

**9th EU-US Energy Regulators Roundtable
October 3-4, 2011
Chicago, Illinois, USA**

***Final Agenda
With Abstracts***

Objectives

To build on the momentum of the eight previous Roundtables, the World Forum on Energy Regulation and the work of the International Confederation of Energy Regulators; and to develop cooperation and exchange of experience in areas including energy security, energy and financial market issues, research in the fields of sustainable development, energy technology and regulatory developments.

Monday, October 3, 2011, Room

08:30 Continental Breakfast in meeting room

9:00 am **Introductory Remarks**

Lord Mogg, Chairman of Board of Regulators for ACER; Chairman of ICER;
President of CEER and Chairman of Ofgem
President Tony Clark, NARUC
Commissioner Philip Moeller, FERC

9:30 am **Session I: Cross-border Infrastructure and Investments**

Speakers will briefly introduce the key regulatory frameworks and processes conducive to cross-border infrastructure and investments, including regional planning (US-EISPC), cost allocation, permitting and siting (e.g. economic investments and public good investments). Discussion could focus on possible parallels between the US and EU experiences, especially in areas of the role of energy regulators in the new sustainable development policies, regional harmonisation and market integration efforts.

Moderator: Mr Jose Braz, CEER (ERSE, Portugal)

Infrastructure is the essential conduit for the provision of energy services and, as a natural monopoly, a central element in regulatory decisions. The regulators' role in balancing investors' and consumers' expectations to ensure energy is both available and affordable in a sustainable manner is made more complex when infrastructure is cross-border, requiring cooperation between regulators and, often, additional central input to ensure the attainment of broader objectives. The two presentations will look at regional processes in the US, some with

Federal "facilitation" funding, and at recent EU legislative and institutional developments that aim to further the European single energy market. The subsequent discussion may wish to address some common concerns:

1. How to select the most cost-effective options between competing cross-border projects?
2. How to evaluate and allocate the costs and benefits of cross-border investments?
3. How to balance regulatory stability with the flexibility required to incorporate new technologies?
4. How to relate returns to risks actually taken by operators, avoiding stranded costs for consumers?
5. What institutional arrangements have proved effective in enabling cross-border regulator coordination?

Speakers: Commissioner Eric Callisto (WI)

Transmission Planning and Regional Cooperation – Issues and Action in the U.S.

The traditional driver of transmission buildout in the U.S. has been reliability. The delivery of more economic energy and capacity has also become important. The focus, regardless of the driver, has generally been local. However, these motivations and the historical local approach may be eclipsed by the inclusive, but broader, "public policy" driver currently dominating the debate. As the states and federal government advocate for increased use of renewable and clean energy, the need for more transmission investment is apparent. The issues of how much is needed, what kind is needed, where it should go, who should approve it, and how it should be paid for are elements of traditional transmission planning that were explored and addressed locally. They remain the questions that need answering in the future, but they are now more complicated as public policy needs explore moving new, often remote, generation to load. The federal government, regions, and states are actively engaged in a number of activities to better encourage cooperation and commonsense approaches to answering these questions. The Eastern Interconnection States' Planning Council (EISPC) and the Eastern Interconnection Planning Collaborative (EIPC), as well as other regional initiatives, have advanced these laudable and necessary goals.

Mr Alberto Pototschnig, Director of the Agency for the Cooperation of Energy Regulators (ACER)

Cross-border Infrastructure and Investments in the EU

EU energy policy rests on three main pillars: competitiveness (through liberalization and the development of well-functioning markets), sustainability (through ambitious environmental goals) and security of supply. The development of cross-border energy infrastructure is a key element in all these areas.

The 2009 "3rd Energy Package" places greater emphasis on the EU dimension for both network development planning – by introducing the EU-wide Ten-Year Network Development Plans - and operations – by introducing network codes binding throughout the EU. It also puts in place a new institutional framework for stronger cooperation between National Regulatory Authorities (ACER) and TSOs (ENTSOs).

Significant investments in energy infrastructure, including in energy cross-border transmission networks, are required over the next 10-20 years and beyond to support the EU energy policy objectives. To facilitate and promote these investments, the EC will soon propose legislative measures to streamline network development.

In this context, regulators and regulation face additional challenges. While basic regulatory principles should apply irrespective of the type of infrastructure, cross-border development requires stronger coordination and cooperation among NRAs (and Member States) and greater attention to costs allocation issues. The scale of the investments and the risks associated with some of them may also call for new financing schemes.

