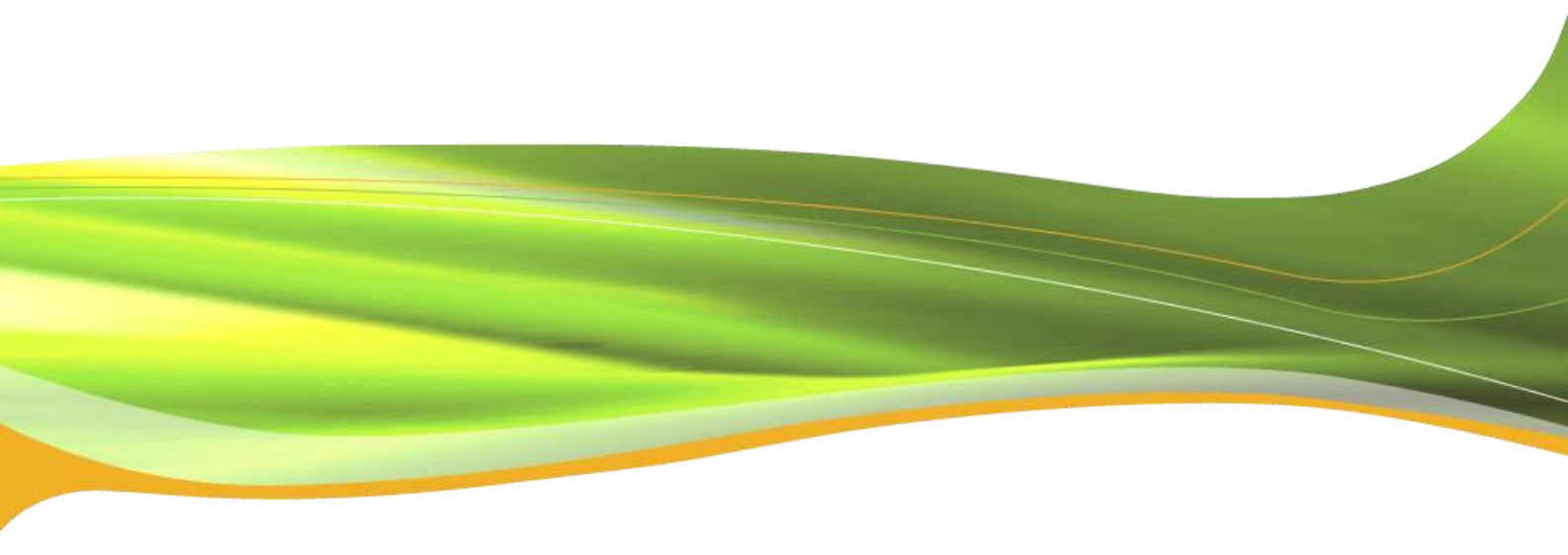


## **European Distribution System Operators for Smart Grids**

Response to CEER Public Consultation on draft 3D  
Strategy and CEER 2019 Work Programme

*August 2018*



## Questions on 3D Strategy

### 1. To what extent have we captured the key ongoing and anticipated trends and challenges as part of the changing energy system?

EDSO agrees that the trends identified in the 3D strategy will have a significant impact on the whole energy system. We also agree that a whole system approach is necessary. However, the challenges identified are not easily solved. As an association emphasising the role of smart distribution grids, digital infrastructure and new technologies, we are committed to enable these new developments, always keeping in mind the highest level of reliability and quality of electricity supply at the lowest possible societal cost. We therefore welcome the customer-centric approach taken by CEER. At the same time, future trends will be challenging for the energy system and national authorities should find adequate solutions that fit the national context.

Looking at the topic of digitalisation from a grid perspective, DSOs should not be penalised by the regulation in place when adopting new technologies/digitising the grid.

On decarbonisation, the large-scale integration of renewables while at the same time keeping the system operational is a challenge in itself. And although we sympathise with the aim to minimise customers' electricity bills we would like to point out the different elements in the bill and the political motives behind them that are outside the industry's influence.

As a more general remark, given the broad content of the public consultation document, it may be difficult to assess the added value of each item in detail. Therefore, it might be necessary to prioritise the deliverables listed in the CEER work programme.

### 2. To what extent do our proposed strategic objectives protect and empower consumers in light of the identified opportunities and challenges?

A fair and objective regulatory system is the best way to protect and empower consumers. We therefore support the strategic objective to ensure that all consumers benefit in a fair way, notably through the efficiency of the network tariff, and promote the participation of consumers without discrimination between consumers/prosumers.

