

Energy Regulation – A Bridge to 2025

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2014 and beyond

IEM Completion - our commitment is focused on the implementation of the Third Package

Approaching 2014 deadline - strategic foresight and vision to guide our post-2014 work

2025 Strategy - Bridge towards the future



The 2025 Bridge and its pillars

Green Paper: "Energy Regulation: A bridge to 2025"

Encompasses a broad range of issues

Gas Wholesale Markets Electricity Wholesale Markets Infrastructure Investment Demand Side & DSOs

Retail Markets

Launch on 29 April; Responses by 16 June; Conclusions September



Bridge paper analysis





Pre-consultation feedback

- Pre-consultation closed on 17 December 2013
- 35 responses from a wide range of stakeholders
- Key themes in responses:
 - » Effective markets now and in the future
 - » Empowered consumers
 - » Facilitation of innovation
- Feedback informed present consultation



1. Energy sector trends

Electricity Wholesale Markets

- Integration of wholesale markets: greater cross-border trade leading to greater competition
- Increase in non-programmable renewables
- Need to ensure generation adequacy (capacity remuneration mechanisms) and flexibility

Gas Wholesale Markets

- Integration of wholesale markets on basis of gas market network codes
- Large degree of uncertainty related to gas demand and supply
- Gas market expected to play a role in providing flexibility for the electricity sector



2. Energy sector trends

Demand Side & DSOs

- Technology developments: smart grids, smart meters, smart load controls
- Increased demand response
- More active role of DSOs

Infrastructure Investment

- Essential to achieve benefits of integrated European markets
- Projects increasingly likely to span national borders

Retail Markets

- Technological advances
- Consumer concerns: energy price rises, energy efficiency and demand response services, trust, more complexity
- New market players (e.g. aggregators)



1. Priorities for Regulators

Electricity Wholesale Markets

- Implementation of the Electricity Target Model
- Common European balancing target model
- Advise on the design of interventions
- Support development of Regional/European Security Coordination Centres

Gas Wholesale Markets

- Review of the Gas Target Model to consider measures to enhance liquidity
- Market arrangements to ensure gas markets meet the needs of the electricity market



2. Priorities for Regulators

Infrastructure Investment

- Investment decisions driven by market signals
- Deploy output-based incentive mechanisms

Demand Side & DSOs

- Framework to facilitate the market in DR
- Consult & clarify the future role of DSOs
- De minimis limit applying to DSO networks should be reconsidered

Retail Markets

- Identify barriers to entry in retail markets
- Develop the CEER-BEUC 2020 Vision principles into practical actions
- Target of customer switching in 24 hours



1. Implications for Governance

- Fit for purpose processes for modifying and enforcing network codes:
 - Review of governance arrangements for the ENTSOs
 - Appropriate regulatory oversight of new entities with European responsibilities (e.g. power exchanges)



2. Implications for Governance

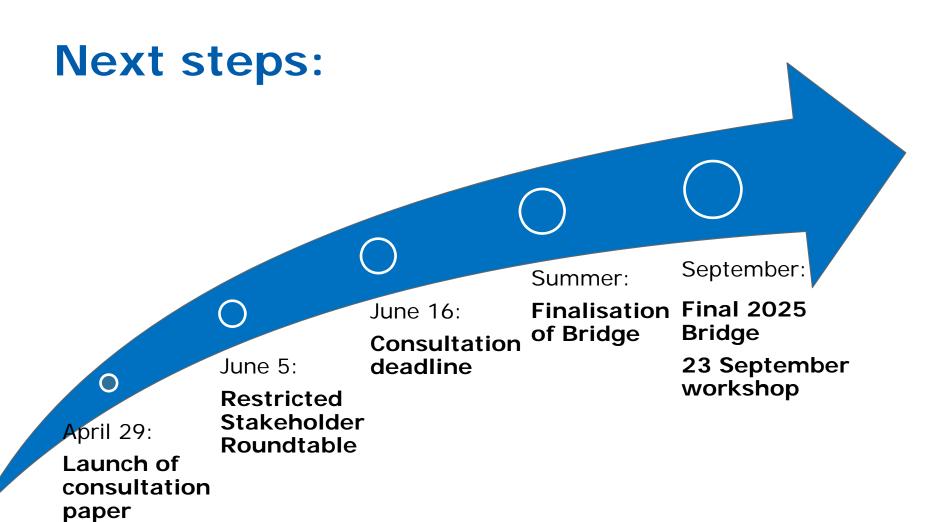
- ACER's role in an expanding market as EU acquis extends beyond EU borders:
 - Regulatory capacity building including outside of the EU
 - Possibly enhanced participation in ACER work



Questions for consultation

- 1. Have we identified the correct issues within each of area of the energy sector?
- 2. Have we identified the correct regulatory actions?
- 3. Which regulatory actions are most important and should be prioritised?
- 4. Are there other areas where we should focus?







Thank you for your attention!

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