

5th ARIAE-CEER Meeting

Conclusions of the V meeting

11 March 2015

Since 2007, European and Latin American energy regulators have held biannual meetings to exchange views and discussion topics of common interest. The fifth ACER-CEER meeting took place on 11 March 2015 in Madrid, bringing together the Presidents and a number of members of the two associations (25 regulatory authorities from both sides of the Atlantic were represented).

During the meeting, the participants considered issues of importance to energy regulators, such as measures to be applied in the energy sectors in the fight against climate change; the promotion of regional energy markets; forms of regulation that may encourage the development of energy infrastructure; and the protection of consumers; as well as new regulatory mechanisms. Following these discussions, regulators shared the following conclusions.

Session I: Energy regulation and major global developments: the impact of renewables, the fight against climate change

A transformation of the EU energy infrastructure should accompany Europe's ambitious climate change targets, including increased cross-border interconnections, storage capacity and developing smart grids potential. Flexibility for MS to set their national RES targets requires a strong European Governance Framework, while reform of the ETS market should clarify its impact, and reduce the need for RES financial support.

On the Ibero-American side, there are clear examples of successful regulation accompanying policies that promote reduction of GHG emissions, like that of Chile, Ecuador, Costa Rica, Guatemala, etc...

Regulators will have an important role to play in facilitating and overseeing infrastructure, market changes and the rights of final consumers.

Session II: Regional markets

Lord Mogg presented the ACER Bridge to 2025 Conclusions Paper. It identifies the challenges coming in the next decade: "The energy sector is embarking on a profound period of change designed to promote a more sustainable and efficient energy sector." The document also proposes actions to accomplish the full implementation of the Third Package framework; establishing common criteria for a well-functioning retail market; developing the Gas Target Model; ensuring active demand-side participation (flexibility), along with consumer protection and empowerment.

Regional energy market integration is linked to economic integration of these markets, and to strong political support and international agreements. A multi-dimensional and multi-lateral approach is critical. Appropriate regulation and the exchange of regulatory experiences is also a decisive element to promote market integration as the MER (regional electricity market in Central America) and European integration processes demonstrate.

Session III: Developing energy infrastructure – incentivising investments

The EU Energy Infrastructure Package seeks to promote projects that will support the IEM and eradicate so-called 'energy islands' in Europe by establishing rules and criteria for Projects of Common Interest (PCIs). The new infrastructure should consider the need to ensure market functioning and market-based measures as long as possible.

New infrastructure is fundamental for Latin America's development. The challenge is to design mechanisms that allow for transparent and correct selection criteria and at the same time attract investments along with an efficient economic signal. Different market mechanisms have been introduced in Latin America, such as auctions, to promote infrastructure investments.

Cost benefit analysis and cost allocation are central elements in delivering these projects, with an important role for energy regulators to ensure fair and value-for-money investments.

Session IV: Customer empowerment: demand-side response and customer protection

With the increase in distributed generation, which is often not dispatchable due to its intermittent nature, network flows are becoming more variable and can no longer be efficiently resolved simply by increasing network investments. Network operators, both TSOs and DSOs, can use flexibility for congestion management as a substitute for infrastructure investments.

Flexibility can be supplied by system users, i.e. by producers, consumers or prosumers (demand response, distributed generation, storage) or by intermediaries such as aggregators and suppliers. These should be provided in a swift, secure and cost efficient manner.

Regulators should collaborate with the correspondent authorities in their tasks to empower consumers by providing information regarding their rights and existing regulations; by providing the proper attention to consumer complaints and controversies with companies; and by trying to ensure the supply and accessibility to networks, especially for vulnerable consumers. They should also optimise the use of interconnections to boost competition and security of supply. These objectives are shared by regulators on both sides of the Atlantic.

In addition to overseeing wholesale markets and monopoly networks, regulators are tasked with ensuring consumers rights, continuity and quality of supply, and coverage at a competitive price.

Session V: Status of the national regulatory authorities

Several European countries have established multi-sector regulatory bodies, who are able to use synergies between regulated sectors and to develop consistent regulatory approaches and measures through the close cooperation of experts from different sectors.

Regulatory autonomy is an essential feature to achieve an optimal and fully operating regulatory body and therefore reap the benefits that regulatory oversight offers, such as legal certainty and continuity of initiatives/reforms, infrastructure and investments development, promotion of competition, efficiency gains, consumer protection, etc.

There are a number of key elements to ensure regulatory independence, including: independent mandate of the board; a clear and objective appointment criteria with fixed terms; accountability and transparency of the body's decisions and procedures; qualified and adequate staff; transparency; an autonomous budget; and appeal procedures in independent courts.

Conclusions

During the 5th ARIAE-CEER meeting, participants underlined several key issues for energy regulators on both sides of the Atlantic:

- Regulatory independence is a fundamental tool in protecting consumers and ensuring efficient and fair market functioning.
- Sound energy regulation is crucial to facilitating and attracting future investments in energy networks.
- Regional cooperation is a powerful tool to improve the functioning of markets and support security of supply and reliable service.
- Finally, empowering and protecting the consumer should be paramount in regulators and market participants' policies and actions.

CEER and ARIAE participants welcomed the opportunity for an exchange on these timely questions and look forward to continuing their dialogue on energy regulation developments and the approaches applied in their respective regions. Participants appreciate this international exchange and encourage its further deepening, in particular through the successful International Confederation of Energy Regulators (ICER). The 6th World Forum on Energy Regulation in Istanbul on 25-28 May 2015 will be a unique occasion to pursue their collaboration.