

Regulators' Bridge to 2025 energy proposals should guide the new Commission's energy priorities

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Liquid, integrated electricity and gas markets, with a higher penetration of renewables and the consequent higher requirements for flexible response, as well a more active participation of smaller consumers are the trends foreseen for the next decade in the ACER Conclusions Paper "Energy Regulation: A Bridge to 2025".

Energy regulators today presented their "Bridge to 2025" Conclusions Paper¹ to high level European Commission officials and stakeholders in Brussels. The regulators' Bridge to 2025 recommendations are based on a holistic analysis of Europe's energy sector and are particularly timely as the new Commission sets its EU energy priorities.

The "Bridge to 2025" Conclusions Paper, which is the result of extensive public consultation, identifies the trends foreseen in the ten-year period to 2025 and recommends a set of actions for regulators, Member States, the European Commission and energy actors (including consumers). Key amongst energy regulators' cross-cutting proposals are:

- to implement fully the Third Package framework;
- to establish a roadmap aimed at competitive and innovative retail markets by 2025;
- to promote flexible response, and its provision by generators and consumers on a non-discriminatory basis;
- to ensure that the market for new service providers is not foreclosed by incumbents;
- to develop the Gas Target Model² to help manage the uncertainty about future gas demand;
- to promote security of supply through a greater consistency of assessment and policy mechanisms;
- to protect and empower consumers to participate actively in energy markets (principally through the development of the CEER Consumer Vision)³; including establishing stakeholder panels of energy actors and consumer representative bodies;
- to review and, where needed, improve the arrangements for regulatory oversight of the European Networks of Transmission System Operators (ENTSOs) and of other bodies (e.g. nominated electricity market operators (NEMOs); and
- to further improve the efficiency of some aspects of the regulatory decision-making process at EU level, while maintaining those aspects which have proved to work effectively.

ACER Director, Alberto Pototschnig, called for "*determined action by the EU Institutions and stakeholders alike to fully implement EU legislation, including the network codes and the gas and electricity target models, to establish and maintain liquid, competitive and integrated wholesale energy markets and to deliver the tangible benefits which EU energy consumers deserve.*"

Empowering consumers and integrating renewables

Lord Mogg, Chairman of ACER's Board of Regulators and President of CEER, stated:

"As Europe moves towards a low carbon society with a greater penetration of renewable sources, our energy systems need to become more flexible and smarter. Our recommendations seek to ensure that such flexibility is provided in the most efficient way and that consumers, who can contribute to this effort, continue to be properly protected in a changing environment. We also seek to remove any barrier to new service providers entering the market to help consumers manage their energy demand more efficiently and engage in the market more effectively. This requires collective action by all energy actors."

ACER's "Bridge to 2025" includes proposals to develop markets that truly benefit consumers such as the development of toolboxes of good practices to empower consumers, to regulate distribution system operators, a roadmap to enable consumers to switch within 24 hours, advice facilitating the phasing out of regulated prices, and the development of an appropriate framework for the evolution of the market to include demand-side response. The regulators' initiatives will be developed in the respective Work Programmes of ACER and CEER. Regulators will continue to work with all energy actors to meet future challenges.

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Notes for Editors

- (1) The Recommendation of the Agency for the Cooperation of Energy Regulators No. 05/2014, on the regulatory response to the future challenges emerging from developments in the internal energy market ("Energy Regulation: the Bridge to 2025") was adopted on 19 September 2014. The ACER formal public consultation on the draft document was held over a six-week period to 16 June 2014. It followed an ACER pre-consultation (in Winter 2013) which also provided rich feedback from stakeholders for input to the consultation paper. The "Bridge to 2025" Conclusions Paper (issued 23 September 2014) contains 5 core chapters on electricity, gas, the changing role of Distribution System Operators (DSOs); consumers and protection and the achievement of retail markets; and on the governance of the process for the development of the internal European gas and electricity markets. The recommendations in the "Bridge to 2025" reflect regulators' five key objectives for the Internal Energy Market in 2025 and actions to help achieve them:
- i. Establishing liquid, competitive and integrated wholesale energy market
 - ii. Enhancing Europe's security of supply and channeling the external element of the Internal Energy Market
 - iii. Moving to a low carbon society with increased renewables and smart, flexible responsive energy supply
 - iv. Developing a functioning retail market that benefits consumers
 - v. Building stakeholder dialogue, cooperation and new governance arrangements

Regulators invite all parties to take forward these objectives and to work collectively with regulators in the coming years to achieve the proposed concrete actions. See www.acer.europa.eu

- (2) Uncertainty about future gas demand raises the need to ensure that the liquidity of gas markets is maintained and enhanced. ACER's work on the Gas Target Model considers how to address this challenge. A range of potential measures exist to meet this challenge and they include: minimising the barriers to the consolidation of gas hubs; developing capacity products that provide financial certainty for accessing neighbouring trading hubs which have functioning forward markets; and enabling hybrid merged gas trading zones, where the geographic area in which balancing occurs is different from the virtual trading hub which may be much larger.
- (3) The Council of European Energy Regulators (CEER) took an initiative to build (with stakeholders) a 2020 Vision that puts customers first. BEUC, the European Consumer Body, also backed our initiative from the start. The result was the [CEER-BEUC 2020 Vision for Energy Customers](#) presented to the November 2012 Citizens' Energy (London) Forum. The CEER 2020 Vision appears as an Annex to the London Forum Conclusions. It has the widespread support of 17 key energy stakeholder organisations. It is grounded on the so-called "RASP principles" (Reliability, Affordability, Simplicity, and Protection & Empowerment).

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