

CEER

**Council of European
Energy Regulators**



Clean Energy Package – Regulators in Focus

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Brussels, 25 June 2019

CEER: Fostering energy markets, empowering consumers

- Independent voice for 38 European energy regulators
- Promotes competitive, secure and sustainable markets for consumers
- Supports NRAs and best practice energy regulation:
 - ▶ Papers and reports
 - ▶ Events and workshops
 - ▶ Advocacy
 - ▶ Training Academy
 - ▶ Capacity-building
 - ▶ Working with ACER

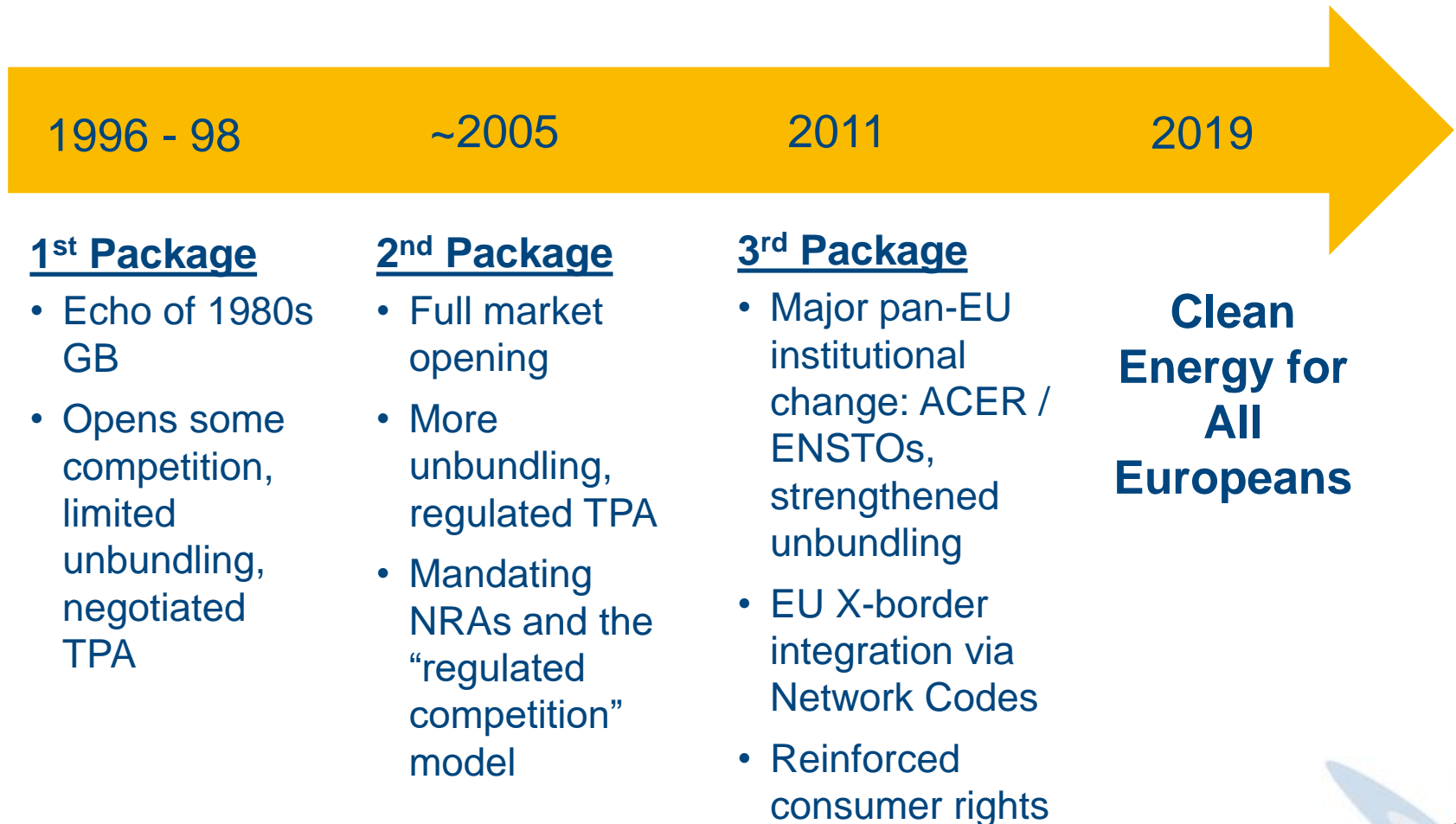


3D **D**IGITALISATION
DECARBONISATION
DYNAMIC REGULATION



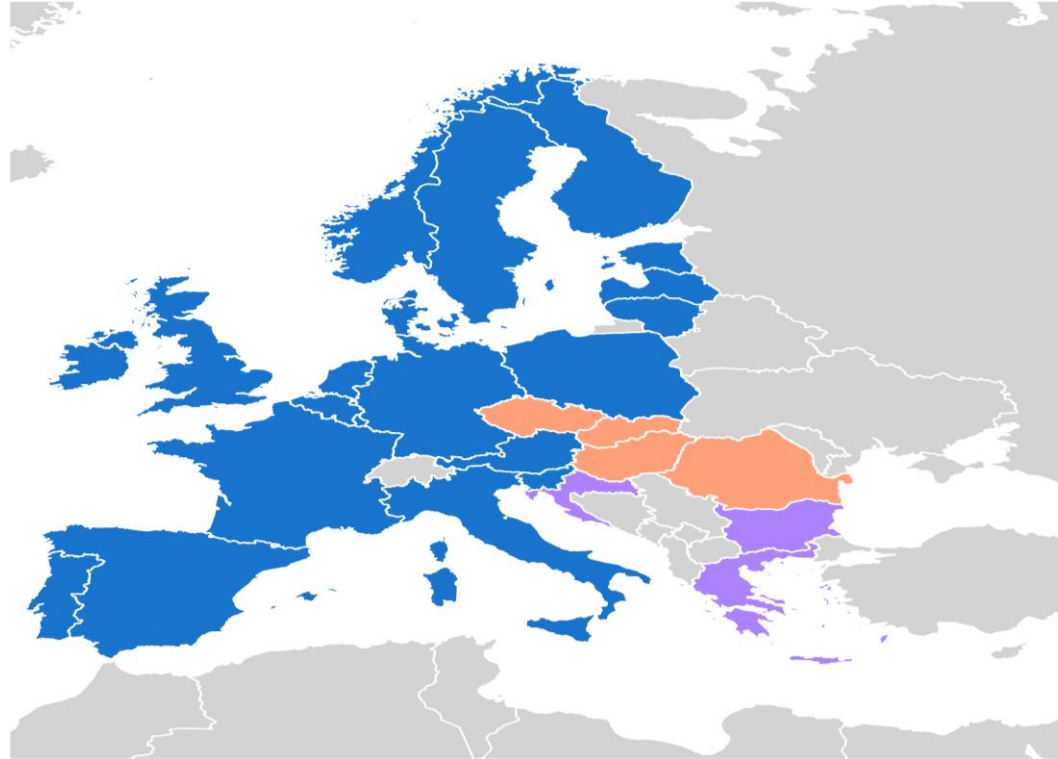
Context: EU Legislation

The Road to Liberalised, Integrated, Decarbonised EU Energy Markets



Electricity Wholesale in Europe

- Wholesale market integration is a major achievement
- Includes Day-Ahead market coupling



