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Netz Burgenland Strom und Netz Burgenland Erdgas GmbH

comments regarding the Public Consultation

“European energy regulation: A bridge to 2025”

Netz Burgenland Strom GmbH und Netz Burgenland Erdgas GmbH welcome the ACER-CEER paper on the “European energy regulation: A bridge to 2025” and thanks for the opportunity to provide comments regarding the Public Consultation launched.

We agree with the majority of the issues and trends identified by ACER-CEER in this paper. As an Austrian energy distributor, we would like to stress in our position paper the following aspects of the ACER-CEER document:

- 1) DSO roles in a constant energy changing environment**
- 2) DSOs tariffs structure and the need of an efficient development**
- 3) Infrastructure investments at distribution level**
- 4) Network Codes**

1) DSO roles in a constant energy changing environment

As stated in the document, we agree the need for clear market rules and definition of roles and responsibilities of different market players (i.e. NRAs, DSOs, aggregators, suppliers, ESCOs, others ...), where conflicts of interest or overlapping tasks shall be avoided.

Following DSO roles are identified as essential for a future transparent, stable and efficient energy market:

- As included in the ACER document, DSOs are the neutral market facilitator that ensure the reliability and stability of the system while facilitating the commercial activities of other market actors and above all safeguarding the interests of customers.
- DSO should as well maintain its responsibility for metering in Austria as the meter is the logical end point of the DSOs electrical grid.

- DSOs must without restriction be allowed to use information from the Smart Meters in order to fulfill their regulated duties such as system stability and billing.
- Being a neutral regulated entity with no commercial interest in consumers' data, DSO is best positioned to be market facilitator (data hub), managing and storing grid data while providing third-parties non-discriminatory access to customer data. At the same time, it can ensure data privacy for the consumer, which is an essential safeguard for consumers and will enable consumer trust.
- Meter data should be provided to other market actors authorised by the customer. With this in place, existing unbundling requirements are sufficient to ensure for new market services to develop by new actors (aggregators, ESCOs, others) for customers. Then the principle stressed by the document *"DSOs should not impede the development of the market in supply services ..."* not be able to use advance access to data to gain commercial advantage" in page 26 is therefore guaranteed.
- DSOs priority access to relevant flexibility services is crucial to fulfill their core tasks as the party responsible for grid stability and secure grid operation. In all other situations market actors can act freely as long as the distribution grid is not put at risk.
- DSO is the central point of contact for customers in grid related issues and the link between DSOs and the customer should be maintained.
- In order to fulfill these emerging data responsibilities in a smart grid environment, DSOs need to be equipped with the adequate tools, to manage these increasing quantities and quality of data.
- In addition, DSOs will be confronted with additional tasks in order to ensure a smooth grid and market functioning mainly due to upcoming changed appliances such as charging stations for electric vehicles or ancillary services, etc.

2) DSOs tariffs structure and the need of an efficient development

Following principles are recommended for an efficient development of DSO tariffs in the future:

- Tariffs should promote peak demand management and aim to reduce infrastructure costs purely for peak demand. These tariffs should be cost reflective, easily understandable and transparent. Majority of the costs incurred by DSOs when connecting new demand or generation to their grids are based almost exclusive in the connected peak demand (power connection). Power based grid tariffs would encourage consumers to reduce their contracted demand. On the other hand these will be more cost reflective and, at the same

time, these will incentivise the shifting of energy use from peak times to hours with lower demand, encouraging the energy system efficiency.

- Tariff structure should encourage distributed generation, demand response, and efficient energy consumption [from the distribution system perspective].
- Tariff structure should enable sufficient and predictable revenues for DSOs investments now and also in the future.
- Tariffs should be technically feasible to implement, should promote well-functioning electricity markets and should not conflict with overall regulation and legislation.

Regulation must not prevent DSOs from developing better functioning and more cost-reflective tariff structures keeping the overall efficiency as the main guideline .

One major objective of regulation is to improve economic efficiency. It is essential to define a clear and stable policy framework with non-conflicting objectives. Some of the regulatory tools can not solve incoherence resulting from conflicting political objectives. Government still have many structural issues to deal with, like the RES support schemes or capacity schemes.

In the ACER document has been identified a need for more flexibility and more competition. We agreed that flexibility has gained importance and will remain essential during the next decades based on the increased amount of RES being connected to DSOs networks. However, on the other hand, capacity of a system has been left aside of the energy equation.

