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**Council of European
Energy Regulators**



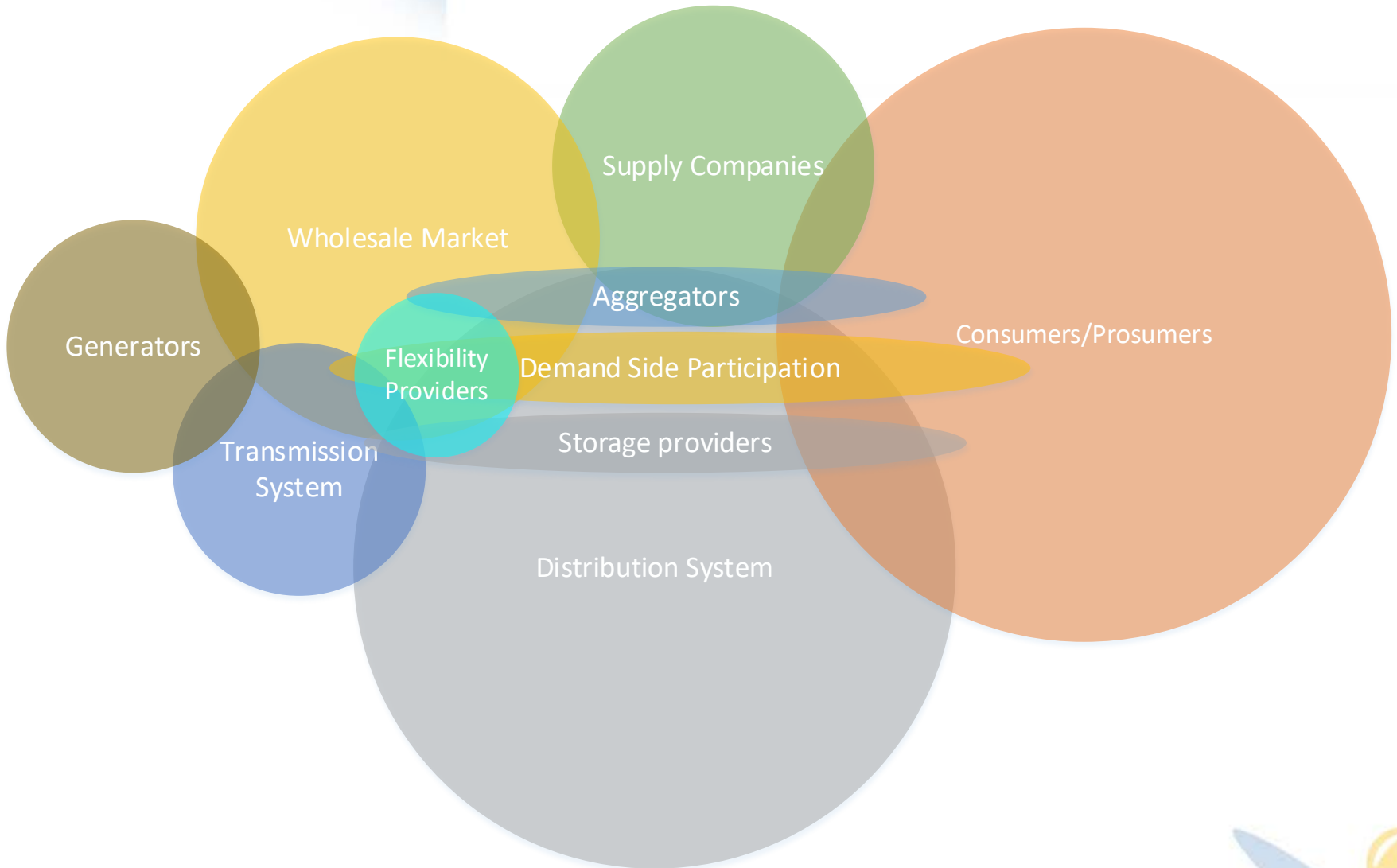
Session 3

13th US-EU Energy Regulators Roundtable