11:00 am *Coffee break*

11:30 am **Session II: Key Regulatory Challenges of New Technologies and Practices**

Regulators are faced with new challenges as technology rapidly evolves. What are new roles for regulators in the promotion and/or development of smart grids, smart meters, demand response, cybersecurity and embedded generation?

Moderator: Ms Karin Widegren, CEER (EI, Sweden)

Speakers: President Tony Clark (ND), NARUC

Grid Modernization: Keeping the Focus on Consumers

The challenges and opportunities associated with grid modernization are major topics of discussion for regulators worldwide. This presentation will highlight the work that has been conducted through a collaboration of regulators, consumer advocates and industry within the US to identify issues of critical interest in grid modernization, especially as they relate to consumers. The presentation will specifically highlight a list of common principles for consideration that centered on the areas of:

1. Investment Costs, Benefits and Risks
2. Consumer Protections
3. Privacy and Security
4. Consumer Education and Communication
5. Federal/State Relations

Mr. Tomás Gómez, CEER (CNE, Spain)

Integration of electric vehicles in smart distribution grids: Regulatory issues

It is expected that European policies for energy efficiency and carbon emission reductions in transportation will pave the way for new electric vehicle (EV) technologies to progressively penetrate automotive industry sales. Integrating EVs in electric power systems poses new challenges concerning the regulation of the energy sector for system favorable charging scenarios. The rationale behind efficient EV charging is based on minimization of additional asset investment and fuel costs. This presentation proposes a conceptual regulatory framework for charging EVs in different scenarios. The role of two new agents, the charging point manager and the EV aggregator, together with an active participation of distribution system operators is examined. Finally, a roadmap with policy recommendations to facilitate a massive integration of EVs taking full advantage of the future deployment of smart distribution grids is proposed.

12:45 pm *Lunch*

2:15 pm **Session III: Market Monitoring**

What are the benefits of market monitoring of electricity and gas markets and more widely? What are the ideal scenarios for regulatory approaches to data collection, monitoring and enforcement? EU regulators will introduce the new REMIT (energy market integrity and transparency) draft legislation.

Moderator: Commissioner Erin O'Connell-Diaz (IL); Co Vice-Chair of NARUC Committee on Electricity

Speakers: Mr Johannes Kindler, CEER (BNetzA, Germany)

The EU is strengthening the integrity of energy trading. The upcoming Regulation on Energy Market Integrity and Transparency (REMIT) which is expected to come into force end of 2011 will prohibit insider dealing and market manipulation in the electricity and gas markets. REMIT includes key elements of a concept developed by a common working group of Financial and Energy Regulators.

However, the scope of the sector-specific regulation is strongly depended on and interlinked with the financial regulation which is currently under revision as a result of the G-20 agreements after the financial crisis. Whereas the envisaged financial regulation reforms might adequately protect financial markets by increasing capital requirements, reporting obligations and limiting positions, a spill over effect of this financial regulation may be detrimental to competition and liquidity in the energy markets.

Mr Steve Reich, FERC

FERC enhanced its market oversight function in response to the California energy crisis. This function includes market monitoring, surveillance, and transaction analysis. Market monitoring provides a better understanding of markets the Commission regulates and gives other stakeholders (state commissions, the public) a resource for information and analysis. Surveillance and transaction analysis identify market anomalies and assess their causes. Sometimes the causes are benign, but sometimes, because physical natural gas and electric markets can be targets of manipulation, wrongdoing may be involved.

3:30 pm *Coffee break*

3:45 pm **Session IV: Balancing Consumer Needs**

What are the roles for regulators in balancing consumer protection and energy infrastructure needs? What educational and other roles can the regulator play? This session examines the interaction between market mechanisms and public service objectives in the treatment of vulnerable customers, affordability (in terms of upcoming investments), privacy/customer data and consumer awareness.

Moderator: First Vice President David Wright (SC), NARUC

Speakers: Commissioner David Coen (VT)

Regulators and industry need to make a greater effort to ensure that consumers understand the connection between their lifestyle and the needs of the electric grid. Consumers continue to adopt new technologies that add load to a grid for which planning and upgrades have not kept pace. In addition, the majority of people in the U.S. support renewable energy, but are not aware of the complications associated with integrating intermittent power. Consumers need to recognize that their actions can increase the costs of maintaining reliable electric service and also that these costs are becoming increasingly difficult for vulnerable customers to bear.