In our understanding, this means that while the promotion of (collective) self-consumption is desirable, the uptake of more renewables and local energy communities should not result in an unfair distribution of benefits at the expense of connected customers that do not engage in these activities.

As concerns digitalisation, the importance of data protection, and cybersecurity should be highlighted. Both are crucial for the network security and consumer protection and therefore deserve special attention as a strategic objective.

### 3. Please indicate if you identify any missing objective on which regulators should focus.

A strong sandbox approach, with open communication and involvement of all parties is essential as a driver for the energy transition. With experimental frameworks for innovation, technology firms would gain quicker access to the market with fewer regulatory constraints to demonstrate the added value of a technology, thereby driving the energy transition.

Furthermore, in order to improve efficiency, system operators should be encouraged to innovate and use new technologies that require significant investment in the first place by

allowing them to benefit themselves from the added value. RD&I spending should be recognised in network tariffs.

An increasing amount of renewable generation can lead to decreasing power prices. The relative part of network costs on the overall consumer bill will probably increase. In order to keep the distribution networks affordable, CEER should not only focus on efficient operation of networks, but also on efficient use of the networks. New and smart distribution tariff structures should be distribution-cost reflective and fair. DSOs are delivering capacity (not energy) and customers should pay for this product as well. The rate of utilisation cannot only be measured by kWh distributed but also by the insurance of a guaranteed power supply.

Lastly, clean and sustainable mobility should also be examined in the context of decarbonisation. The impact of EV loads on network investments is significant and best practices of the different national EV integration schemes should be identified.

## Questions on the individual deliverables

In total, there are 18 deliverables proposed in the draft CEER 2019 Work Programme divided into several sectors, below the ones that to our opinion have the biggest impact for grid operators

### ELECTRICITY

Deliverable 8:

Electricity: **Benchmarking Report on Power Losses**

Description:

CEER will update the 2017 CEER Report on Power Losses. The report will benchmark the level of network losses in European countries and identify different national practices regarding the definition and calculation of such losses.

3D Strategy: Dynamic Regulation & Decarbonisation

Timing: Q3 2018 - Q3 2019

a) Please indicate if you consider this deliverable as "Very important", "Important" or "Not important".

#### Important

b) Do you think this work item contributes to the achievement of CEER's 3D strategy?

#### Neutral

c) Do you intent to actively participate in consultation, hearing, workshop, etc. if organised for this deliverable?

#### Yes

d) Do you have any specific comment on this individual deliverable?

**To complete the benchmark, it would be interesting to mention which entity bares the cost of losses.**

Deliverable 9:

Cross-sectorial : **Report on Investment Conditions 2019**

Description:

In 2019, CEER will publish the 8th edition of the Report on Investment Conditions. The Annual Report provides a brief description of each member states' regulatory regime for networks. A new chapter enables readers to better understand how the figures presented in the report are created and implemented. This report allows comparisons of investment conditions for networks across European countries. The report still provides a general survey about the implemented regulatory regimes, the required efficiency developments and analyses the overall determination of capital costs.

3D Strategy: Dynamic Regulation

Timing: Q1 2019 - Q3 2019

a) Please indicate if you consider this deliverable as "Very important", "Important" or "Not important".

**Very important**

b) Do you think this work item contributes to the achievement of CEER's 3D strategy?

**Yes**

c) Do you intent to actively participate in consultation, hearing, workshop, etc. if organised for this deliverable?

**Yes**

d) Do you have any specific comment on this individual deliverable?

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**Deliverable 11:**

Cross-sectorial : **Paper on Smart Economic Regulation of DSOs**

Description:

CEER will provide further guidelines on dynamic economic regulation. Given that the energy transition brings rapid changes to the operating environment for DSOs, CEER will explore how this can be taken into account in regulatory approaches. Examples of aspects that could be covered are: an assessment on the performance of DSOs when ex-ante regulation is applied during multi-year periods; updating methodology parameters according to market conditions; comparing flexibility tests vs. investments tests (in the short- and long-term) to avoid sunk costs; and investments and smart solutions included in the RAB, OPEX or TOTEX when these would come in operation.

3D Strategy: Dynamic Regulation & Digitalisation

Timing: Q1 2019 - Q4 2019

a) Please indicate if you consider this deliverable as "Very important", "Important" or "Not important".

**Very important**

b) Do you think this work item contributes to the achievement of CEER's 3D strategy?

**Yes**

c) Do you intent to actively participate in consultation, hearing, workshop, etc. if organised for this deliverable?

**Yes**

d) Do you have any specific comment on this individual deliverable?

