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**Council of European
Energy Regulators**

Empowering consumers for the energy transition. The views of CEER

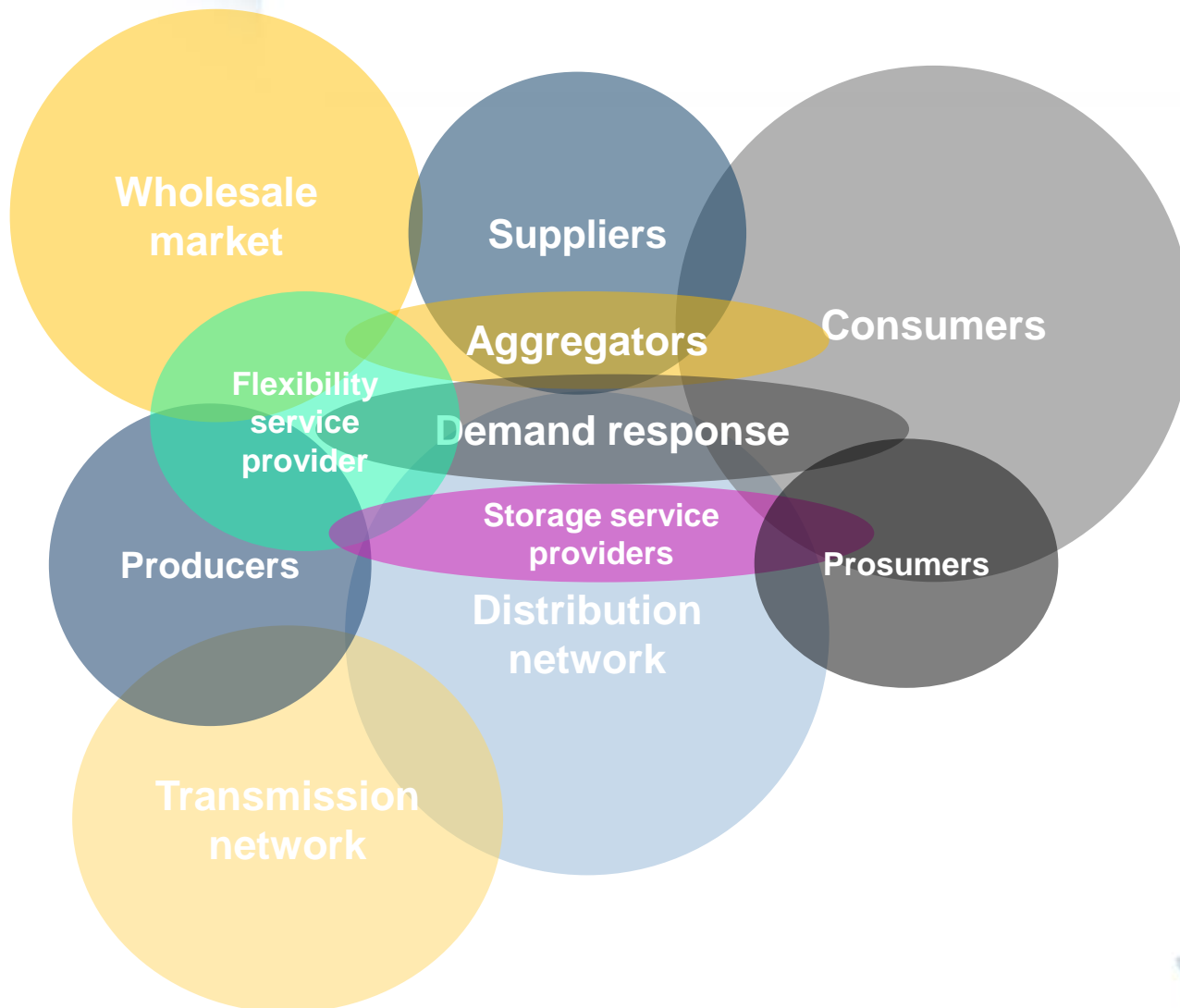
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A transition in the energy system



with implications for consumers...