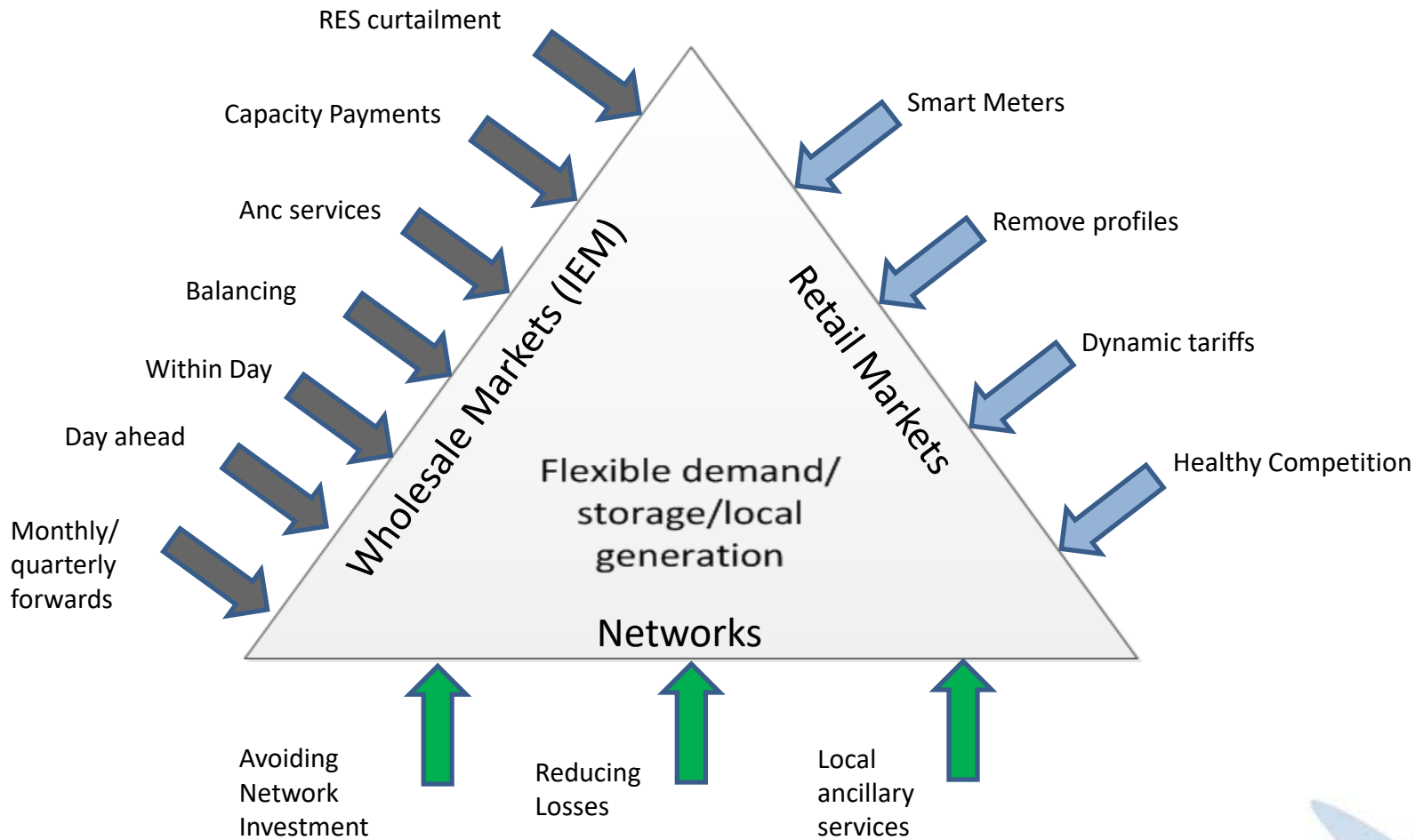
Annegret Groebel, CEER Vice-President, Vice-Chair of ACER BoR
Washington – 26th April 2017

Fostering energy markets,
empowering **consumers**.