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**Deliverable 12:**

Cross-sectorial : **Report on Digitalisation and the DSO**

Description:

CEER will prepare a Report on how digitalisation will change the way DSOs act. There will be a customer focus to this report, though not exclusively so. What can NRAs expect from

DSOs with more digitalisation, e.g. real time network management? What data should be provided to third parties (access to data), e.g. consumption data or technical data? What data governance is in place?

3D Strategy: Digitalisation

Timing: Q1 2019 - Q4 2019

a) Please indicate if you consider this deliverable as "Very important", "Important" or "Not important".

**Very important**

b) Do you think this work item contributes to the achievement of CEER's 3D strategy?

**Yes**

c) Do you intent to actively participate in consultation, hearing, workshop, etc. if organised for this deliverable?

**Yes**

d) Do you have any specific comment on this individual deliverable?

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Deliverable 13:

Cross-sectorial : **Report on Decarbonisation Developments in the DS Grid**

Description:

A position paper describing the development in the energy systems and how this affects the distribution system. The developments encompass the likely reinforcement of electricity grids due to electrification, the short and long term usage of natural gas grids and the position of gas during the energy transition, the potential of hydrogen, the interaction with heat and the creation of Local Energy Communities. The developments in those grids require NRAs to rethink what a fair distribution of costs would be, for example on how costs of stranded assets would be included in tariffs when customer numbers/usage is declining in light of decarbonisation. This could include further thinking on the whole system approach.

3D Strategy: Decarbonisation & Dynamic Regulation

Timing: Q1 2019 - Q4 2019

a) Please indicate if you consider this deliverable as "Very important", "Important" or "Not important".

**Important**

b) Do you think this work item contributes to the achievement of CEER's 3D strategy?

**Yes**

c) Do you intent to actively participate in consultation, hearing, workshop, etc. if organised for this deliverable?

**Yes**

d) Do you have any specific comment on this individual deliverable?

## **Regulatory sandboxes.**

### **Deliverable 14:**

#### **Cross-sectorial : Report on Procedures of Procurement of Flexibility**

##### **Description:**

This report would provide further insights in a baseline report/guidelines on how the flexibility procurement procedures could be arranged to reach an efficient outcome and how incentives are given in regulation to DSOs to use flexibility. This also would include TSO-DSO interaction on the procurement of flexibility, e.g., on TSOs contracting flexibility of actors connected to the DSO grid. It could also include a case study on storage. The goal of the report would be to give an idea of the state of play prior to the implementation of the CEP and explore if there are already some best practices to highlight.

3D Strategy: Digitalisation & Decarbonisation & Dynamic Regulation

Timing: Q4 2018 - Q3 2019

a) Please indicate if you consider this deliverable as "Very important", "Important" or "Not important".

**Very important**

b) Do you think this work item contributes to the achievement of CEER's 3D strategy?

**Yes**

c) Do you intent to actively participate in consultation, hearing, workshop, etc. if organised for this deliverable?

**Yes**

d) Do you have any specific comment on this individual deliverable?

#### **Take into account the work of the DSO associations on flexibility use for electricity DSOs (February 2018) and TSO-DSO Platform on Active System Management.**

### **Deliverable 17:**

#### **Cross-sectorial: Partnership for the Enforcement of European Rights (PEER) - Cyber Security Regulatory Workshop**

##### **Description:**

With increased digitalisation, cyber security is an increasing concern. In the framework of our PEER initiative (which seeks to strengthen cross-sectoral cooperation between different sectoral authorities, across sectors, responsible for protecting consumer rights), CEER will bring together relevant experts for a workshop on cyber security to enhance our shared learning on trends and challenges.

3D Strategy: Digitalisation & Dynamic Regulation

Timing: Q2 2019 - Q2 2019

a) Please indicate if you consider this deliverable as "Very important", "Important" or "Not important".

**Very Important**

b) Do you think this work item contributes to the achievement of CEER's 3D strategy?

**Yes**

c) Do you intent to actively participate in consultation, hearing, workshop, etc. if organised for this deliverable?

**Yes**

d) Do you have any specific comment on this individual deliverable?

**Cyber security concerns all industries but is critical for operators of essential services such as DSOs. A more global vision should be adopted on this topic encompassing all the actors involved in the NIS directive. The resilience of each depends also on the others. Indeed, there is a cross dependency between telecommunication networks and electricity networks.**



*EDSO for Smart Grids is a European association gathering leading electricity distribution system operators (DSOs) **shaping smart grids for your future.***

[www.edsoforsmartgrids.eu](http://www.edsoforsmartgrids.eu)