Answer to CEER consultation

Consultation on draft CEER Work Programme 2017

July 2016

CEER seeks the views of stakeholders on its proposed range and detail of work in 2017. The purpose of the public consultation on CEER Work Programme 2017 is to increase transparency and to provide us with valuable feedback from stakeholders.

CEER invited all interested stakeholders to respond to this public consultation, for which the deadline was 31 July 2016.

Contents

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

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

Comments (3 000 Characters max.)

> The priority areas fit with CEER focus on consumers and retail market and on important coming regulatory reform included in the Winter package. Especially the focus on consumers and retail markets is appropriate to achieve a more competitive market, including new and innovative offers and service providers.
>
> Making consumers the focus of energy policy is the key for success of these reforms; this vision should be embedded in all the work and deliverables of CEER.

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

The different deliverables are:

- Consumer protection and empowerment chapter of the 2016 ACER/CEER Market Monitoring Report
- Update of the Guidelines of Good Practice on Retail Energy Market Design
- Follow up on the Position Paper on well-functioning retail energy markets and the Handbook of harmonised definitions of metrics
- Report on how smart technologies and customer meter data models can increase customer engagement in energy markets]

Comments (3 000 Characters max.)

> It is essential to enable new and innovative offers on the retail market, including in areas like demand response, self-generation and storage. Consumer should have choices, and should be able to become flexibility providers and decentralised (self-) generators or part of local projects. To achieve this, it is crucial to provide a level playing field for all service providers in accessing consumers and offering different solutions.

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

Comments (3 000 Characters max.)

> In line with the priority areas on empowering consumers, the responsibilities of distribution system operators and other aspects, CEER can play an important advisory role regarding new legislative developments.

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

Comments (3 000 Characters max.)

DSOs will have an important role in enabling a smart and decentralised energy system and incentive structures should encourage the use of innovative solutions, including demand-side flexibility, when it is cost-effective. Regulation should ensure that DSOs procure demand-side flexibility from the market and do not directly operate in the area of competitive demand-side services. The current tender for market parties to engage in switching services, for example for boilers, that were previously run by DSOs in the Netherlands, is an example of transferring activities from the DSO to the market.

A market centralising local flexibilities in order to solve specific constraints on the distribution grid could be an option to facilitate the provision and selection of these flexibilities.
DSOs have a special responsibility regarding the access to metering data. Based on the consumer's consent, DSOs should provide impartial and timely access to all relevant metering data to the service provider(s) of the consumer's choice. Specifically, DSOs should provide service providers, such as demand response operators with:

(a) historical metering data on the profile,
(b) real-time data about the consumer's behaviour, although it does not have to be certified settlement data,
(c) settlement data which can be delivered a day later,
(d) standing data, e.g. if a consumer is classified as large and other information that is needed to participate in certain programmes.

Consumers should be free to sell their flexibility into any market or to any buyer of their choice. If an arrangement is made whereby a DSO can prohibit a consumer's dispatch in exceptional circumstances, then the affective consumers should always be compensated for their lost revenue.

The neutral role of DSOs should ensure also through a full implementation of the European rules on unbundling, and strict regulatory oversight to safeguard the equal treatment of market parties. In cases where DSOs still directly interact with consumers with the effect of changing their consumption, and until this activity has been fully transferred to the market, appropriate rules should be established to ensure fair competition for other players: in particular, such DSO should never be in a position to oversee their own operations.

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

Comments (3 000 Characters max.)

To enhance system cost-effectiveness and security of supply, it is important to pursue the integration of the European electricity system. System adequacy assessment should take into account interconnections and flexible capacities from a regional perspective, including demand-side resources.