We have to ensure that change and innovation are easy to use and understand for the consumer:

- Fluid integration of new products
- Install and Forget principle
- Intuitive and “on demand” information
- Services and products adapted to *technophiles* and *digitally-challenged* customers
- Safe and reliable artificial intelligence

- And most importantly – guarantee their rights and protections are respected.



and for our networks

Possible evolution in the relationship between consumers and grids



If this evolution confirms itself, new challenges will appear for the energy system, which will require changes, at least, to:

- Tariff and price structures
- Business models
- Regulatory models

Key principles for regulation going forward

- Regulation must be technologically neutral
- Innovation is not an end in itself – only interesting in as far as it brings benefits – to the system, to consumers
- Improvements and added value of new technologies must be quantifiable, e.g.:
 - Better use of the grid
 - Less costly energy generation
 - Improvement in quality of life (more comfortable homes; somehow facilitating peoples' lives)
 - Contribution to allowing consumers to be more autonomous (self-consumption, etc.)
- At the same time, technology/innovation must not worsen situation of the most vulnerable consumers (e.g. no cross-subsidies)
- New ideas welcome, as long as they respect the market rules (e.g. market access, balancing responsibility)
- Based on these principles, regulation must accompany these changes and anticipate the needs of the sector – removing barriers as they arise



Consumer engagement in the energy sector

- Central principles
 - ▶ RASP-principles: **R**eliability, **A**ffordability, **S**implicity, **P**rotection and Empowerment
 - ▶ Consumers retain consumer rights; also when producing and selling energy
- Retail markets
 - ▶ Consumer choice is leading (e.g. contract type)
 - ▶ Facilitate instead of oblige suppliers to offer dynamic contracts
 - ▶ Market circumstances matter: competition vs protection
- As regulators:
 - ▶ Reduce barriers for entry, e.g. by empowering consumers
 - ▶ Through promoting competition, enhance innovation of products and services
 - ▶ Make use of behavioural scientists to understand consumers' behaviour and assess impact of regulatory interventions

Overview of DSO tasks

1

Grid operation
and extension

- ▶ **Operation & Maintenance**
- ▶ Meter reading
- ▶ Safety and continuity of supply
- ▶ **Connections** and grid extension

**DSOs
traditional role**

2

TPA services

- ▶ **TPA contracts / relation with suppliers**
- ▶ Allocation of consumption
- ▶ **Switching process**

**Role after
electricity / gas
directives**

3

Market facilitator
for new services

- ▶ **Data management**
- ▶ **New technologies:** smart meters, smart grids, demand side response, distributed generation, electric car

**Additional /
new roles**



DSOs

- Level playing field
 - ▶ DSO should act as a neutral market facilitator to create a level playing field
 - ▶ Vertically integrated utilities should not have undue advantages: unbundling is an effective way to achieve this

- Principles for tariffs:



- Cost reflectivity

- Non-distortionary

- Cost recovery

- Non-discriminatory

- Transparency

- Predictability

- Simplicity

- Make use of time-differentiated network tariffs wisely: not mandatory
 - ▶ Take level of structural congestion into account: cost/benefit analysis
 - ▶ Differentiation has most added value in congested areas, but there is tension between regionally differentiated tariffs and socialisation
 - ▶ Alternative: procuring flexibility by DSOs, e.g. via aggregators, could be more suitable to solve congestion. See earlier CEER work



Metering

- Metering and data management as enablers of new products/services
 - ▶ Adequate metering should be available to enable active engagement of the consumer and third parties delivering new services
- Data governance
 - ▶ Privacy
 - ▶ Ownership of data
 - ▶ Non-discriminatory access to data by all parties
- Net metering of self-generation should be avoided
 - ▶ Everyone should pay their fair share: grid tariff should reflect the actual use of the grid, net metering underestimate the actual use
 - ▶ Net metering gives no incentive for flexibility solutions by consumers e.g. storage



