



## 11<sup>th</sup> EU-US Energy Regulators Roundtable

May 13-14, 2014

Boston, Massachusetts, USA

### *Joint Closing Statement*

*The EU/US Roundtable is held every 12-18 months to provide a platform in which senior regulators from the US and Europe can exchange views and experiences on the common challenges they face.*

*This latest meeting took place in a time of raised political uncertainty impacting on energy following current events in Ukraine and focused on issues which have resulted from the increasing pace of change and their consequences for energy regulation and consumers. These include managing volatility from variable renewable generation; the impact of new technologies and distributed generation on distribution networks; approaches to core economic regulatory tasks in increasingly complex and interconnected networks; and measures to reinforce and encourage resilience and reliability in this rapidly changing environment.*

#### ***Regulating for change***

Energy markets, and regulators, are facing a range of challenges as new technologies and energy resources are contributing to a **step-change in how electricity and natural gas are used and managed**, with potentially significantly differing approaches in future regulatory arrangements. In addition to traditional responsibilities over network tariffs and ensuring networks are efficient, energy regulation must also contend with the implications for energy markets of policies to tackle **climate change and technological advances**. As these developments progress and become an integral part of the energy sector, the role and independence of regulators may increasingly come under external and internal review. Although energy policy decisions lie with governments, energy regulation must continue to provide the core framework for market participants to compete on a transparent and fair

basis and to provide a sound environment for long term investments in essential energy infrastructure. In Europe, policy makers are discussing ambitious new targets for renewable generation development as well as for greenhouse gas reductions. In the US, new regulations on water and air quality (e.g. coal ash residue, mercury, nitrogen oxide, sulphur dioxide, carbon) will place new obligations (and costs) on the energy sector and may in some cases require changes to regulatory tasks and oversight. Against this policy backdrop, regulators must **balance the needs of the sector with the cost implications for current and future customers and the integrity of the energy networks overall.**

During the roundtable, European and US regulators shared their respective experiences in this changing regulatory environment and confirmed the essential role of regulation in meeting wider energy policy goals. They underline the importance of ensuring that the regulatory framework continues to provide investor certainty and promotes well-functioning markets, where consumer rights are protected and their possible participation and engagement with the market is facilitated. Furthermore, regulators confirmed the importance of proper price signals in markets, to promote competition and fair prices for consumers.

#### ***Smart networks and active consumers***

Smart grids, distributed generation, demand-side flexibility and services are some of the more important changes with direct **implications for consumers and energy networks.** The complexity of markets is due to increase given such developments. Consumer trust and engagement will need to be supported and reinforced, so that the potential benefits of these innovations can be maximised for energy customers. Conversely, increased consumer involvement should stimulate energy companies to innovate and to provide a better quality of service and efficient prices. With variable renewable generation as well as energy efficiency measures impacting on the predictability and reliability of the energy system, consumers could themselves participate in new ways in delivering a balanced and secure supply. However, involving consumers is challenging. Empowering them means facilitating the development of a **competitive market in which consumers can engage and exert their power of choice.** Timely access to information and a secure framework for data management are prerequisites for such interactions. Similarly, the **regulatory framework for distribution networks** needs careful review, including as regards **incentivisation** of efficient operations and investments to adapt and develop smart networks.

During the meeting, regulators discussed how these changes may affect traditional generation as well as distribution networks and system reliability. In addition, they considered questions regarding the current roles and responsibilities of distribution networks, including the traditional volume-based business model for energy; whether these continue to be valid with the development of smart networks, with decreases in peak load, but increases in the need for continuous system balancing.

