

Brussels, 13th June 2014

CEEP RESPONSE TO PUBLIC CONSULTATION ON “EUROPEAN ENERGY REGULATION: A BRIDGE TO 2025”

CEEP welcomes the ACER and CEER public consultation paper “European Energy Regulation: A Bridge to 2025” as a necessary step towards an integrated approach to the regulatory framework of European energy policy in the coming decade. Such an integrated approach is vital to fully appreciate the increasing complexity in the energy mix and between production and demand in Europe.

CEEP would like to highlight a few topics which are of importance to our members, primarily related to the question of consumers, retail markets and the role of DSOs. The answers relate to the questions posed in the consultation.

Q: Have we identified correctly the issues and trends within each area of the energy sector?

CEEP supports the creation of transparent and competitive wholesale and retail markets across Europe. Full market access across borders is important to achieve cost efficient investment signals. Coordination of different policy areas will be important to avoid conflicting regulation that undermines the overall objectives. Public stakeholder involvement is a key to achieve good solutions.

The need for grid and production investments due to more renewable energy sources is getting urgent, and CEEP supports regulatory incentives for an investment friendly climate. At the same time some support arrangements have become too expensive, demanding higher than necessary costs for the consumers. We would like to encourage the promotion of the most cost efficient subsidy schemes, as well as an adequate integration of renewable energy sources in the grid infrastructure. Regional auctioning of renewable energy concessions is one such scheme.

Q: Which regulatory actions are most important and should be prioritized?

CEEP would like to briefly summarize our key positions on regulatory action for European energy policy:

- A competitive cross-border energy market, without regulated prices in wholesale or retail markets.
- A single stable and long-term framework for the reduction of CO₂-emissions, focusing on providing better price signals in the ETS market.
- An integration of RES into the market, with a phase out of subsidies as technologies mature

- Focus on incentives for infrastructure development on all levels.
- Accommodate well-defined market roles and the maintenance of market plurality with companies of all sizes.
- Allow for regional variations of renewable energy targets, with a coordinated response to which mechanisms that are allowed.

Q: Have we identified an appropriate regulatory response?

To answer this question CEEP would like to focus on section D: “Consumers, retail markets, and the role of DSOs.

CEEP agrees that it is vital to engage customers as much as possible in future regulation. This is especially important due to the greater complexity of smart metering, smart grid and demand response opportunities that are emerging. In this respect it is important to underline the positive image of the energy sector as a reliable, efficient and customer-focused provider of safe, sustainable and affordable energy.

There has, however, been a trend in recent European policy making to overload consumers with regulated and detailed information about different aspects of the energy bill, roles and responsibilities. Even though the intention is good, it could constitute an unhelpful information “overload” for consumers and might be detrimental to a needed atmosphere of trust and cooperation between consumers and energy companies.

In this context, regularly executed surveys show that consumers’ satisfaction with their energy suppliers is high, in particular with local companies. This is in contrast with the results of the 8th Consumer Market Scoreboard quoted by ACER. CEEP therefore kindly asks not to draw wrong conclusions from the scoreboard but to look at the concrete conditions in the different countries.

Consumer protection will need to be addressed, as large quantities of data will be handled by DSOs and third parties. It has to be clear that the consumer owns its data and should give consent to its use, except for uses required by regulation, such as safe system operation by network operators. In our opinion, the DSOs must play a vital role as facilitator for market players. Commercial parties can then operate in a competitive market.

As stated in the consultation document, there is already a regulatory framework that ensures neutrality and non-discrimination.

ACER states that many DSOs are at present exempted from unbundling. From CEEP’s perspective, this statement does not reflect the current legal framework and the situation in the energy industry. As provided for by Article 27 of Directives 2009/72/EC (Electricity) and 2009/73/EC (Gas), all DSOs – regardless of their size – have to respect the confidentiality obligations – they have to preserve the confidentiality of commercially sensitive information obtained in the course of carrying out their business, and they have to prevent information about their own activities which may be commercially advantageous from being disclosed in a

discriminatory manner. Thus, informational unbundling applies to all DSOs. It is the role of the regulators to ensure clear enforcement of these rules throughout Europe.

Moreover, CEEP is surprised by ACER's following deduction that customers connected to small distribution networks may not benefit to the same extent as those connected to larger systems, in particular as there is no explanation given.

Market rules and obligations on grid use and connection to the grid are the same regardless of the network operator's size. Neither are there exemptions on the basis of the de minimis rule based on Articles 27 of the Electricity and Gas Directives, respectively. For that reason, CEEP does not see any relation between the size of a DSO and the fact whether its grid is connected to a TSO or not and the opportunities of the DSO's customers to benefit as active grid users from the opportunities of the energy market. In this context, the physical situation of the DSO is irrelevant for the possibilities of grid users with regard to basic market actions like supplier switching.

Putting further pressure towards ownership unbundling is an unnecessary expensive and bureaucratic arrangement for smaller local companies. These costs will eventually be transferred to the consumers, which should be avoided. Energy companies separate commercial and non-commercial activities under the present regulation.

Local energy companies often benefit from having expertise in several areas of high societal value, for example broadband, water, waste, and district heating. This advantage could be fully exploited with pooling resources within the companies. A revision of the 100.000 customer de minimis rule for ownership unbundling would interfere with public service obligation that local energy companies operate under.

Regarding infrastructure development, there is a need for good incentives on all levels. R&D development for smart grids is important, and grid operators must be able to benefit from national support schemes providing such funding. Also, member states should provide appropriate and stable incentives for day-to-day investments and grid development. The regulatory climate should not only provide incentives for efficiency, if it hampers with grid development.

At the same time customers are increasingly seeing higher energy bills, so there is a strong need for efficient regulation that avoids dramatic cost increases due to unnecessary over-regulation. It is important that energy services providers find good market solutions that meet the needs of the consumers, without putting too much pressure on their energy bill through demands to the DSOs.

At the TSO-level, there should be support schemes at the EU level for cross –border projects. At the same time, there should be cost-sharing among countries for the cross-border projects, as well as fully international competitive markets. In this respects international connections are necessary for participation in cross border capacity markets, in places where those are deemed necessary.