C. On the individual CEER deliverables in Section 5

C1. Consumer: Consumer protection and empowerment chapter of the 2016 ACER/CEER Market Monitoring Report

As part of the ACER-CEER MMR, this chapter looks into the functioning of retail energy markets from the customer perspective. It is based on the results of monitoring the retail energy markets on topics such as complaint handling, switching and billing processes, customer information and protection of vulnerable customers. The aim is to identify market distortions through monitoring of the processes and outcomes of the retail energy market. This deliverable can also provide input for the process of harmonisation at European level. CEER will aim at including metrics as described in the 2015 Position Paper on Well-functioning Retail Energy Markets Position Paper on Well-functioning Retail Energy Markets and the Handbook of harmonised definitions of retail market metrics being developed in 2016.

How important is this deliverable? Very ~~important~~ / **Important** / ~~Not important~~

Further comments (3 000 characters max.)

The monitoring of retail markets is important for the fulfilment of the Energy Union and to make sure it delivers results to the end consumers. The CEER position paper mentions important metrics regarding the development of consumer engagement through demand-side flexibility:

- Availability of time-of-use metering and, where applicable, additional fee paid by the consumer to be able to have time-of-use price vs. traditional metering
- Availability of value added services for implicit demand response and self-generation
- Availability of explicit demand response.

However, programmes designed to empower active consumer participation in energy markets are essential for the fulfilment of the Energy Union policy vision putting the consumer at the centre. Making this vision a reality requires the creation of the most relevant monitoring tool in order to gage the success of current policies. In that regard, it is essential that CEER measure the availability and actual outcome of these tariffs and products. The indicators should be complemented and specified for both implicit and explicit Demand-Side Flexibility:

- Explicit Demand-Side Flexibility should be monitored through the capacity (MW) contracted and volumes (MWh) sold into the different markets, so as to assess the share of Demand-Side Flexibility in each segment of the electricity market.
- Implicit Demand-Side Flexibility should be measured through an estimation of the capacity (MW) actually available through it, and the volumes (MWh) actually delivered. This presupposes (a) a monitoring of the percentage of consumers with access to a smart meter; (b) among them the percentage of consumers that signed up for real-time (hourly or where applicable shorter-term) pricing; and (c) a methodology to assess the magnitude of the consumer reaction.

Regarding the “availability of value added services for implicit demand response and self-generation”, a typology of the different services would be useful to distinguish real-time visibility of energy prices, home-automation, real-time visibility of energy production, etc.

C2. Consumer: Update of the Guidelines of Good Practice on Retail Energy Market Design

As concluded in the Bridge to 2025 document, CEER will establish a set of key features of retail market design, taking into account national structural differences, in order to provide a level playing field for suppliers and other retailers, e.g. energy efficiency and flexibility service providers, as well as enabling consumer engagement as prosumers.

CEER intends to develop a holistic framework for a well-functioning retail energy markets. The proposed design should clarify the role of stakeholders as well as the interface between service providers and customers for key processes, and ensure that vulnerable customers are not disadvantaged or overlooked. In addition, CEER should propose a roadmap to secure a reliable supplier switching within 24 hours. This update of the GGP would deal with key features of the retail market design, extending the GGP to new market players (e.g. data hubs, aggregators etc.) and new technologies such as smart metering and smart homes. CEER will aim at updating the GGP with attention being given to the process of digitalisation and innovation. CEER will take into account electricity market design, including retail markets discussion paper together with other relevant documents from the European Commission.

How important is this deliverable? ~~Very important~~ / **Important** / ~~Not important~~

Further comments (3 000 characters max.)

A level playing field is also required between retailers and independent flexibility services providers, when accessing consumers to gather flexibility. The importance of independent aggregators should be taken into account into CEER's framework for a well-functioning retail energy markets.

Customers are not a homogenous group with uniform needs and behaviour, and different demand response offers should be available to accommodate different preferences of residential, commercial and industrial consumers.

The expansion of Demand Response requires that end-users have appropriate metering in place to record their consumption timely and user-friendly access to their data to be able to respond to price signals.

Safeguarding the customers' rights to privacy and ensuring cyber-security measures should be a priority area for regulators and policy-makers.

Communication architectures and interfaces should be standardised in order to benefit from scale effects, to overcome technical barriers and to give flexibility programmes the chance to reach substantial size. However, it should always be ensured that standards do not hamper, but rather foster interoperability and certification of deployed solutions with regard to device authentication and identification.