Distribution System has Central Role



Drivers for Demand Side Flexibility / Challenges for DSOs



Clean Energy for all Europeans (1)

Aim of Proposal

- A fully integrated IEM
- Develop low carbon energy production
- Ensuring the security of supply

Issues of the Proposal

1. Integration of RES into an integrated IEM
2. **Design a future role of DSOs**
3. Ensure investment for future production capacity and avoid uncoordinated Capacity Mechanisms (CM)
4. Ensure cross-border coordination to prevent crisis situations
5. Development of retail markets
6. Optimize the institutional framework and Governance

Clean Energy for all Europeans (2)

II) DSO- Role

- DSOs shall be able to use flexibility (services) by “distributed” energy resources (ensuring neutrality!)
- Role of DSOs in specific tasks (data management, ownership and operation storage, e-mobility)
- DSO/TSO cooperation on specific areas; creation of European DSO entity.
- EU-wide principles on remuneration of DSOs (e.g. flexibility services, efficient grid operation and planning)
- Multi-annual development plans for DSOs (coordinate with TSO)
- NRAs publish common EU performance indicators (comparison of DSOs performance, distribution tariffs)
- Transparency and comparability of distribution tariffs (methodologies)
- EU-wide principles on dynamic, time-dependent distribution tariffs (eases RES integration)

Clean Energy Package

- Regulators' Overview Paper of 23 January 2017, published at ACER-CEER conference, broadly welcomed the Clean Energy Package, highlighting issues for consideration



ACER-CEER overview paper: Initial Reactions to COM's proposals on Clean Energy (January 2017) – I

- **Making markets work**
 - ▶ The real-time value of energy should be the basis of the price signals that all participants face.
- **Flexible regulations for a fast evolving market**
 - ▶ NRAs support to speedier and more agile switching of suppliers to allow consumers access to a wider variety of energy products to meet their needs.
 - ▶ Dynamic pricing is sensible! Ensure that the proposals do not themselves create barriers to entry and higher costs
- **Smarter system operation**
 - ▶ Smart solutions are needed as the distinction between transmission and distribution is becoming increasingly blurred: The proposed approach both to TSO cooperation and TSO-DSO cooperation is welcomed.
 - ▶ DSO should be sufficiently unbundled to better perform the tasks assigned to them as a neutral market facilitator. Creation of the EU-DSO body is welcomed.
 - ▶ Harmonisation transmission and distribution tariff structures is not merited. Similar policy proposals in other areas, including the use of congestion income, could have costs that outweigh the benefits.



ACER-CEER overview paper: Initial Reactions to the COM's proposals on Clean Energy (January 2017) – II

- **Securing our supplies**
 - ▶ Coordination of the resource adequacy assessment is welcomed but greater transparency and regulatory involvement are needed to increase trust in the markets. more refined arrangements on cross border participation of CRMs are needed.
- **Regional markets**
 - ▶ More work/investigation has to be done in the field of regionalisation
 - ▶ For the success of the approach a proper governance and oversight shall be designed
- **A clear and effective framework for regulatory oversight**
 - ▶ Proposals could alter a carefully conceived system of checks and balances which is in place today.
 - ▶ Roles and responsibilities are clear enough (e.g. ACER oversees ENTSO, NEMO, EU-DSO body)
 - ▶ Independence of ACER shall be ensured
 - ▶ Internal Regulatory Governance: Changing 2/3 majority rule is dispensable.
 - ▶ Rethink resource situation of ACER

Overview of EU energy market legislation/regulation

Functioning retail markets, pro-active consum., prosumers
DSR (flex.+ stability)

New DSO role:
neutral market facilitator

Competition rules,
State Aid rules,
2015 CM Sector Inq.