4MMC MRC Not Coupled Yet

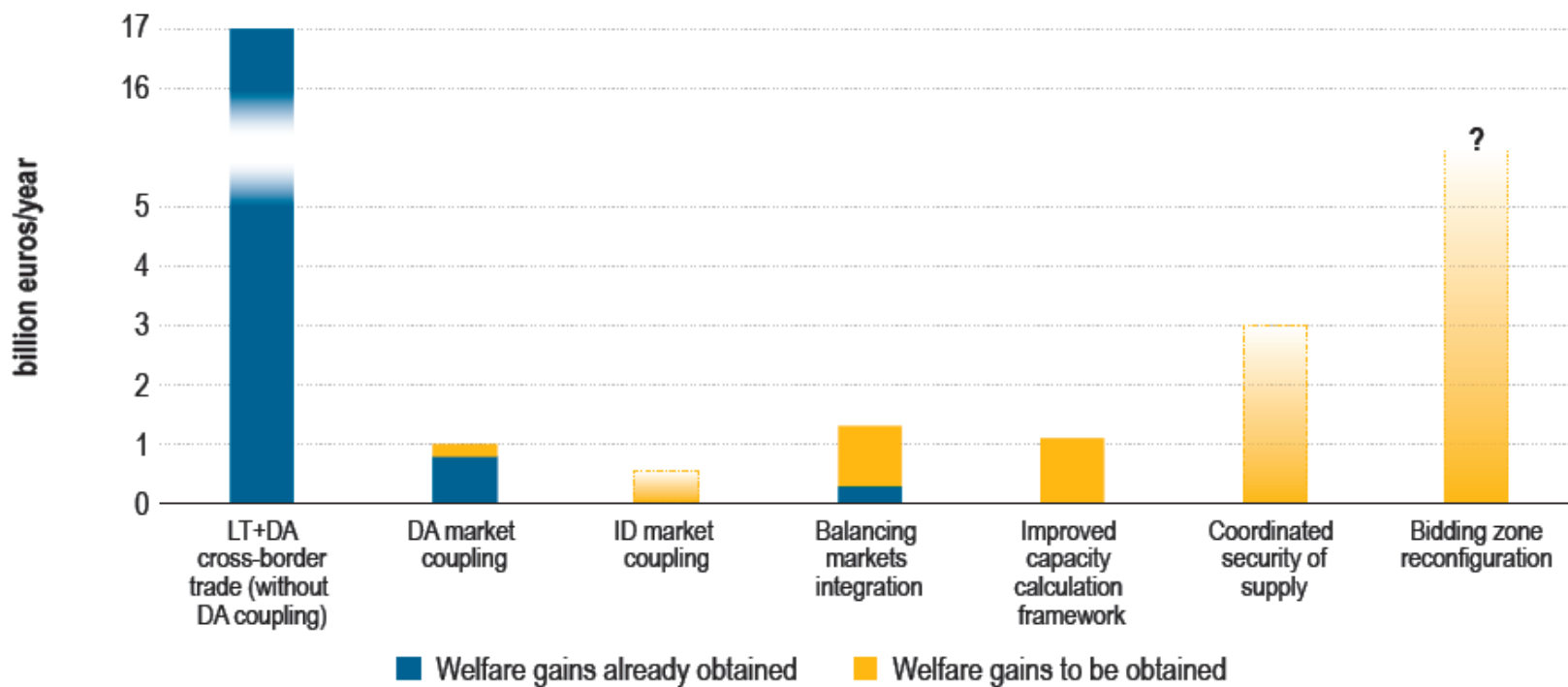
ACER/CEER MMR for 2017

- But, the level and use of interconnectors is an issue





Potential Welfare Gains Remain

