Act** have been prepared (one is being discussed by the Estonian Parliament and the other is early stages of development). Under the draft act being discussed by the Estonian Parliament generation installations with net capacity below 50kW which are operating and supplying electricity to the network by 31 December 2020 would continue to benefit from the currently applicable renewable energy support scheme (which will no longer be available to other new producers). Under the draft act, which has been prepared by the Ministry of Economic Affairs and Communications, the circle of small producers exempts from permitting requirements and requirements on legal form and capital would be widened as the current threshold of 100 kW would be increased to 200 kW. These measures are expected to **incentivise self-consumption activities and also the formation of energy cooperatives**, which are not separately regulated from the general rules on cooperatives. In case of self-consumption, **no network fees** are applied. It is therefore a lucrative option to reduce energy costs for apartment associations. However, the relative **difficulty of connecting to the grid** as well as the high investment cost of the generating installations can serve as a barrier.