Flexible energy system:
EOM preferred – price signals,
Capacity Mechan. only second best, i.e. no IEM distortion + open to XB participation

Security of Supply
Risk Preparedness
Regulation

DSOs challenge for more grid efficiency to deal with more decentrali. generation

Clean Energy f. All Europeans
EMD, Recast, ACER-Regulation
RES + Energy Efficiency Dir.:
Fully integrated IEM and RES integration, energy effi.

More market-oriented RES support, nation. schemes open to XB participation

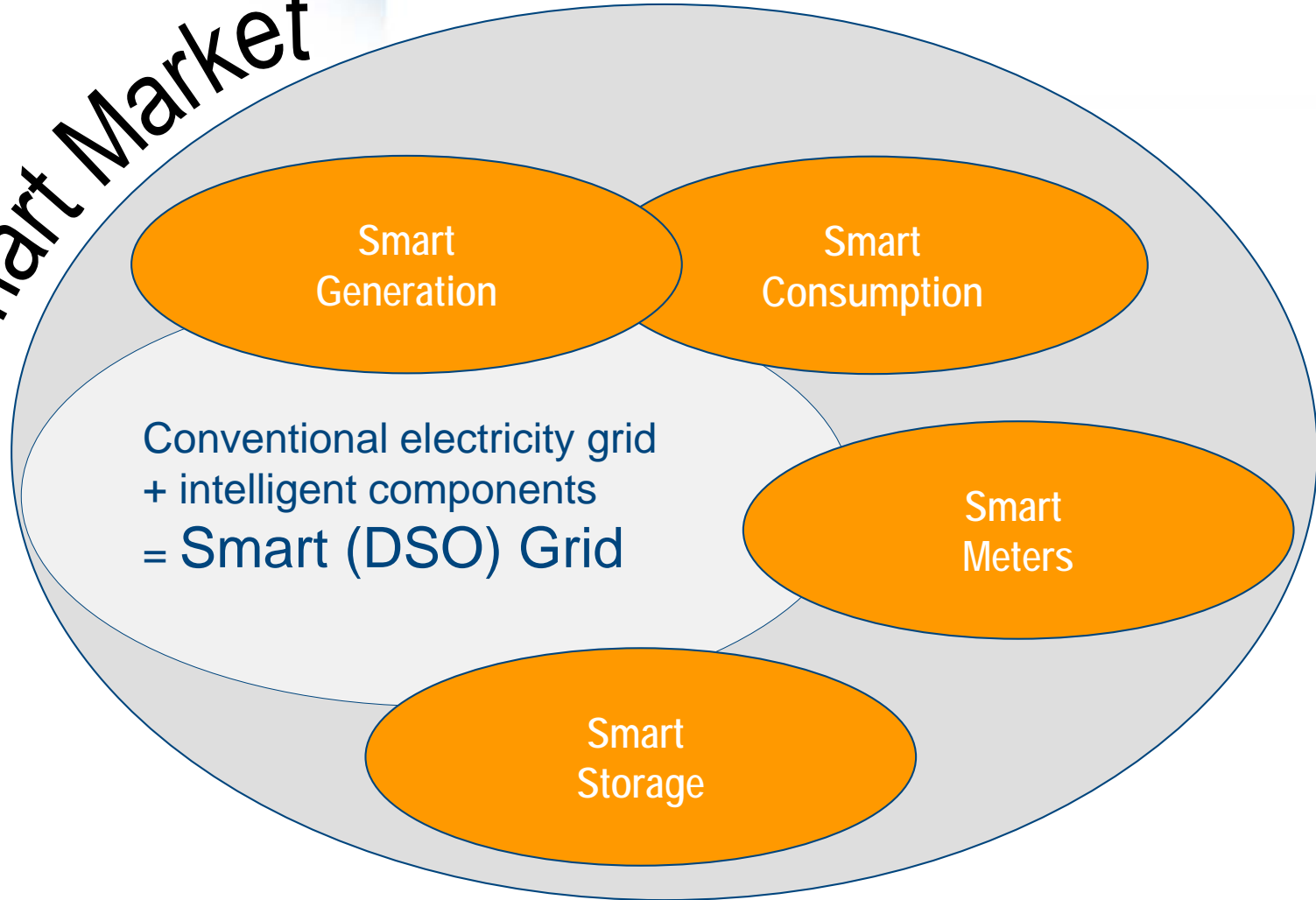
Internal Energy Market
3rd IEM Package 2009,
XB trade, Market Coupl., NC