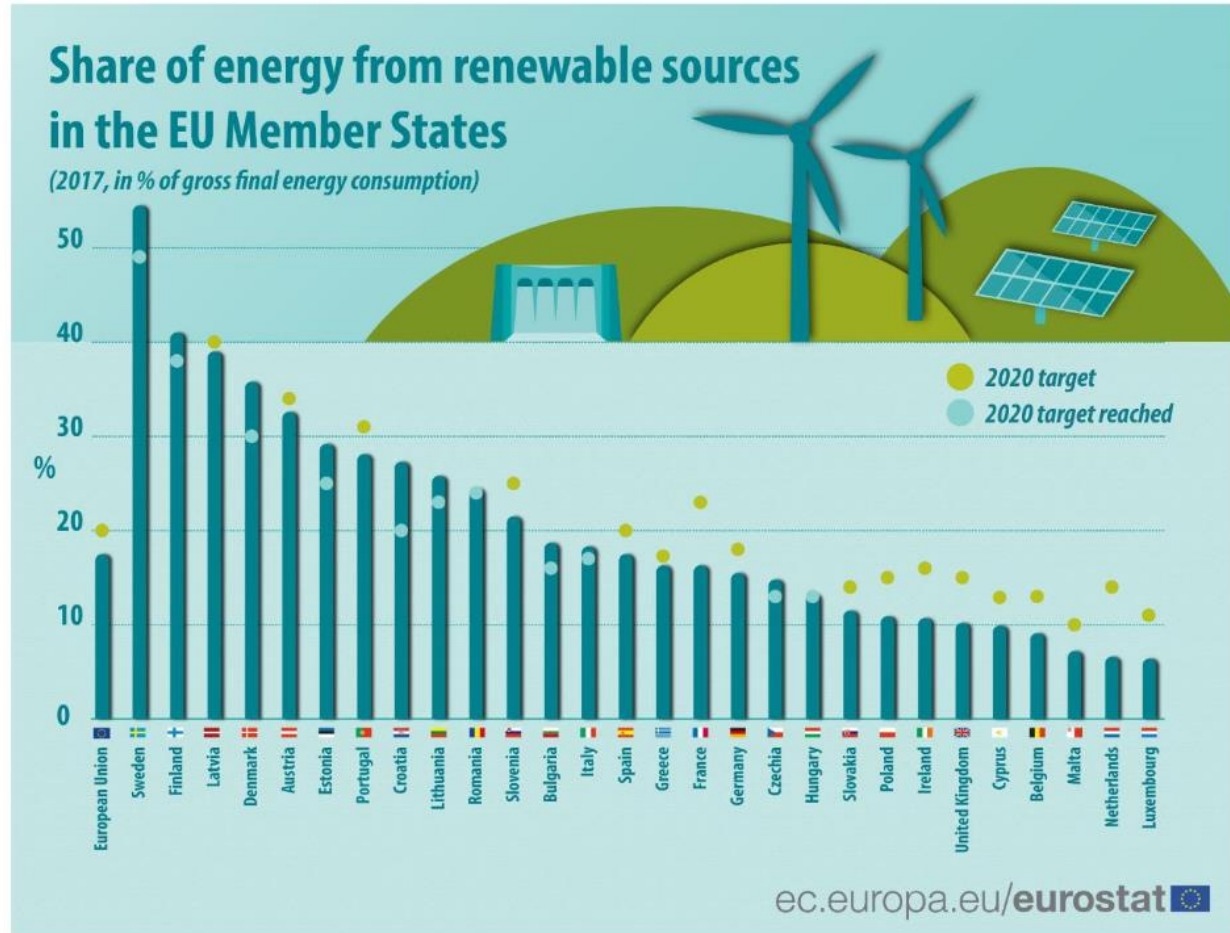


Social welfare* benefits already obtained and to be obtained from various actions intended to further integrate the Internal Electricity Market (billion euros/year)



