

## CEER Citizens' Q&A

### New Services and DSO Involvement: A CEER Conclusions Paper

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#### 1 What is this Conclusions Paper about?

This CEER conclusions paper presents CEER's views on new services and the involvement of Distribution System Operators (DSOs) in those services. The CEER position on new services and the involvement of DSOs presented in this document concerned is aimed to provide more clarity on activities associated with DSOs to all relevant actors on specific grey areas. It concerns the following key areas:

- Definition of Interface (the interface between the DSO's own distribution system and those of other operators);
- Energy storage;
- Direct services to the consumer (services rendered beyond the metering equipment which can be developed by DSOs and involve some direct engagement with the consumer);
- Data management;
- Telecommunications and services outside of the energy sector.

The paper builds upon previous CEER work on the Future Role of DSOs as well as the European Commission's Clean Energy for All Europeans package. It also contains CEER's reflections on the helpful input received at the CEER Distribution Systems Workshop on this topic held on 16 January 2019.

#### 2 What does the Conclusions Paper propose for the appropriate level of DSO involvement in these areas of new services?

The paper proposes that a market-centric approach for the facilitation of services should be used wherever possible in order to minimise the risk of DSOs making use of their inherent advantage regarding the provision of services due to them holding a monopoly position. DSOs must act as neutral market facilitators and in the public interest, accounting for costs and benefits of different activities. As neutral market facilitators, DSOs are vital to facilitate service markets – by performing their core activities related to the distribution system.

The design, maintenance, development, and operation of the distribution system forms the core of a DSO's activity. This includes providing relevant network information to third parties to enable them to provide their services. Connection and metering activities can be considered as core activities. The boundary between the DSO's core activity and the provision of other services must be drawn clearly; this is particularly important in the context of integrating different energy systems. Clear boundaries help to ensure that DSO activities are confined to those that may be carried out by the neutral market facilitator and do not overlap or interfere with activities that should be left to market players.

Where activities are open to competition, the DSO should not be allowed to be active in that area. In order to facilitate better outcomes in circumstances where the market cannot (yet) provide the activity, NRAs should be in the position to decide on exceptions.

### **3 Which are areas that should be (in principle) open to competition rather than a business area for the DSO?**

CEER NRAs have determined that activities which, in principle, are open for competition are the following (list not exhaustive): Providing flexibility services (including storage), the development, ownership and operation of electric vehicle (EV) charging points, and the provision of direct services to consumers (including specific energy efficiency advice), data analysis services and enriched data to third parties.

Depending on the implications of the Clean Energy for All Europeans package, in a number of EU Member States DSOs may be permitted to offer services outside the energy sector based on national law, for example telecommunication services, however, such activity may only be granted under certain conditions. Regardless, it is crucial that DSOs do not neglect their core tasks and retain separation between their regulated activities and other service provisions. This is primarily required to avoid cross subsidisation.

As the transition in the energy sector progresses, policymakers and regulators should continue to develop their thinking regarding activities which may involve DSOs. By creating more clarity regarding market structures and defining more clearly the roles of the different players and stakeholders in a rapidly developing energy landscape, legislators and regulators can facilitate the development of additional market activities.

### **4 Why is this important to energy customers?**

This paper shows that regulators are thinking carefully about areas that should and should not be open for DSOs to take part in within the framework of maximising consumer benefit through 1.) the development of competitive markets for new service areas; 2.) ensuring that DSOs maintain focus on the design, maintenance, development, and operation of the distribution system as their core activity; and 3.) by preserving the DSO's role as a neutral market facilitator, that DSOs can thereby facilitate the aforementioned new service markets in the context of performing their core activities related to the distribution system. The ultimate goals of this careful consideration by European energy regulators are cost-efficient grid charges and charges for new services; maintaining the highest standards for the grid reliability and service; and enabling new technologies to benefit consumers.