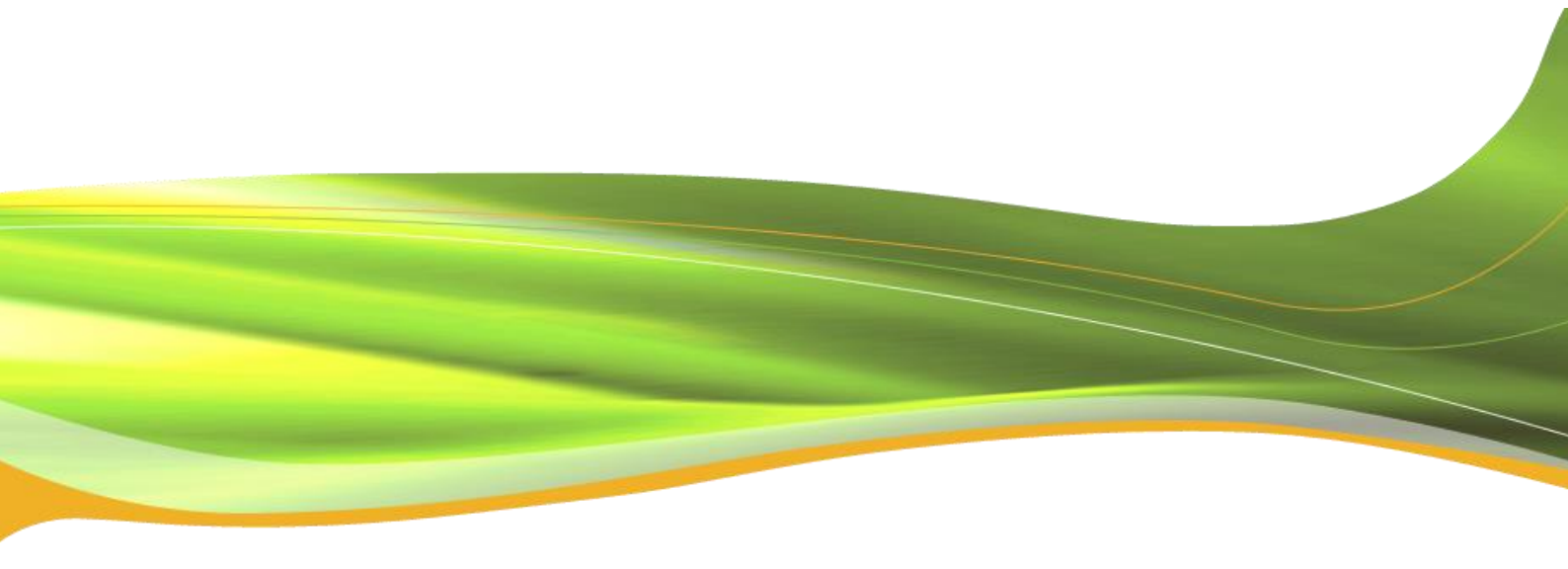


European Distribution System Operators for Smart Grids

Consultation CEER – Work program 2018

July 2017



Questionnaire:

A. CEER Work Programme has 4 areas of priorities: Consumers and retail markets, new legislative/policy developments, role of DSOs and International work beyond the borders of the EU.

A1. Do you support that these areas should be the priorities or should some areas be deleted and others included?

Distribution system operators are playing a growing role in the electricity system as new developments are taking place at the distribution level. These include more variable electricity supply flows due to distributed renewables connected at the DSO level, more active customers with changing consumption and generation profiles, local energy communities and electricity storage. As these cross-cutting issues are reflected in CEER's proposed work programme for 2018, EDSO welcomes the focus on the four priorities suggested.

B. Within each priority area, do you think the Work Programme focuses on the right deliverables or should some be added or deleted?

B1. Regarding priority area 1- Consumers and retail markets:

In the new energy reality, DSOs will become increasingly customer service oriented, enabling and facilitating market services and customers' engagement. Such services include data management, providing information on energy consumption to residential, industrial customers, as well as new actors (prosumers and local energy communities), or actively managing distributed loads and generation. EDSO therefore welcomes the proposed deliverables under consumers and retail markets.

B2. Regarding priority area 2 - New legislative/policy developments

The Clean Energy for All Europeans proposals cover important topics, including roles of DSOs in storage or data management, flexibility, local energy communities and others. As a decision on the package is expected by the beginning of 2018, and implemented in the next years, CEER's continued focus on related regulatory aspects informing policymakers is welcome. The scope of this package already provides sufficient room for further regulatory practices and implementation in coming years.