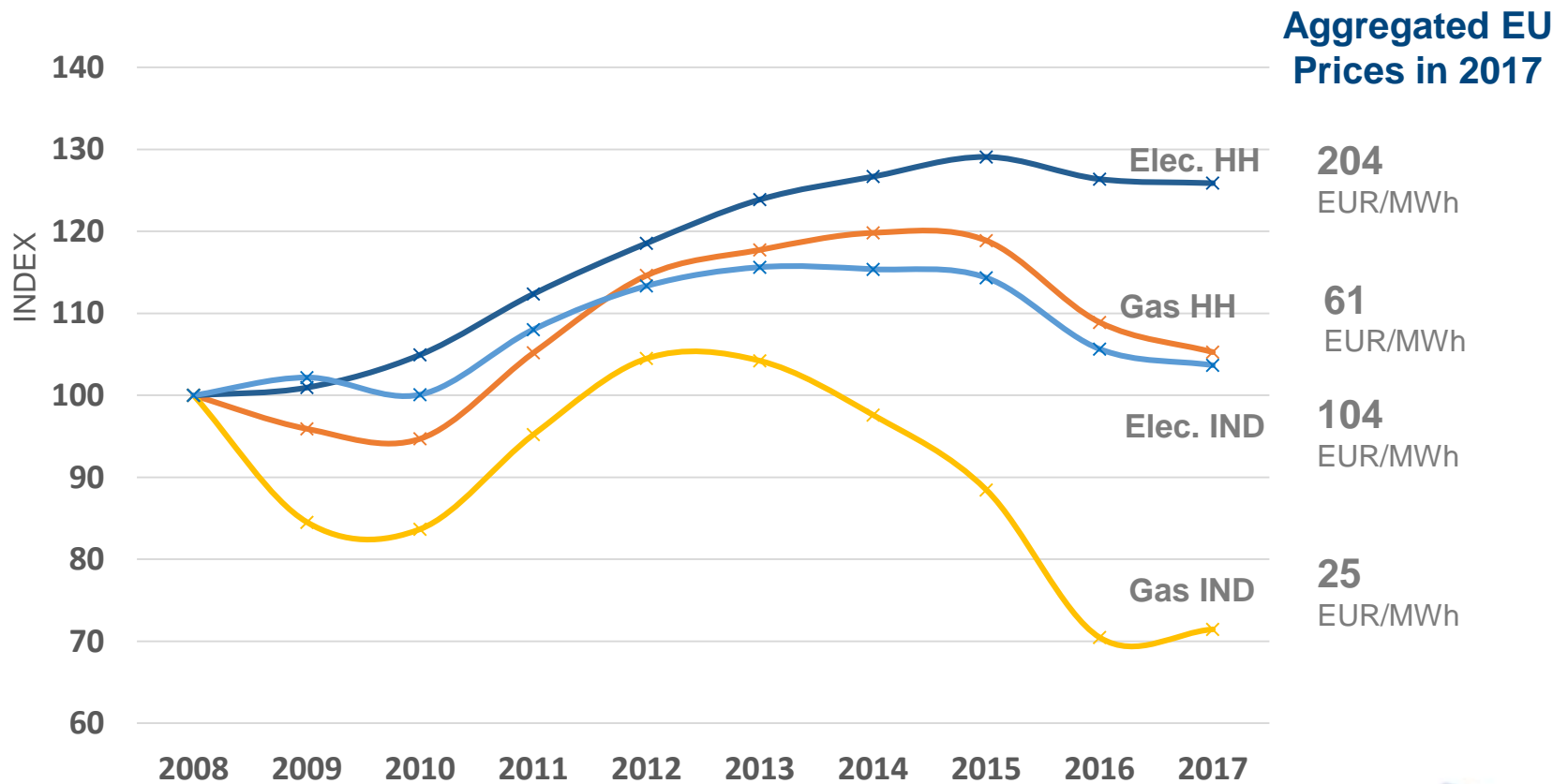
- Renewable generation 30.7% of EU electricity demand; renewables 17.5% total energy demand (2017).
- Growth driven by 2020 RES 20% energy target and “support schemes” (subsidies)
- Raising market design issues
- Climate change mitigation: commitments increased

Renewables: The only way is up!



