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Mrs. Fay Geitona,
CEER Secretary General

6th November 2009

Re: European Energy Regulators 2010 Work Programme

Dear Mrs. Geitona,

ESB is pleased to have this opportunity to provide its views on the draft 2010 Work Programme for European Energy Regulators. The consultation document provides a very helpful indication of the main areas which will be the focus for ERGEG over that 12 month period and when finalized will provide some assistance to stakeholders in planning for key workstream activity over the year.

There are many “Public Consultations” proposed, likely to be of significant interest across all EU Member States, for which ESB believes that the overall work programme and quality of outcomes could benefit from the inclusion of an advance period of time during which stakeholders could provide information and supporting rationale on key matters to be considered under each consultation.

ESB has structured its response to this consultation so as to provide comments on those key areas of work for 2010 that it considers most important. For the areas outlined below, ESB intends to actively participate where it can in these consultations.

1. Framework Guidelines on capacity allocation and congestion management (Electricity) – *document # 2*

ESB believes that the proposed consultation and resulting study on congestion management method for allocation of electricity cross border capacity during 2010 will be timely. In the case of the Single Electricity Market (SEM) on the island of Ireland, the development of framework guidelines may help to lessen some of the regulatory risk that exists surrounding any future integration of SEM with BETTA and beyond in a regional market context.

2. Framework Guidelines on operational security – *document # 3*

ESB believes that the proposed consultation is timely, particularly as power systems across Europe transition to a low carbon generation environment. In particular for those power systems that will connect significant levels of intermittent renewable generation (wind) over the coming years both at

distribution and transmission levels, it will be essential that System Operators operate in line with most appropriate guidelines.

Again in the case of the SEM which has a target of 40% renewable generation for 2020, operational guidelines focusing on security and reliability, grid connection and congestion management which give recognition to the appropriate mix of plant for both power, traditional ancillary services and emerging system support services would be welcome. These guidelines will need to address the emerging topic (indeed challenge) of integration of RES, particularly large volumes of wind, especially in relatively isolated systems as in Ireland.

Moreover, ESB believes that adequate fuel diversity in the generation mix is essential, without which problems can be expected in future.

3. Advice on intelligent energy networks (smart grids) – document # 8

In Ireland ESB Networks Ltd has developed a Smart Network strategy and has commenced its work programmes to deliver on this strategy. This will involve significant investment in electricity networks infrastructure to facilitate, among other things, greater renewable energy on the power system. This decarbonisation of electricity will allow for a national electric transport fleet and ESB will build the recharging network required to underpin that development.

ESB believes that it is appropriate for ERGEG to consider whether there is a need for the establishment of a roadmap for development of Electric Vehicle (EV) charging infrastructures in order to support moves to decarbonise the transport sector and further enable member states achieve their EV transition targets.

Another feature of this Smart Network strategy will involve the expansion of smart metering to every home in the country. ESB has already invested significantly in research and technology to enable the Smart Network and it will be important that the development of a related regulatory framework does not adversely impact on the work programme already underway.

4. Guidelines of Good practice on retail market monitoring – document # 21

ESB believes that retail market monitoring is important to ensure that the opening up of markets to competition is equitable for all participants. The recent publication of the second Annual Retail Market Report for 2008¹ by the Commission for Energy Regulation (CER) in Ireland is a good example of this. The report which is now to be published quarterly provides a summary of key market statistics including information on electricity prices, customer numbers, electricity consumption, market share and customer switching. The availability of such data on a European basis would enhance retail market monitoring and also be useful for benchmarking.

5. Guidelines of Good Practice on regulatory aspects of smart metering – document # 22

As mentioned previously, ESB Networks Ltd is progressing with its Smart Networks strategy, one aspect of which involves the installation of smart metering in every home in the country. This Smart Metering programme is being governed by the national regulatory authority in Ireland, CER. At present a series of customer behaviour and technology trials are underway with a cost benefit analysis due to be finalised before an anticipated roll-out programme commences.

¹ <http://www.cer.ie/GetAttachment.aspx?id=af068360-27cb-45da-94b6-5dcbbc0fac3d>

ESB believes that Smart Metering will have a significant role to play in driving participation by consumers in energy conservation and energy efficiency. As such it is vital that the development of guidelines is mindful of Smart Metering programmes already underway across Europe and that any emerging guidelines don't hinder ongoing initiatives.

6. Good Practice on customer complaint handling for service providers and third-party bodies – document # 23

As stated in ERGEG's current consultation paper on draft advice on Customer Complaint Handling, Reporting and Classification² customer complaints are a useful indicator from a customer perspective on market monitoring and in particular where a market is malfunctioning. ESB is currently reviewing the current consultation/draft advice paper and initial views are that the 15 recommendations are largely in place in Ireland. The development of Guidelines of Good Practice on how to handle, report and classify consumer complaints will be a welcome development.

7. Status Review of end-user price regulation as of 1 January 2010 – document # 24

ESB supports the continued assessment of end-user price regulation by ERGEG and in particular the progress of Member States in facilitating full retail competition, for all retail market sectors.

ESB believes that full retail competition will be in the best interests of consumers, albeit that appropriate monitoring and controls may be required to ensure that vulnerable customers are protected from unfair retail practices. A further update report based on January 2010 following on from the 2007 recommendations and 2008 status review, which showed little progress accomplished, will be very worthwhile.

ESB supports ERGEG's position that all countries should develop a roadmap towards a competitive market without end-user price regulation, and that the existence or otherwise of such "roadmap", per member state, is appropriate to note within future status reports.

8. Regulatory oversight of wholesale energy markets – document # 26

ESB welcomes the proposed document on recommendations on the supervision of energy exchanges.

9. CEER Response on Interdependencies with other markets – document # 29

ESB supports the initiative by CEER of documenting the interdependencies between electricity / gas markets and others such as carbon allowances and other fossil fuel markets. This report will be helpful to all stakeholders and the general public in understanding the effects of these interdependencies on electricity and gas price formation.

10. Status Review on the ERGEG Regional Initiatives – document # 31

ESB supports the continued review and reporting of status by ERGEG on all regional market initiatives. This review may benefit from inclusion of commentary on any bottlenecks that have been encountered and the potential options that have been or can be considered in order to allow continued progress.

² http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_CONSULT/OPEN%20PUBLIC%20CONSULTATIONS/Customer%20Complaint%20Handling/CD/E09-CEM-26-03_ComplaintHandling_2009-09-09.pdf

**11. Status review of the liberalization and implementation of the energy regulators framework –
*document # 33***

The energy regulator in Ireland, CER, submitted its 2008 report to the Commission at the end of September 2009. The development of an accompanying summary report for wider stakeholder consideration would be useful. ESB suggests that the proposed summary reports should also be made available on public websites.

If you would like to discuss in any more detail the points raised in this response, please feel free to contact me.

Yours sincerely,

Fergal Egan

ESB Regulatory Affairs