B3. Regarding priority area 3 - The role of Distribution System Operators

DSOs are getting new roles and responsibilities in view of the Clean Energy Package legislative proposals. These will also need to be underpinned by smarter and more innovative regulation. EDSO is particularly in favour of CEER's focus on analysing the impact of new entities (aggregators, local energy communities) and their corresponding activities impacting on DSOs' roles.

Additionally, EDSO welcomes CEER's renewed commitment to monitor cybersecurity developments. Growing risks posed by cybersecurity on distribution grids should be better acknowledged in current legislation, which is currently mostly focused on transmission. As electricity is an essential societal service, it is crucial for distribution system operators to be able to manage electricity supply risks.

B4. Regarding priority area 4 - International work beyond the borders of the EU

CEER should continue to actively engage in EU international policies, as developments in Europe's neighbouring countries and beyond its borders will affect European electricity markets. More regulatory cooperation between CEER and regulatory authorities in other countries (e.g. Energy Community) is needed to improve competence, foster innovation and knowledge sharing.

C. Questions on the individual CEER deliverables in Section 5

C1. Consumers and retail markets: Follow up of the Clean Energy Package (regarding retail markets and consumer empowerment)

The Clean Energy Package is expected to be approved by the beginning 2018. During the forthcoming legislative process many changes on the Package can be expected. Therefore CEER will follow up the process and (if necessary) inform the decision makers of concerns and make recommendations regarding consumer empowerment and retail competition aspects.

How important is this deliverable?

Important / **very important** / not important

Further comments:

It is important that CEER gives its opinions and recommendations on customers' empowerment and retail markets. DSOs are deeply affected and involved in the redesign of electricity markets and consumer engagement. We therefore expect that CEER will closely involve DSOs when designing regulation in view of implementing the Clean Energy Package legislative proposals.

C2. Consumers and retail markets: ACER/CEER Market Monitoring Report on Consumer Empowerment and Protection Chapter

As in previous years, this work will cover the monitoring of consumer protection and empowerment at European level from a legal and practical perspective.

How important is this deliverable?

Important / very important / not important

Further comments:

Well-functioning retail markets are key to enabling customers to make more informed choices about their electricity consumption. Being responsible for delivering safe and secure electricity directly to Europe's homes and households, DSOs represent a central link for customers and municipalities.

DSOs already today act as neutral market enablers, facilitating the switching process between suppliers, connecting users for access to the grid, providing data from smart meters and even acting as data hub operators. Moreover, DSOs are increasingly becoming active system managers and flexibility enablers.

ACER/CEER’s monitoring report should also include best practices and examples on DSOs’ customer engagement and market facilitation activities.

C3. Consumers and retail markets: Report on Retail Market Monitoring

CEER will continue to develop its activities relating to the monitoring of retail markets and will publish a report on retail market monitoring.

How important is this deliverable?

Important / very important / not important

Further comments:

C4. Gas: Follow up of recommendations emerging from CEER Study on Future Role of Gas (FROG)

How important is this deliverable?

Important / very important / not important

Further comments:

C5. Gas: Follow up of any recommendations and findings from the ‘Removing LNG Barriers on Gas Markets’ study

How important is this deliverable?

Important / very important / not important

Further comments:

C6. Cross sectoral: Regulatory aspects of new practices such as self-consumption and Local Energy Communities

The development of practices like self-consumption or Local Energy communities raise a range of range of regulatory questions. CEER will develop a regulatory approach to address these developments. NRAs will be asked to describe the current and near future situations of renewable energy communities and local energy communities from a regulatory and consumers’ perspective. This will create a number of case studies.

How important is this deliverable?

Important / **very important** / not important

Further comments:

The ‘renewable’ and ‘local energy communities’ introduced by the Clean Energy Package will probably be clarified and more precisely defined in the final legislative texts.

EDSO promotes the active participation of customers and their engagement in energy communities. DSOs are willing to support their development by offering the most adequate grid infrastructure solution and other services (grid balancing, information on energy consumption and others). DSOs are ready to experiment different solutions and innovative partnerships, in order to respond to growing societal needs while maintaining current DSOs' roles, and minimizing distribution costs for society.

All players, including new market entities and local energy communities must be fully integrated in the electricity market and comply to regulation according to the activities they are carrying out. An important aspect to be considered is to defend the rights of the existing customers, by making sure that those consumers who choose not to take part in a local energy community are not disadvantaged.

In this regard, CEER should address the question of socialization of network costs in its upcoming report, which is the underlying principle in the current design of electricity grids. In addition, EDSO recommends that national regulatory authorities play a key role in the monitoring and the supervision of local energy communities in a way that safeguards the public interest in a non-discriminatory way, an element which we believe should be strengthened when working out best regulatory practices.