Retail Market Prices

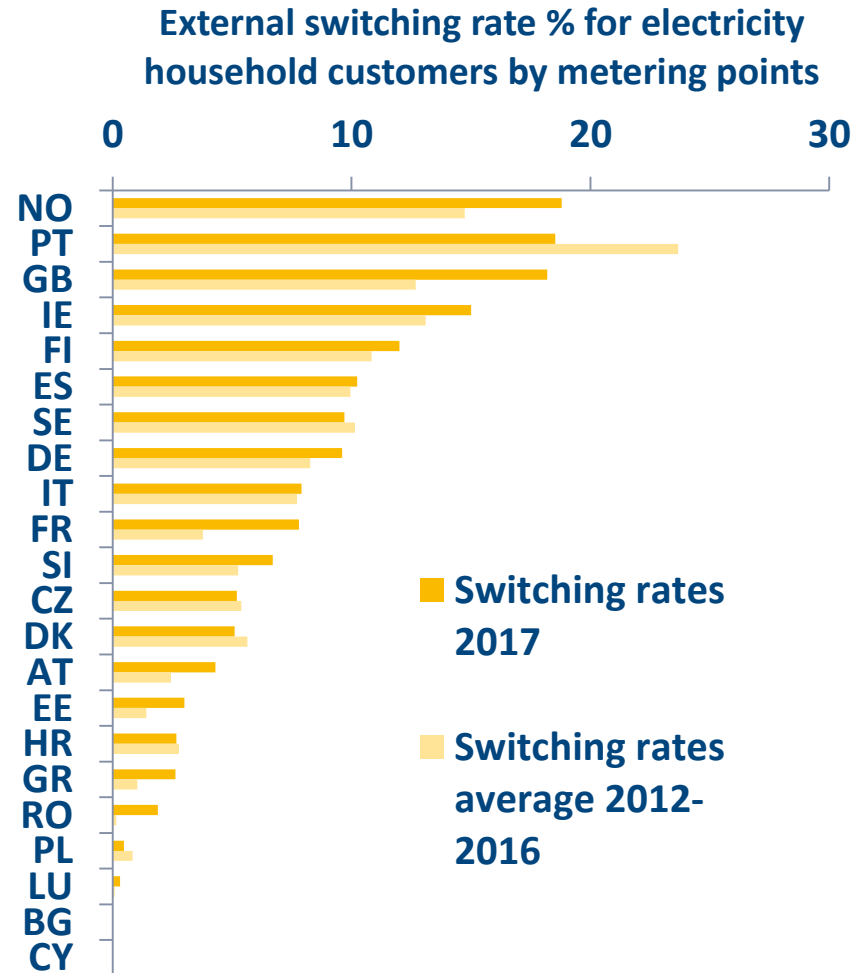
- EU retail prices are a mixed story
- Impacts on consumer affordability and EU competitiveness



Retail and Consumers

One extreme to the other

- Many consumers switch / participate actively in the market
- Prosumers on the rise
- Digitalisation and electric vehicles?
- And yet: affordability is a concern
- National markets have wide variations in competition (HHI)
- Many consumers haven't engaged in the market
- Political change in the EU



Clean Energy for All Europeans Legislative Files

- <https://ec.europa.eu/energy/en/topics/energy-strategy-and-energy-union/clean-energy-all-europeans>

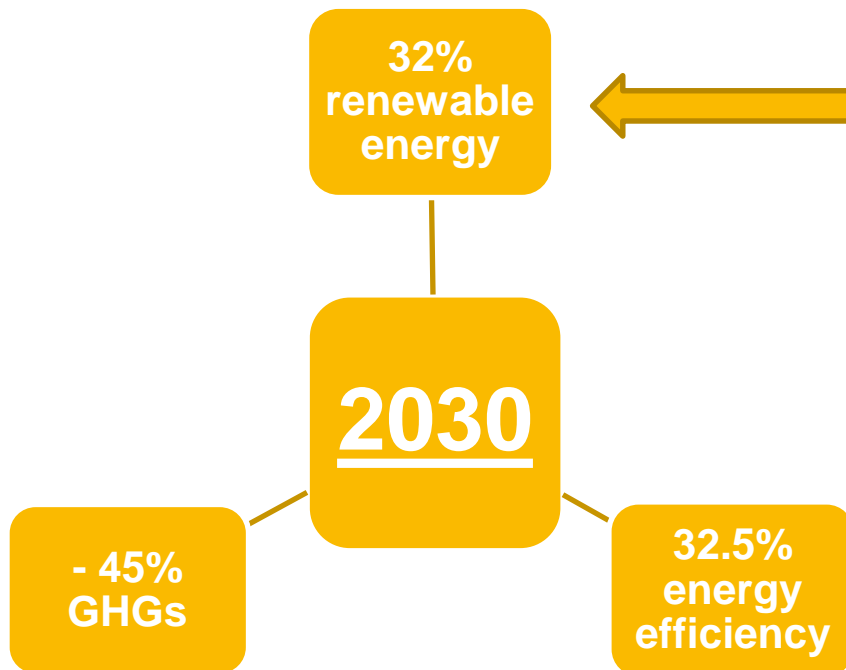
	European Commission Proposal	EU Inter-institutional Negotiations	European Parliament Adoption	Council Adoption	Official Journal Publication
Energy Performance in Buildings	30/11/2016	Political Agreement ***	17/04/2018	14/05/2018	19/06/2018 - Directive (EU) 2018/844
Renewable Energy	30/11/2016	Political Agreement	13/11/2018	04/12/2018	21/12/2018 - Directive (EU) 2018/2001
Energy Efficiency	30/11/2016	Political Agreement	13/11/2018	04/12/2018	21/12/2018 - Directive (EU) 2018/2002
Governance of the Energy Union	30/11/2016	Political Agreement	13/11/2018	04/12/2018	21/12/2018 - Regulation (EU) 2018/1999
Electricity Regulation	30/11/2016	Political Agreement	26/03/2019	22/05/2019	14/06/2019 - Regulation (EU) 2019/943
Electricity Directive	30/11/2016	Political Agreement	26/03/2019	22/05/2019	14/06/2019 - Directive (EU) 2019/944
Risk Preparedness	30/11/2016	Political Agreement	26/03/2019	22/05/2019	14/06/2019 - Regulation (EU) 2019/941
ACER	30/11/2016	Political Agreement	26/03/2019	22/05/2019	14/06/2019 - Regulation (EU) 2019/942