It is essential that demand-side flexibility is provided on a voluntary basis and that the flexibility providers are properly rewarded for their service, be it consumers themselves or aggregators on their behalf.

C3. Consumer: Follow up on the Position Paper on well-functioning retail energy markets and the Handbook of harmonised definitions of metrics

In 2017, CEER will guide NRAs through the process of self-assessment according to the metrics identified in the Position Paper on Well-functioning Retail Energy Markets and defined in the Handbook. Following the self-assessment, NRAs will identify the problems in their respective countries and how to improve their situation. The self-assessments may have a regional focus to examine the scope of the potential for retail market integration at regional level (e.g. NordREG)

How important is this deliverable? ~~Very important~~ / **Important** / ~~Not important~~

Further comments (3 000 characters max.)

> The self-assessment should take into account metrics as proposed in our answer to question C1, and enable comparison between Member-States of their situation concerning demand-side flexibility and self-generation.

C4. Consumer: Report on how smart technologies and customer meter data models can increase customer engagement in energy markets

The report will serve as a base for CEER to build further positions to feed into ECs work. It will create value and visibility to CEER by gathering national experiences with proven results from NRAs, customer organisations and the academy. It would also serve as a best practice platform where NRAs could benefit from the knowledge of other NRAs as well as academic results around Europe.

How important is this deliverable? **Very important** / ~~Important~~ / ~~Not important~~

Further comments (3 000 characters max.)

> Consumer metering data is the key of innovative energy services. Data rules and architecture will determine to a large extent what kind of services can be offered, however a market design rewarding flexibility through scarcity prices remains a condition for sustainable business models for demand-side flexibility. It is important that CEER gives attention to the following topics:
> - data privacy & security: right to choose who gets data access
> - access to data:
> * Local real-time access (under consumer control, don't need to ask permission, e.g. directly from the meter, like the P1 data port in the Netherlands)
> * Remote data access for all parties, (DSOs and/or TSOs, service providers and retailers based on the consumer's consent) on a level playing field, valorising the use of standardized machine-readable format (similar to Green Button, applied to a European context that does not necessarily depend on the retailer only, important that the consumer can allow service providers to have direct access to the consumption, tariff and metering data).
> * Rules allowing tenants the right to constant meter/data access (electricity, gas, water), including sub-metering
> - Rules allowing consumers to make use of new off-the-shelve technology solutions
> - Rules to allow consumers easy & flexible switching of the retailer and service provider

- Transparency on automation interventions

C5. Electricity: Guidelines of Good Practice on RES Auctions Design

Auctions are increasingly signalled as the preferred method to allocate support to RES producers as opposed to traditional administrative methods. A tool kit of recommendations and good practices could be compiled as a guide for regulators exploring or seeking to improve this technique.

How important is this deliverable? Very important / Important / Not important

Further comments (3 000 characters max.)

- (*proposition not to answer*)

C6. Electricity: Proposals to overcome difficulties in the implementation of cooperation mechanisms (joint projects / support schemes).

Co-operation mechanisms, and especially joint projects or support mechanisms shared by various MSs, have developed slowly and there are limited experiences. CEER will explore incentives and proposals that could be devised to develop such mechanisms. A focus could be put on the design of cross border auctions

How important is this deliverable? Very important / Important / Not important

Further comments (3 000 characters max.)

- (*proposition not to answer*)

C7. Gas: Report on International Gas Markets: the Future of Natural Gas

The report will offer a strategic look at natural gas following recent developments, such as COP21 agreement, oil price trends, LNG and shale market developments and will analyse a number of existing scenarios. In particular, it will consider the implications of each scenario for the regulation of European gas markets.

How important is this deliverable? Very important? / Important? / Not important?

Further comments (3 000 characters max.)

It is crucial that these scenarios and resulting regulation proposals put the European commitment on greenhouse gas emission reductions at a central place and take into account the alternatives to generation capacity for balancing variable renewables, including demand-side flexibility.