TEN-E Reg. 347/2013
(Proj. of Common Interest)
Infrastructure Pack. 2013



Smart market – flexible energy system

Smart Market



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Thank you for your attention

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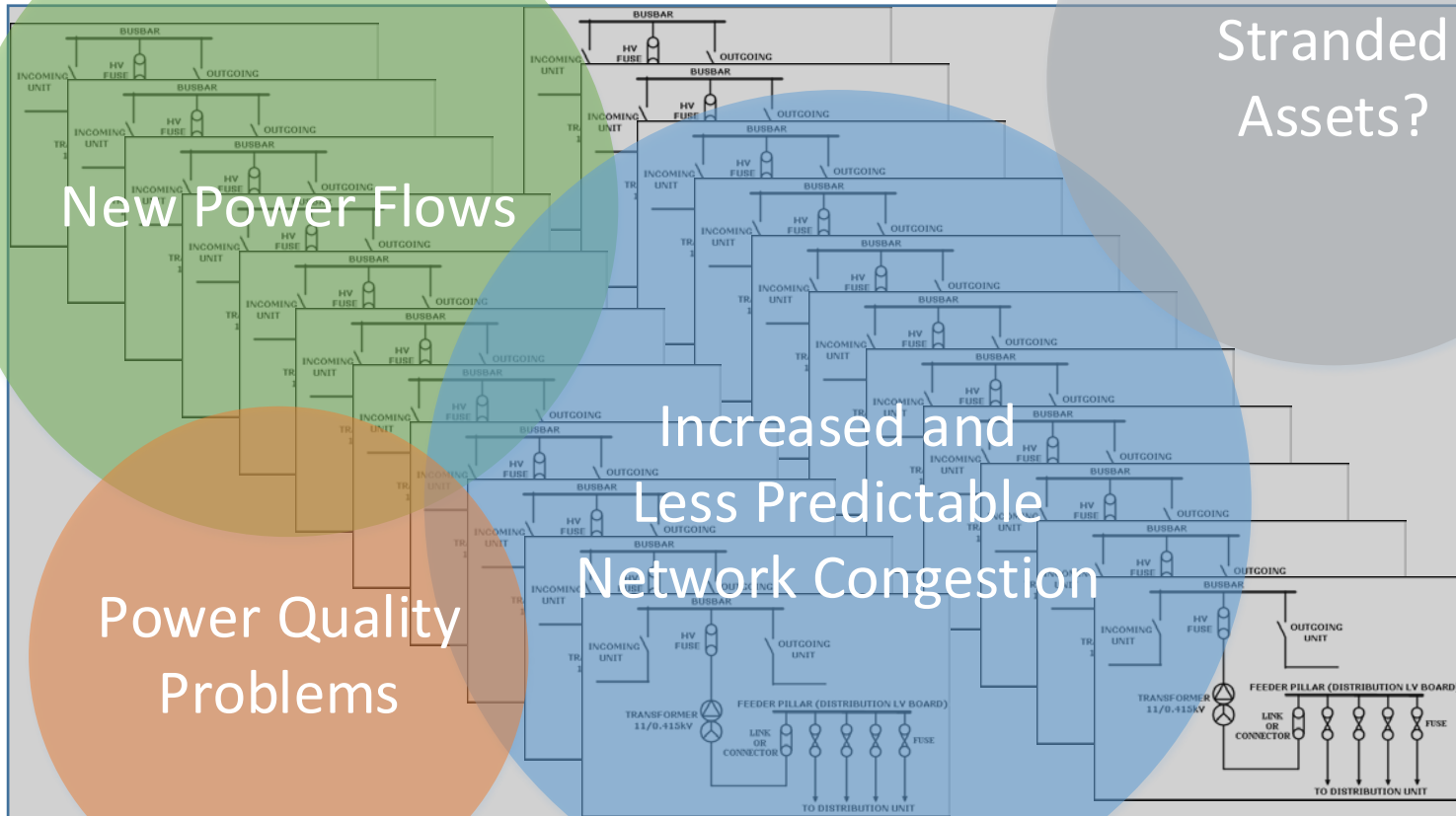
New Challenges for DSOs