These 4 enter into force on 4 July 2019



Clean Energy Package: Big Picture

- Sustainability at the heart of EU economic energy regulation
 - ▶ Decarbonisation at pace to 2050



~50% of electricity from RES

Retrofitting EU wholesale markets

Enabling role for Distribution

Empowering consumers and demand-side participation



Clean Energy Package: Big Picture

- Retrofits EU wholesale markets
 - ▶ Balance responsibility, scarcity pricing, priority dispatch restricted
 - ▶ More system integration, common conditions for CRMs
- Elevates importance of distribution / local networks
 - ▶ DSOs as neutral market facilitators of new services
 - ▶ New EU DSO body (“ENTSO-light”) to facilitate better coordination with TSOs, linked in with ACER
 - ▶ Empowered collective “Citizens Energy Communities”
- Enables more consumer and demand-side engagement
 - ▶ Faster switching, better information, more choice
 - ▶ Individual demand-side participation
- CEER broadly welcomed the package, advocated positions and suggested amendments



What the CEP does not do

- Drive radical institutional change: it's not the 3rd Package
 - ▶ NRAs, ACER, ENTSOs and Network Codes exist broadly as we know them
- Integrate national retail markets or deregulate retail prices
 - ▶ About half of MSs have regulated retail prices to some extent
- Scrap CRMs or fully resolve ~90% RES/market remuneration
 - ▶ But, new CRMs allowed only if conditions are met, e.g. X-border component
- Dictate national fuel mix or support scheme policy
 - ▶ Where needed, CEER advocates market-based supports
- Change wholesale-retail gas market rules: mirroring is planned later

Clean Energy - Wholesale Electricity

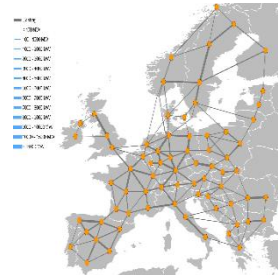
Market Design

- All participants have balance responsibility bar very limited cases
- Scarcity pricing to VOLL: NRAs establish values using ACER methodology
- No priority dispatch for new projects except small / demonstration
- EU-wide auctions to complement continuous intra-day trade
- Non-frequency Ancillary Services NC for market-based procurement
- CRMs allowed, conditions include a robust energy market, SoS, X-border and EU generation adequacy component, phase out payment to > 550g CO₂/kWh plants



Market Integration

- 15% interconnector target (not directly in the CEP); congestion income may reduce network tariffs on a conditional basis
- Cross-border trade: at least 70% of secure thermal capacity
- RCCs define and optimise regional TSO coordination
- Generation Adequacy Sharing: cross-border participation in CRMs



Clean Energy - Distribution / Local

- DSOs as neutral market facilitators: flexibility, storage & EV charging are typically competitive activities
 - ▶ Derogations from NRAs are allowed
- EU DSO entity involved in NCs, coordinate with ENTSO-E etc.
- Flexible local solutions rather than tariff harmonisation / NC
- Better planning and coordination:
 - ▶ DSOs to consult on 5-10 year network development plans, subject to NRA approval
 - ▶ Less than 100K customer DSOs are exempt
- Empowers Citizens Energy Communities, with:
 - ▶ Ownership/operation criteria set by NRAs
 - ▶ Members keep consumer rights and can leave
 - ▶ Have financial responsibility for system balancing bar limited cases
 - ▶ If it looks like a DSO, it's regulated like one!