The potential of demand-side flexibility and its contribution to Security of Supply should be adequately included in all European scenario calculations and planning for infrastructure developments.

C8. Gas: Status Review on application of the Supply Standard foreseen in the Security of Supply (SoS) Regulation

As a follow-up to CEER Position Paper on the SoS Regulation and the requirements in the Regulation regarding the supply standard, CEER will undertake a status review of the application of this standard at national level, to identify current approaches and areas for exchange of experience.

How important is this deliverable? Very important / Important / Not important

Further comments (3 000 characters max.)

- (*proposition not to answer*)

C9. Gas: Report on Removing Barriers to LNG in European Gas Markets

This report will provide a comprehensive review of key regulatory mechanisms and rules (including capacity allocation and congestion management, balancing and gas transactions, international LNG developments and market evolution), with a view to identifying persisting barriers and developing recommendations on their removal.

How important is this deliverable? Very important / Important / Not important

Further comments (3 000 characters max.)

- *(proposition not to answer)*

C10. Gas: Status Review on the Development of Europe's Gas Storage Market

Building on previous recommendations in this area (2015 Vision for Regulatory Arrangements for gas storage; GSE-CEER Transparency Template, 2011 Guidelines of Good Practice on capacity allocation and congestion management, etc.), CEER will review current status and make any necessary recommendations for further optimisation. Recent developments and changes to the legislative landscape, following revision of the SoS Gas Regulation will be taken into account.

How important is this deliverable? Very important / Important / Not important

Further comments (3 000 characters max.)

- *(proposition not to answer)*

C11. Cross sectoral: Guidelines of Good Practice on Distribution Network Tariffs

CEER's Conclusions Paper on 'The Future Role of DSO's' stated our commitment to analyse the benefits of different approaches to both use of system and the network tariffs and to ensure that network tariffs are not a barrier to demand side response. The importance of network tariffs was also mentioned in ACER's 'Bridge to 2025' document. The purpose of the document is to develop guidelines on how different network tariff structures, decided or incentivised by NRA's, may be used to manage future distribution network challenges such as increased use of self-consumption and

integration of RES on local level. This deliverable is part of developing a toolbox for the regulation of DSOs to ensure the market is not foreclosed.

How important is this deliverable? **Very important** / ~~Important~~ / ~~Not important~~

Further comments (3 000 characters max.)

It is important that DSO tariffs encompass broader concerns than only distribution. Local grid management should include a wider perspective and tariffs should be designed taking into account the impact of demand-side flexibility or self-generation at the overall system level. From that perspective, the cooperation between TSOs and DSOs is crucial.

In the new energy landscape, distribution tariffs should serve two missions: (a) Ensure full cost recovery for DSOs; and (b) Contribute to the overall efficiency of the system. To this end, distribution tariffs should allow customers to actively respond to wholesale market signals and/or participate in TSO-led programmes, contributing to overall electricity system efficiency. As a first step -and in accordance with the Energy Efficiency Directive, Art. 15.4-, distribution tariffs should certainly not hamper Demand Response.

Alternative pricing options should be explored to reflect the impact a consumer has on the system. A theoretically efficient but technically and practically challenging solution in this respect could be critical peak pricing that reflects local system constraints in real time. However, dynamic network pricing approaches should be treated with caution if they fail to reflect the actual requirements and the new dynamics of a decentralised energy system.

System operators often argue in favour of a proportion of capacity-based tariffs or "capacity bands" where consumers are grouped in different categories. These have the value of being simple. However, they can limit the availability of flexibility, because they cap the size of the connection even at times when high consumption or injection would be desirable for grid management. A capacity limit that only applies during times of system constraints, and where the maximum capacity can be exceeded when this is beneficial for the local system, could be a more conducive to flexibility.

In all circumstances, and especially when only basic network tariffs are in place, the Distribution System Operator should be encouraged to procure additional flexibility for system support from market actors through a transparent process, ideally on a local market.