Renewable Self-Consumers and Energy Communities

Definitions, obligations and criteria

- Need for **clarity about definitions, rights and responsibilities** between RES and Electricity Directives:
 - Self-consumers (vs self-generators) and active customers
 - Renewable energy communities and local energy communities
- Consumer rights (e.g. individual metering) and suppliers' obligations
- Criteria for communities to operate local networks and regulatory framework:
 - Private/public domains
 - Third party access, unbundling rules

Relevant CEER Work

Incentives Schemes for Regulating Distribution System Operators, including for innovation

A CEER Conclusions Paper

February 2018

Main common goals of DSO regulation
Ensuring a level-playing field: acting in a non-discriminatory manner to all parties, including non-discriminatory network access, and acting as neutral market facilitators, for example in buying flexibility services from the market.
Promoting cost efficiency: promoting cost efficiency in the absence of competitive pressure. DSOs perform their core tasks in a way which meets the reasonable expectations of network users and other stakeholders in the most efficient and economical way.
Ensuring financial viability: ensuring that DSOs have sufficient financial means to operate efficiently based on a cost of capital which reflects national circumstances and their regulated status.
Improving quality of service: ensuring that DSOs offer the right services, including secure and timely data management when applicable, with a service quality level that is satisfactory for network users and contributes to security of supply for the whole system.
Facilitating innovation: promoting a regulatory environment that removes barriers to the pursuit of innovative approaches by DSOs and which have the potential to bring savings or benefits to consumers, without foreclosing competition in new activities.
Ensuring security of supply: promoting security of supply (including resilience of networks to extreme climatic events) and safety in service operations.
Facilitating the improvement of sustainability, including the promotion of energy efficiency: regulation should facilitate the improvement of sustainability across the energy system and promote the reduction of energy losses along the grid.
Introducing a holistic view: ensuring a coordinated whole system approach.
Ensuring that DSOs safeguard customer privacy, ensuring secure data management and non-discriminatory access to data, considering the growing need for higher levels of cybersecurity.



Relevant CEER Work

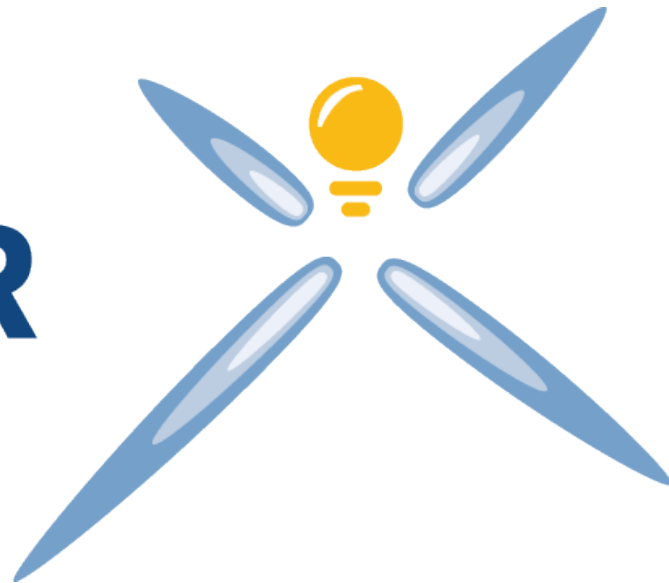
- CEER Position Paper on Renewable Self-Generation - September 2016
- CEER and ACER-CEER White Papers on Clean Energy – January 2017 onward
- CEER Guidelines of Good Practice on Electricity Distribution Network Tariffs - January 2017
- CEER Roadmap to 2025 Well-Functioning Retail Energy Markets – February 2018
- CEER Conclusions Paper on Flexibility Use at Distribution Level – July 2018
- CEER Network Tariffs Workshop – 19 October 2018
- ACER/CEER Market Monitoring Report on Consumer Empowerment and Protection Chapter – Q4 2018
- -- *Upcoming* --
- CEER Regulatory aspects of new practices such as self-consumption and Local Energy Communities – Q4 2018



Thank you for your attention!

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