Chairman Gábor Szörényi, ERA

Priorities between the long (supply security, continuity of supply) and short term interest of customers (low prices, affordability) can shift in times of economic crisis. Energy prices can have a political dimension, particularly in an environment, where and when competitive markets are not perfect and the various groups of end-users are very price sensitive.

There are present and foreseen conditions, which cause governments to reduce the chance for the implementation of market oriented solutions, limit the autonomy of regulators and give more, - sometimes financial (tariff) - support to vulnerable consumers. In these circumstances, the regulator should continue to look for the best solution in how to maintain

the long term interest of the consumers while at the same time keeping other long term political goals, such as climate change measures, on its mind.

5:00 pm Session Concludes

7:30 pm *Official Dinner*

Tuesday, October 4, 2011

8:30 am Continental Breakfast in meeting room

9:00 am **Session V: The Generation Fuel Mix and Implications for Prices**

How are markets changing in natural gas (LNG, shale) and what is the impact of decisions on nuclear power in the EU and US after the disaster in Japan?

Moderator: Commissioner Philip Moeller, FERC

Speakers: Commissioner Colette Honorable (AR)

How Has Shale Gas Changed the Game for LNG and Nuclear Plants after the Fukushima disaster?

Recent shale gas development has been described as the “game-changer” in the natural gas sector and beyond. Not long ago, there was concern that the United States may not have sufficient gas supplies to meet demand. Companies and investors by the score were preparing to seek permits to build LNG import terminals to supplement domestic natural gas production. New nuclear plants were being planned and considered around the world. Two occurrences have since changed the outlook for both new LNG import terminals and nuclear plants: the shale gas boom and the March 2011 Fukushima disaster which resulted in the closure of nearly a dozen nuclear plants. Countries around the world have responded with varied positions on the future of energy development going forward.

Now, with lower gas demand, lower gas prices and full natural gas storage facilities brought on by the rapid pace of shale gas development, a renewed analysis of the future of shale gas development, LNG import facilities and new nuclear plants must occur.

Mr Peter Plug, CEER (NMa, the Netherlands)

The fuel mix is an important driver for investments in energy networks and generation. These investments are essentially long-term and capital intensive. Currently, the investments have become more risky because of doubts on nuclear policy, future political commitment to tackle climate change and changes in generation and grid technologies. However, investments are essential to meet climate change and fuel mix ambitions.

As a result of the increased interconnectedness of the European energy markets, problems do not stop at the borders of Member States, but need a coordinated approach. Coordination by the European Commission for energy policy but certainly also a stronger role for ACER in the coordination of grid investments will therefore be essential for the development of the European energy market.

10:30 am *Coffee break*

10:45 am **Session VI: Climate Change and Energy Efficiency Policies**

This session examines current or planned US (State/federal) and EU policies on climate change, renewables and energy efficiency. How do they impact energy regulators and the future of energy markets?

Moderators: Commissioner Valeria Termini, CEER (AEEG, Italy)

Commissioner Philip Jones (WA)

Speakers: Chairman Doug Scott (IL)

There is much activity surrounding climate regulation from US EPA, and Congressional reaction to the changes. The presentation will review what the climate legislative and rulemaking actions have been from the federal level, as well as from the state and regional levels. Then, it will discuss the work that is being done by states and regional organizations to both implement announced and anticipated federal programs, as well as to implement their own individual programs. These localized programs include energy efficiency programs and renewable portfolio standards, all of which have implications for power markets, as well as for regulators in terms of implementation of the programs, and monitoring any reliability concerns that may result.

Ms Karin Widegren, CEER (EI, Sweden)

As background information a brief overview of EU climate policy goals and programs to promote renewables and energy efficiency will be given. The main part of the presentation will focus on regulatory aspects of an increased use of renewables and European Energy Regulators assessments and activities within this area. The preliminary results from a CEER study on implications of non-harmonized RES support schemes within EU will be presented together with an update on the regulatory work within the framework of the North Seas Countries' Offshore Grid Initiative. Finally an update will be given on the ICER Virtual Working Group on Climate Change and the planned report on Renewable Energy Integration and Distributed Generation.

12:00 pm **Session VII: Future Development of ICER**

Participants will receive an update on activities and discuss ambitions for ICER as well as a look forward to WFER V (and VI).

Speaker: Lord Mogg, CEER (Ofgem, UK)

12.45 pm **Session VIII: Conclusions and future cooperation**

Description: Concluding remarks, next steps on cooperation and planning

1.00 pm *Lunch*

Program concludes