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“Energy Regulation: A bridge to 2025”

Cover Note

6 November 2013

Background to this document

Early in 2013, a year and a half after the Agency formally began its operations, the ACER Board of Regulators (BoR) in coordination with the Director confirmed its intention to devote more time to strategic thinking given that the early focus of ACER has been mainly to progress specific Framework Guidelines and Network Codes. Accordingly ACER would, inter alia, assess whether and how the electricity and gas “target models” would need to be enhanced with the active and regular engagement of stakeholders which was subsequently reflected in the ACER WP for 2014.

The overarching paper is entitled “Energy Regulation: A bridge to 2025” and it aims to identify, in a more holistic way, the key challenges and regulatory responses to 2025.

The policy context

*The
context*

The European Council has underlined that the EU's energy policy must ensure security of supply for households and companies at affordable and competitive prices and costs, in a safe and sustainable manner. To this end the Council has recently reaffirmed the objective of a completed internal energy market by 2014. With the Third Package now being implemented in Member States across the Union, and the EC, ACER, NRAs, ENTSOs and TSOs, with the support of all stakeholders, striving within the ambit of their responsibilities to develop, implement and enforce the suite of codes and rules, the time is right to consider what further steps are needed, beyond 2014, to support the longer-term goals of greater security of supply, effective competition for the benefit of all energy consumers, and decarbonisation of our energy system.

*Maintain
the focus
on
unfinished
business*

The European Council has agreed targets for 2020 and 2050. The European Commission has published on 5 November its Communication (and its staff working documents) “Delivering the internal electricity market and making the most of public intervention” and is now developing its thinking for the years to 2030. However, in the short term, and until the present legal obligations have been fully met and the Third Package fully transposed and implemented in all Member States, we do not see an immediate need for a further legislative package. Nevertheless, some improvements to the regulatory framework can already be identified, especially in response to, and in

anticipation of, some current and future developments and challenges in both the electricity and gas sectors.

Whilst we maintain our focus on the immediate future, we should also carefully explore what needs to be done to provide a bridge of policy adaptation in the coming decade. Developments that principally influence the evolution of the future regulatory framework are based on three key common policy objectives with potentially different emphases on each. These objectives are: establishing effective competition to ensure competitive prices and choice for consumers; delivering as far as possible security of supply as well as gas import capacities from various sources; and sustainability in terms of reducing the environmental impact of our energy system and providing a sufficient level of back-up generation capacity.

... **but**

The energy sector already is and will be increasingly subject to a profound change in terms of energy production, transportation and consumption; decisions there will have a profound impact on all energy customers. The increasing role that an efficient demand response can play, particularly in the electricity sector, means that the protection and empowerment of customers require careful analysis, including of the network related issues that demand response raises. Against this complex set of often interrelated factors we have adopted a conservative, but we believe dynamic strategic approach that will carry us beyond 2014 to 2025 and beyond.

2025

In developing our approach we have chosen a time horizon that is over a decade ahead yet not too far to permit greater certainty in assessing the more significant influences that might occur. Thus from 2014 to 2025 we describe the influences and our reaction to them as “a bridge to 2025”. It is a bridge that is founded on the existing foundations of the current legislative framework and the existing target models for electricity and gas. In particular, it takes full account of our current work and the work anticipated in the 2014 ACER Work Programme in a number of areas, including regarding the completion of the priority network codes providing the core rules to support the integration of the internal energy market by 2014 and the early, parallel and voluntary implementation of these rules. It has been complemented by the regulators’ customers’ vision¹ with its key principles of reliability, affordability, simplicity, protection and empowerment which will evolve to take full account of the current and future dynamics.

The process of consultation

¹ 2020 Vision for Europe’s energy customers Joint Statement, 13 November 2012 updated on 30 May 2013

**Pre-
consultation
phase**

We would welcome the initial views of stakeholders, as part of a “pre-consultation phase” to end of the year on whether we have identified all the key issues. Our next milestone will be a Green (discussion) Paper which we plan to issue in early 2014. That Green Paper will be the basis of the formal detailed consultation before we develop our final recommendations which will be published in mid-2014.

The pre-consultation phase

An initial presentation of our thinking took place at a workshop on 6 November 2013 in Brussels. Further presentations will be given at the Florence and London Fora in November and December 2013.

The details for **the workshop on 6 November** are available at the following link:

http://www.acer.europa.eu/Media/Events/Workshop_Building_on_the_past-A_bridge_for_the_future/default.aspx?InstanceID=1

The 6 November workshop was based on the attached overarching paper which also serves as the “umbrella” document for discussion at the Florence and London Fora in 2013. **Three more detailed documents** on the gas, electricity and consumer strands of the policy were presented at the 6 November workshop and are now available. Each outlines our early thinking and some more technical aspects of our vision to 2025.

We would welcome responses to this pre-consultation phase by 17 December 2013 to the following address:

consultation2013E05@acer.europa.eu

Next steps

**Formal
consultation**

All of these documents pose a number of key questions to help crystallise our thinking. The consultation phase itself will begin in early 2014 and will be based on a Green (consultation) paper. That consultation will last some eight weeks and on the basis of the responses we receive we anticipate that our recommendations will be made by mid-2014.



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