Clean Energy - Elec Retail / Consumer

Consumer Empowerment

- Faster supplier switching: 24-hour technical process by 2026
- No switching fee except proportionate for fixed term / price
- Aggregators: suppliers can't impede access; DSR Network Code
- Customers entitled to smart meter, but if negative CBA they pay!
- Dynamic contract available for SM customers from at least one supplier and all suppliers > 200K customers



Information and Data

- At least one reliable free Comparison Tool
 - ▶ Verified (e.g. by NRA) or operated by a public body (trust marks)
- Bills must be “easy to understand, clear, concise...facilitates comparison”; right to monthly billing with SMs
- Customers should have free data access
- Interoperable data format in and across MSs



Clean Energy - Governance

- Regulatory Independence / Governance
 - ▶ No major NRA and ACER independence changes (perhaps a success in itself)
 - ▶ Commission to report on NRA independence to EP and Council
 - ▶ Enhanced role for ACER BoR, but Director still “holds the pen”
- Network Codes / Decisions
 - ▶ More of them, e.g. DSR, cybersecurity
 - ▶ “Local NRAs” decide on regional TCMs or they proceed to ACER if voluntarily referred, they don’t agree in 6 months or ACER deems a tangible IEM impact
 - ▶ Existing TCM NC/Guideline issues proceed directly to ACER (“All NRAs?” for new?)
- EU entities including ENTSOs and RCCs subject to more NRA-ACER oversight



Transposition and Application

- Electricity Directive
 - ▶ Transposed by 31 December 2020 (in general)
- RES Directive
 - ▶ Transposed by 30 June 2021 (in general)
- Electricity Regulation
 - ▶ Applies from 1 January 2020 (in general)



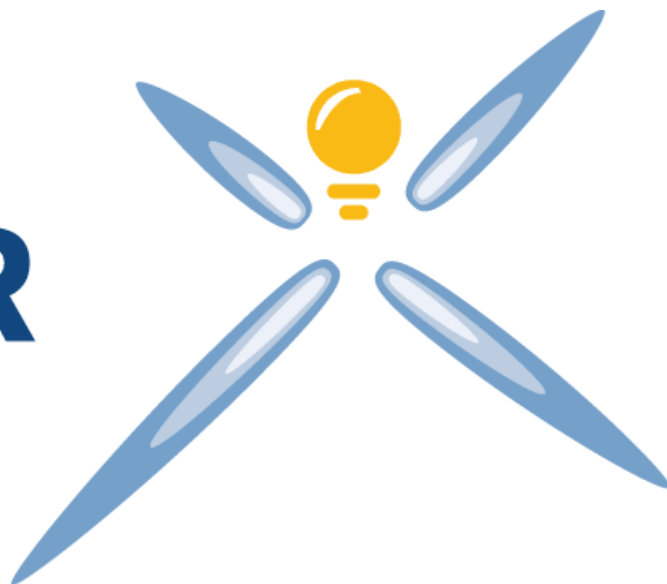
CEER Customer and Retail Market Priority Implementation Topics

- Basic Contractual Rights (Elec. Dir. Art. 10)
- Comparison Tools (Elec. Dir. Art. 14)
- Customer billing (Elec. Dir. Art. 18 + Annex 1)
- . Art. 21)
- Dynamic price contracts (Elec. Dir. Art. 11)
- Energy Communities (Elec. Dir. Art. 16; RES Dir. Art. 22)
- Self-Consumers/Active customers (Elec. Dir. Art. 15; RES Dir. Art. 21)
- Sources of Electricity – Guarantees of Origin (RES Dir. Art. 19)
- Switching (Elec. Dir. Art. 12)

Thank you for your attention!

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