

Economic signals for DSOs and Consumers

DSOs and Demand Response

CEER

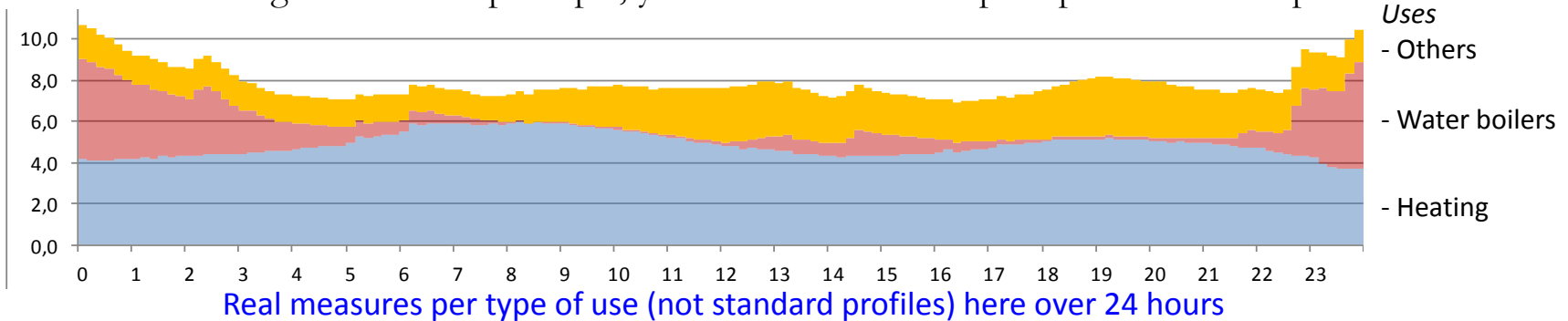
Public hearing on the future role of DSOs

Brussels, 30th March 2015

ToU: Lessons from the Present

□ Peak/off peak prices: ToU has little impact on demand (if any)

- Long experience in France from monopoly times until now
 - Variation based on energy costs peak / off peak: ratio 1.8/1
- Nowadays Voltalis delivers feedback, by collecting detailed measures
 - Water boilers use electricity only off peak: automated switch
 - Heating is flexible in principle, yet occurs more when peak prices than off peak



□ Market today and tomorrow: competition and different roles

- Retail Demand Response: obtained by a retailer via retail market/prices
- ≠ Wholesale DR by independent aggregators, or local DR for grid needs

Today and tomorrow: DSOs are active in Demand Response

- ❑ DSOs operate smart grid projects including DR
- ❑ Smart meters are part of automation (with downstream devices)
- ❑ DSOs build industrial partnerships with commercial interests
 - To build and share know-how, and benefit from DR
 - Not only in their region but worldwide

- ❖ Widest EU funded project: Grid4EU
 - www.grid4eu.eu
 - Carried by 6 main DSOs (ERDF, Enel Distribuzione, Iberdrola, CEZ Distribuce, Vattenfall Eldistribution and RWE).
 - It will test the potential of smart grids in areas such as renewable energy integration, electric vehicle development, grid automation, energy storage, [energy efficiency and load reduction](#).

- ❖ From pilots to a world JV ERDF-Alstom
 - Press release oct.2013, Erdf and Alstom websites
 - Expanding on the collaborative experience acquired in Nice Grid, Smart Grid Vendée and Issy Grid, [Alstom and ERDF now combine](#) their skills and know-how for building new systems and for the benefit of third-party customers [for] distributed energy resources.
 - Distributed energy resource is the aggregate of multipower plants such as smart buildings, storage, photovoltaic panels, wind, [demand response](#).

DSOs are parties to DR, not neutral => Competition issues

- Current situation: DSOs are not independent enough from incumbents
 - Large (e.g. ERDF/EDF) and small ones (not separated)
 - According to French competition authority & regulator
 - Much better in other Member States?
 - => DSOs should not control DR activities of third parties
- New facts: DSOs' business includes taking an active role in DR
 - Operating flexibility, e.g. for peak shaving, local needs or national (wholesale market)
 - Commercial interests with industrial third parties
- Legislation: DSOs' to purchase DR (cf. art.25 of Directive 2009/72/CE)
 - Losses = great volumes DSOs procure from the wholesale markets, and now in capacity markets – both including DR => major commercial interests, not neutral
 - DSOs to buy DR services as an alternative to new investments in their grid
=> need of transparent and fair conditions

RISKS

1. Conflicts of interests
2. Abuse of dominant position
3. Competition distortion

Recommendations on the future role of DSOs regarding DR

- ❑ *Forget about prohibition: DSOs are acting in DR, and this should be in the interest of consumers. Therefore: target is to make sure rules and business remain fair and transparent*
- ❑ DSOs should not take part in the control of other DR players, nor have any specific right to their confidential information
 - DSOs have access to data on actual consumption
 - No specific right to data on DR by third parties: know how
- ❑ DSOs should separate their activities in DR from their monopoly operations
- ❑ DSOs should procure DR in a fair, open and competitive way
 - Transparent and non discriminatory tenders, public criteria, etc.
 - Avoid DSOs tending to prefer investing in their grid rather than purchasing DR
 - Eliminate such preferences deriving from distribution tariffs, asset value, etc.
 - Obligation for DSOs to compare any investment with a DR alternative (from third parties)