Stranded
Assets?

New Power Flows

Increased and
Less Predictable
Network Congestion

Power Quality
Problems



EMD – Key elements

Competitive energy markets are at the heart of a competitive economy



+ STRENGTHENING RISK PREPAREDNESS

Source: COM

Broad Regulatory Messages on Clean Energy Package in Overview Paper – Reaction (1)

Flexible Regulations

Regulators must facilitate the entry of new suppliers into the retail market to ensure broader choice for consumers by removing entry barriers.

Making Markets Work

The real-time value of energy should be the basis of the price signals that all participants face.

Regulatory Oversight

Regulators need to ensure that the roles and responsibilities at national and EU level are clear and proper checks and balances are in place. Regional governance needs robust stress testing.

Securing Supplies

Greater transparency and regulatory involvement is needed to ensure that consumers, industry and politicians can trust that markets are functioning well.

Smarter System Operation

We welcome a proportionate and focused approach to TSO cooperation and to the future cooperation between TSO and DSOs.

Balancing Innovation and Regulation

Remove priority dispatch; to bring renewables into the market; and to ensure that all relevant market players are responsible for balancing.

Clean Energy Package – Reaction (2)

- Core principles:
 - i. Maintaining and enhancing security of supply.
 - ii. Promoting competition and avoiding cross-subsidies between consumers and between market actors.
 - iii. Promoting cost efficiency and effectiveness in delivering the appropriate benefits to consumers.
 - iv. Ensuring that, at European level, legislation is proportionate, allowing flexibility for local, national and regional development and innovation.
 - v. Delivering coherence and consistency with the ongoing implementation of the Third Package, European Network Codes and other measures.
 - vi. Avoiding over-regulation and overly-prescriptive measures which could stifle markets and overwhelm consumers.
 - vii. Ensuring that the European regulatory system is underpinned by a reasonable and proper system of checks and balances.

ACER-CEER's initial reactions to the Clean Energy Proposals (Jan. 2017)

- A first feedback on key elements of ACER and CEER
- Flexible regulations for a fast evolving market
 - ▶ No inconsistencies between new and old legislations and delays: Implementation of 3rd package should be prioritized
 - ▶ NRAs support to speedier and more agile switching of suppliers to allow consumers access to a wider variety of energy products to meet their needs.
 - ▶ Dynamic pricing is sensible! Ensure that the proposals do not themselves create barriers to entry and higher costs
- Balancing innovation and regulation
 - ▶ Avoid overly detailed legislation or prescriptive rules as they could adversely inhibit new market developments
 - ▶ Provisions are needed to safeguard the separation between Distribution System Operators (DSO) (who need to be neutral market facilitators) and storage operators

Regulatory Levers

- Pan-European Internal Energy Market
- Reviewing Flexibility across Wholesale/Retail/Networks
- Promoting Smart Meters and Dynamic Tariffs
- Papers on DSO tariffs, incentives, flexibility, etc.
- European Commission's 'Clean Energy for All Europeans' Winter Package