#### ***Reliable and resilient energy supply***

These resource and market transformations have sparked important questions about the reliability of the supply of energy. New generation and load profiles, technology innovations and cross-border interconnections have differing **effects on system operation and the robustness of our networks.** In addition, developments in shale gas, including its potential for significant exports, could impact on world gas markets. In the meantime, resilience to

natural disasters or other extraordinary events continues to be of central importance and a core task for network operators. In Europe, common definitions and rules for system operation and security have been put in place to **ensure the reliability of our interconnected systems**. In addition, regulators are leading strategic holistic thinking about the development of energy markets to ensure that they are robust enough to deliver reliable, affordable and simple-to-use energy services in this changing environment. Key among the issues explored are **network flexibility, cooperation between grid operators and reliability** in order to guarantee operational security and reliable service. In the US, regulators are placing particular attention on the need to consider and address growing threats to the grid, also taking into account the costs for consumers of measures required of and taken by the utilities to reinforce their infrastructure and operations.

The roundtable offered regulators the opportunity to share their experience and approaches to promoting system reliability and, as part of that, resilience. Regulators have central responsibilities in relation to investments to ensure security of supply and may use regulatory tools (e.g. service benchmarks) to require utilities to meet minimum performance levels. A range of developments, such as cyber-security concerns as well as changes to the generation profile, have led regulators on both sides of the Atlantic to consider these issues carefully.

The issues discussed in this two-day event are similar to those faced by energy regulators around the world. They are also discussed in larger regulatory circles, including the working groups of the **International Confederation of Energy Regulators (ICER)** and the upcoming **World Forum on Energy Regulation VI to be held in Istanbul in May 2015**. The roundtable participants confirmed their commitment to sharing and disseminating best practices, building capacity in regulatory authorities and improving regulatory decision-making through on-going communication and coordination.

**Notes to Editors:**

1. On 13-14 May 2014, the [11th EU-US Energy Regulators Roundtable](#) was held in Boston, USA. Since 2000, U.S. and EU regulators have maintained an informal dialogue where energy regulators exchange views and experience on selected topics of mutual interest in the electricity and gas markets, compare regulatory approaches, and discuss international developments and cooperation. With the involvement of the regulators from the Council of European Energy Regulators ([CEER](#)) and the National Association of Regulatory Utility Commissioners ([NARUC](#)), the roundtable convened to discuss energy and regulatory developments and challenges. The meeting was also attended by the Federal Energy Regulatory Commission ([FERC](#)), the Agency for the Cooperation of Energy Regulators ([ACER](#)) and the Energy Regulators Regional Association ([ERRA](#)), whose members come from Central European and Eurasian countries.
2. ICER brings together in a formal and structured dialogue the energy regulatory authorities from across 6 continents and over 200 regulatory agencies, including both the most developed markets and those which are still taking shape. It is composed of 11 regional regulatory associations as well as the regulatory authorities for Australia and Switzerland. ICER's goal is to serve as an effective tool to help improve, worldwide, public and policy-maker awareness and understanding of energy regulation and its role in addressing a wide spectrum of socio-economic, environmental and market issues. More information and publications by ICER are available at [www.icer-regulators.net](http://www.icer-regulators.net). The [World Forum on Energy Regulation](#) (WFER) is the world's foremost conference in energy regulation. It was created as a cooperative effort by the world's main regional regulatory associations. It aims at providing a venue where energy regulators and other energy market stakeholders may discuss issues and experiences of common interest. The 6<sup>th</sup> WFER will take place 25-28 May 2015 in Istanbul, Turkey.
3. The EU-US Roundtable is jointly organised by CEER and NARUC, with the involvement of other U.S. and EU regulatory organisations. Established in 2000, the Council of European Energy Regulators (CEER) is a not-for-profit association in which Europe's independent national regulators of electricity and gas voluntarily cooperate to protect consumers' interests and to facilitate the creation of a single, competitive, efficient and sustainable internal market for gas and electricity in Europe ([www.ceer.eu](http://www.ceer.eu)). Founded in 1889, the National Association of Regulatory Utility Commissioners (NARUC) is a non-profit organisation dedicated to representing the State public service commissions who regulate the utilities that provide essential services such as energy, telecommunications, water, and transportation ([www.naruc.org](http://www.naruc.org)).