Capacity and flexibility adequacy are both necessary to deliver, through market mechanisms, the level of security of supply to allow a stable and well-functioning market. Flexibility is needed to match shifts in both supply and demand and overall capacity is needed to meet peak demand with enough low risk.

Each generation plant or demand-response installation has a maximum generation capacity and an expected performance at peak load. Sufficient capacity is needed into a system to control the risk of supply-demand imbalance within minimum security standard. However, unlike flexibility, total capacity is usually used only a few hours each year, even though it contributes to lowering the risk every day.

Therefore, this security of supply provided through adequate flexibility and capacity should be **both** economically valued by energy markets. Actually, markets do not provide signals to attract investments in new capacity and encourage existing capacity to leave the market. In fact, there is currently a lack of purely market based investments, either in conventional or in RES plants.

Uncertainties and needs for both capacity and flexibility may differ from one country to another but each Member State is facing or may face both issues in the future. Therefore regulatory policies makers shall developed regulatory frameworks and scheme in order to promote economically efficient decisions.

3) Infrastructure investments at distribution level

We appreciate the introduction in the document of the need of infrastructure investments at distribution level, and not only at transmission level.

We believe that investments in the distribution networks are essential. Once the needed infrastructure is in place, an efficient RES integration and market flexibility will be achieved.

Sustainability, future-oriented and long-run predictability is essential as the DSO business has a planning horizon of decades and the challenges are changing in line with the development of the energy policy of the EC to achieve the decarbonisation of the energy market. In the actual regulatory framework, short regulatory periods constitute a standard practice, with a regulatory scheme that changes every 4-5 years. This prevents DSOs from taking long-run decisions „risk-free“ based on current regulatory schemes.

Future investments shall allow not only the investments incurred in the network, but also to allow the necessary reinvestments in the “conventional” components of the grids (transformers, cables).

This future investments shall allow also the necessary reinvestments or replacements in the connection of RES to the grid. RES generators, especially wind, were first connected in some regions at the beginning of the 2000s. Since then, DSOs have carried out massive investments in their grids to connect this renewable generation, where the necessary reinvestments in those grids are likely to start within the next decade.

4) Network Codes

We support certain harmonisation at regional or national level, however we believe that an European wide harmonisation is not necessary. We strongly disagree with the proposal to set minimum standards at European level on certain issues such as connections, disconnections and maintenance or in the area of format and exchange of customer metering data (section 3.30).

We think that each Member State should be allowed to choose which market model suits its market best, taking into account local circumstances. Any system change due to standardisation introduces additional costs in the system that have to be analysed beforehand through cost-benefits analysis („one-size-doesn´t-fit-all“). Only after a Cost Benefit Analysis (CBA) positive results, change will be viable and recommended.

We want to stress that the right involvement of DSOs in the drafting process of Networks Codes is crucial. It would be necessary a major involvement of stakeholders in the pre-comitology and comitology stages for the adoption of NCs by making

updated versions of the codes available to all stakeholders as well as by explaining the amendments introduced. This will provide increased transparency into the process.

Some of the Network Codes can significantly affect the operation of Distribution System Operators when implementing certain provisions, based on the fact that most of new RES generation is being connected to their grids, causing in some cases important rise in costs. Therefore we would like to point out the importance of carrying out the Cost Benefit Analysis regarding the fulfillment of new requirements that a Network Code might introduce. These CBA should be submitted to public consultation, justifying the needs when modifying existing operational rules. No CBAs have been made for those requirements of NCs that are currently in comitology procedure, even though the economic effects can be substantial as DSOs associations have expressed on several occasions (Euroelectric and GEODE among others).

We would like to underline that requirements between different NCs need to be consistent: coordination among the drafting teams of the respective codes needs to be assured in order to avoid them to interfere with each other and at the same time to be consistent with EU energy policy.

Finally we would like to highlight that Network Codes should be limited to set minimum common standards in order to prevent situations that could have a negative impact exclusively on the overall European system operation and security of supply. Network Codes should not go too deeply into detailed technical provisions nor go beyond cross-border issues. The principle “one-size-fits-all” is not suitable; technical conditions and operation vary a lot among distribution grids and its users in Europe, as expressed by DSOs associations over the years.

In definitive, ACER could play a key role in a smart deployment of these above requirements stated in the network codes.



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