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European Smart Metering Industry Group

WE MAKE METERING SMART

ESMIG response to ACER Public Consultation on Energy Regulation: “A Bridge to 2025.”

16 June 2014

The **European Smart Metering Industry Group (ESMIG)** is the European industry association that provides knowledge and expertise on Smart Metering and related communications at a European level. ESMIG covers all aspects of Smart Metering, including electricity, gas, water and heat measurement. Member companies cover the entire value chain from meter manufacturing, software, installation, and consulting to communications and system integration. By giving support to European Union institutions, Member States and Standardisation Organisations, the industry group aims to assist in the development of national and European-wide introduction, roll-out and management of Smart Metering solutions.

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

From our point of view the issues and trends in each area of the energy sector as outlined in section 2 of the consultation document have been correctly identified.

We suggest the re-wording below of the section 2.24 as follows *“Increased availability of energy efficiency and demand response services (for instance time-of-use contracts, dynamic pricing, including critical peak pricing) will offer consumers greater opportunities to manage their consumption and control their bills, provided that they are informed and empowered to do so. As the European Commission noted, information is needed to encourage consumers to take up innovative products and services, and to promote financial incentives ~~the financial instruments~~ that encourage enable consumers to increase their energy efficiency.”*

We suggest the following rewording of section Section 2.29 as follows: *“Smart meters ~~could~~ will be a further important aspect of the transformation to smart grids. Compared with traditional meters, smart meters can measure and store more information about flows and can forward data to other parties and to appliances. This may enable the emergence of a range of new services. Permitting the accurate measurement of distributed electricity generation and allowing consumers to benefit from time-of-use pricing ~~may~~ will enable those who are able to shift some of their demand away from peak times to be rewarded.”*

It is correct that smart meters are an essential first step toward the development of smart grids. Equipped with robust functionality, they are essential for consumers being able to become active participants in the energy market. However, their benefit is not limited to the end consumer alone, and should not be viewed exclusively through the prism of consumer participation. The data provided by smart metering systems allow for an optimal operation of the distribution network as well as allowing the DSO (and the regulator) to make more efficient investment decisions – which also benefit the end consumer.

2 Have we identified an appropriate regulatory response?

ESMIG agrees in principle with the regulators issues and actions identified in Section 3.

Section 3.24: We support the assertion that regulation must be “smart”, particularly the statement that “a move to an output-based (regulatory) approach must recognize and reward investments that contribute to a more efficient and cost-effective system.” Such a move to an “out-put based” regulation must encourage the introduction of smart technologies, so that network operators are rewarded for adding intelligence into the network and not just for building “more of the same”, i.e. copper and steel.

Section 3.26, point 6: *“Deriving consumer benefits through smart meters. When and where smart meters are rolled out, consumers must be in a position to benefit from the possibility of accessing new or enhanced services and be given greater control of their energy use (for example, through time-of-use prices, rapid responsiveness and speedier access to network and consumption information).”*

This point is based on the assumption that the required functionality is included in the smart metering systems being introduced. Any Regulation must reward DSOs (who in most Member States are responsible for rolling out smart metering) for including functionality that will benefit consumers and enable this new services. Too often, however, it is the case that a “minimalist” approach is taken.

Role of DSOs (sections 3.31 to 3.35):

It is true that DSOs will increasingly play a key role in the development of more active smarter demand-side and smart grids. Therefore, regulation must encourage the development of and investment in “intelligence” into the Distribution network. The DSOs should provide the infrastructure platform for new energy services, products and activities. ESMIG does not have a position on ownership unbundling of DSOs, however, the any unbundling arrangement must encourage DSO investment in the network to develop smart grids.

3 Which regulatory actions are most important and should be prioritized?

Note: we refer to the summary of possible regulatory actions in the annex to the consultation document.

- To assess whether additional incentives are needed to promote necessary (but higher risk) investments with significant social benefits and, if so, how such incentives should be funded.
- To develop and deploy output-based incentive mechanisms to encourage efficient operations and investments by DSOs and TSOs.
- To further develop the CEER-BEUC 2020 Vision principles into practical actions as to how the future regulatory framework might evolve to enable market developments across Member States while continuing to protect and empower consumers.
- To map out a framework covering the required commercial, regulatory and standardisation aspects necessary to facilitate the market in demand response.

4 Are there other areas where we should focus?

Consumers’ ability to benefit from Smart Meters is essential. The adjustment of the settlement process is a key issue to this regard.

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In order for consumers to receive the full advantages of a smart meters roll out, the settlement process should be adjusted in order to enable ToU tariffs or dynamic pricing. Without these adjustments, the reduction in revenue from the transfer of use to off peak times will not be offset by a reduction in the wholesale cost if a profiling method is then applied by the retailer. Therefore, suppliers will face a net cost, if they are successful in modifying their customers’ behaviour more than the average. It is therefore critical that settlement processes are adjusted if dynamic pricing and TOU is to be supported through SM.

ESMIG proposed the following regulatory action: To avoid this issue, and for the tariff to remain reflective of the underlying costs, a new assumed settlement profile would need to be described for each ToU tariff formulation that would represent the change in consumption behaviour the tariff had elicited. These profiles can only be created once the tariff has been implemented using a sample of customer actual ex-post data.

Any communication technology used by DSOs and TSOs – be it mains signalling (PLC) or RF – must be protected by regulatory measures.



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