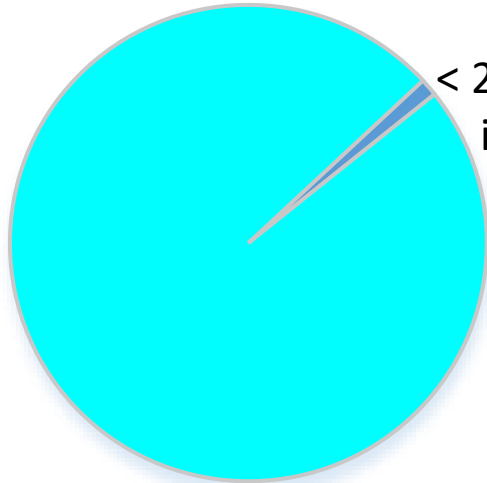


Clean Energy Package

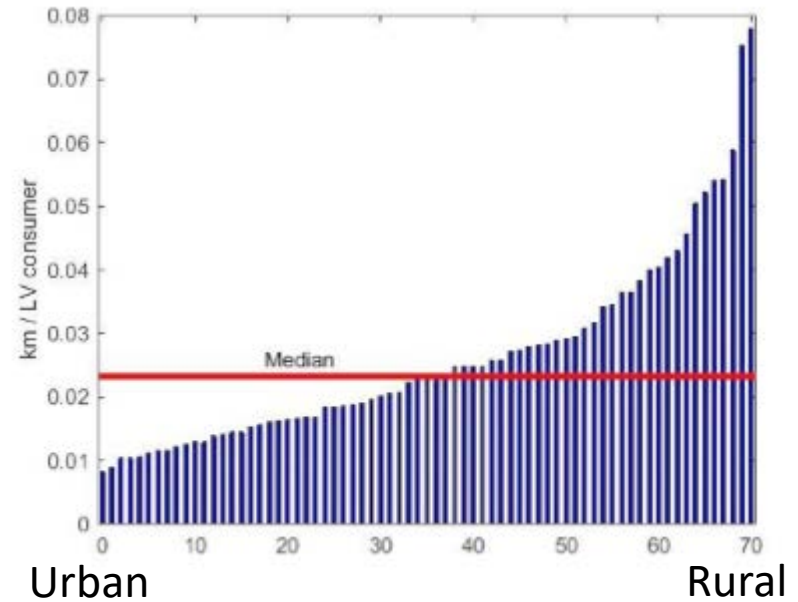
- More detailed Regulatory White Papers expected in the coming months
- Strive for joint ACER/CEER papers where possible
- Aim is to feed-through to proposed legislative amendments
- Topics may cover issues such as:
 - ▶ Wholesale Prices
 - ▶ Flexibility
 - ▶ Renewables
 - ▶ Distribution - role and tariffs
 - ▶ Customer engagement - supplier switching, consumer information, comparison tools, dynamic contracts, etc
 - ▶ Regional governance / internal governance

European DSO Diversity

About 2400 DSOs
across the EU



< 200 DSOs unbundled
i.e. > 100k customers



Clean Energy for all Europeans (2a)

I) RES Integration

- Abolish discriminatory market-based dispatch, clear curtailment and re-dispatch rules to replace priority access
- Balancing responsibility (exemption possibilities for emerging technologies and/or small installations)
- TSOs should use regional platforms for the procurement of balancing reserves; optimization process for allocation of transmission capacity (energy vs. balancing markets); reserves only a day ahead of real time.
- Regional Operational Centers (ROCs), centralizing functions at regional level and delineating competences between ROCs and national TSOs
- Demand Response (supplier/aggregator)

Comparison 2016 EU Clean Energy Proposals and Germany energy legislation 2016

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2016 Electricity Market Design Act – EOM 2.0, price signals / market based approach flexibility

RES 2017 Migration towards a market based approach, i.e. tendering

Competition a. State Aid rules 2015 Capacity ma. sector inquiry

Aim: Integration of an increasing share of RES in markets a. grids with a market based approach Integrated IEM

EMD Consultation 2015 Clean Energy Pack. 2016 EOM, CRM only *second best* + IEM-compatible

RES support should be market oriented and IEM compatible