C7 Cross sectoral: Report on Investment conditions 2018

This is an annual report which delivers a general survey about the implemented regulatory regimes, the demanded efficiency developments and analyses the overall determination of capital costs. In 2018, it will be the 7th edition of the report. The investment conditions report was for the first time published in 2016.

How important is this deliverable?

Important / very important / not important

Further comments:

With the fast development of distributed generation and loads, and the emergence of prosumers and microgrids, DSOs are facing a strong motivation to innovate quickly, and keep pace with the transformation pace required. EDSO highlighted earlier this year some of the major obstacles holding back smart grids investments, calling on the following main recommendations:

- Develop regulatory schemes that gives DSOs the choice to implement the best possible and the most cost-efficient solution that supports their changing roles.
- Create attractive conditions for innovation by offsetting regulatory risks and shifting away from cost-reductions only regulation.
- Enhance the remuneration toolbox by making funds available for R&D and innovation decoupled from ordinary BAU allowances.
- Set up dedicated innovation incentive schemes that can include costs for smart grid projects or promote DSOs' increasing roles as neutral market facilitators.
- Include incentives for OPEX in order to reflect on the growing needs for OPEX related to flexibility in distribution networks.
- Ensure stable and clear regulatory frameworks that allow DSOs to develop both short-term and long-term innovation needed for system transformation.

See [EDSO's response](#) to the CEER consultation on incentives schemes for regulating DSOs.

C9 Cross sectoral: Guidelines of Good Practice on Flexibility Use at Distribution Level

Flexibility is a crosscutting issue that needs to be considered with regard to both markets and networks. The purpose of producing these CEER guidelines is to assess flexibility from a distribution network management/ development perspective. This will contribute to a comprehensive approach to the flexibility issue. The aim of the document is to provide guidelines for NRAs on how to stimulate flexibility use by DSOs when it is most efficient, but with minimal distortion to markets and competition, and in co-ordination with the needs of TSOs. This deliverable is part of developing a toolbox for the regulation of DSOs.

How important is this deliverable?

Important / very important / not important

Further comments:

In a joint response of the four DSO associations to CEER's consultation on distributed flexibility, EDSO strongly welcomed the CEER's initiative of addressing the issue of flexibility from a distribution perspective. In a more decentralized and distributed energy system, flexibility use for distribution networks will become particularly important, as they will be most affected by the energy transition.

The regulatory framework should encourage the development of flexibility by allowing DSOs to use and access all forms of flexibility. DSOs should decide what is the best solution to help with their specific issues (market-based procurement, connection agreements, network tariffs and others).

As flexibility markets and products are far from being mature, these will first need to be designed and created at the distribution level. Reaching enough maturity/liquidity will take time, therefore specific regulation on flexibility at the EU level could be premature. Further exchanges and demonstrations should give further opportunity to DSOs to experiment local flexibility services and products.

What is important is that DSOs are incentivised to use flexibility services, and that they are sufficiently remunerated for whichever mechanism they use. Moreover, the impact of new market players, such as aggregators or local energy communities, applying new business models, or TSOs when making use of flexibility resources connected to the DSOs' grid should also be accounted for by regulatory aspects.

C10 Cross sectoral: Report on New Services and Associated Activities for DSOs

The deliverable will look at and consider the impact on regulation of emerging services and associated activities that may impact the role of DSOs. This deliverable is part of developing a toolbox for the regulation of DSOs.

How important is this deliverable?

Important / very important / **not important**

Further comments:

Member states' regulatory systems already provide a sufficient framework with relevant guidance on how new services and associated activities for DSOs should be evaluated. This guarantees that if the DSOs are providing new services, they will be in compliance with the regulatory rules in place, and therefore will not cause market distortions. The efficiency of member states' regulatory frameworks was proven in the past as it had provided necessary answers on how to deal with DSOs' evolving roles.

C11. Cross sectoral: Distribution tariffs

CEER will continue to work on the issue of distribution tariffs to build on the report published in 2017 as part of the regulatory toolbox.

How important is this deliverable?

Important / very important / **not important**

Further comments:

CEER provided guidelines on distribution network tariffs in January 2017, working again on this topic will not bring more benefits.

C12. Cross sectoral: DSO Benchmarking Report

Annual update of the quality of electricity and gas supply report (Version 6.1) published August 2016.

How important is this deliverable?

How important is this deliverable?

Important / **very important** / not important

Further comments:

C13. Do you have any specific comments on any of the individual deliverables?

No

C14. Are there areas where CEER should give more focus as a result of the Clean Energy for All Europeans EC proposals?

No.



EDSO for Smart Grids is a European association gathering leading electricity distribution system operators (DSOs), cooperating to bring smart grids from vision to reality.

www.edsoforsmartgrids.eu