It is important to note that consumers own their flexibility – within the limits given by their connection agreement – and they should be free to sell it into any market or to any buyer of their choice. If an arrangement is made whereby a DSO can prohibit a consumer's dispatch in exceptional circumstances, then the affected consumers should always be compensated for their lost revenue.

C12. Cross sectoral: Guidelines of Good Practice on Incentives Schemes including Innovation - Conclusions paper

The final document will help NRAs to improve regulation, ensuring that distribution network services to consumers are optimal given a rapidly changing environment and that bridges are built between

the current and the future role of DSOs. This deliverable is part of developing a toolbox for the regulation of DSOs to ensure the market is not foreclosed.

How important is this deliverable? ~~Very important~~ / **Important** / ~~Not important~~

Further comments (3 000 characters max.)

> National Regulatory Authorities should incentivise DSOs to actively manage the grid in order to achieve the cost-sensitive and future proof integration of distributed energy resources and grid modernisation. The progress in achieving this should be monitored.
>
> For DSOs to consider alternative options to network expansion, the revenue setting (price control) should be revised to incentivise an approach to network management that considers the total costs and benefits to the system and undertake the optimal mix of capital (CAPEX) and operating (OPEX) expenditure.

C13. 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 end goal is to encourage harmonisation of a European wide approach to the use of flexibility by DSOs. 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. This deliverable is part of developing a toolbox for the regulation of DSOs to ensure the market is not foreclosed.

How important is this deliverable? **Very important** / ~~Important~~ / ~~Not important~~

Further comments (3 000 characters max.)

> It remains essential to give DSOs tools to access innovative means of managing the network like demand-side flexibility. Demand-side flexibility should be provided on a voluntary basis and flexibility providers should be properly rewarded for their service.
>
> DSOs can procure demand-side flexibility through various different economic vehicles (e.g. at the planning and connection timeframe through a call for tender, through distribution tariffs and/or from a local distribution constraints market).
>
> A market centralising offered local flexibilities in order to solve specific network constraints on the distribution grid could be an option that may facilitate the provision and selection of these flexibilities in a cost-effective and technically feasible manner.
>
> Irrespective of the vehicle(s) developed, it is essential that the market design for the procurement of demand-side flexibility complies with the DSO's regulated and market neutral activity and fulfils transparency obligations. DSOs, as regulated monopolies should not act into competitive markets, in order to prevent unfair market practices and prevent consumer flexibility to be locked-in for

distribution network congestion management only.

C14. 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 to ensure the market is not foreclosed.

How important is this deliverable? ~~Very important~~ / **Important** / ~~Not important~~

Further comments (3 000 characters max.)

The development of energy services by retailers and third party service providers provide consumers with growing opportunities to manage their consumption through real-time visibility of consumption and prices, real-time visibility of self-generation and demand response, smart appliance management or smart charging of electric vehicles. DSOs will have an important role in enabling these services. In particular this report should look at:

- undiscriminatory access to data for all the different market parties - upon consumer consent – in order to enable new energy services.
- DSO requirements related to the provision of flexibility services by their customers;
- DSO requirements regarding self-generation and injection into the grid.

C15. Cross sectoral: Report on Investment Conditions 2017

Each year CEER provides an overview of the role of energy regulation in the overall investment environment. The analysis will deliver a general survey about the implemented regulatory regimes, the demanded efficiency developments and analyses the overall determination of capital costs.

How important is this deliverable? ~~Very important~~ / **Important** / ~~Not important~~

Further comments (3 000 characters max.)

It would be interesting that this report reviews the ability for energy consumers to finance energy efficiency investments; demand response programmes; and bundled investment i.e. energy renovation including energy efficiency and demand-side flexibility which would enable economies of scale.

One specific aspects concerns the problematic accounting rules that are being used by Eurostat in the frame of energy efficiency investments strongly affects the possibility for off-balance sheets investments by public authorities.

D. Additional general comments

Comments (10 000 characters max.)

Do you have any relevant supporting documents to upload?