

CEER

**Council of European
Energy Regulators**



Regulatory Perspective on Security of Supply

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**Client Earth and RAP Winter Package Symposium
1 March 2017, Brussels**

Agenda

- The Regulators' Trilemma?
- European Electricity Market Context
- What Can Assist Security of Supply?
- Clean Energy and Next Steps



CEER: Fostering energy markets, empowering consumers

- Independent platform for cooperation between 35 European NRAs
- Promotes competitive, secure and sustainable markets in the interests of consumers
- Champions sound energy regulation with stakeholders, incl. policy-makers
- Supports NRAs and encourages best practices:
 - ▶ Training Academy
 - ▶ Workshops, e.g. international events on security of supply
 - ▶ Papers, reports, benchmarking

Putting consumers at the heart of energy policy: CEER-BEUC 2020 Vision



Regulators' Trilemma?

Security of Supply: "The lights must stay on"!



Renewables
/ Sustainability

Competitive
/ Low Prices



European Electricity Market Context

Liberalised Markets

Competition
Consumer choice
Demand-side and prosumer growth at DSO level

Renewables Growth

Dispersed and Variable
Low marginal cost
Often small-scale at DSO level

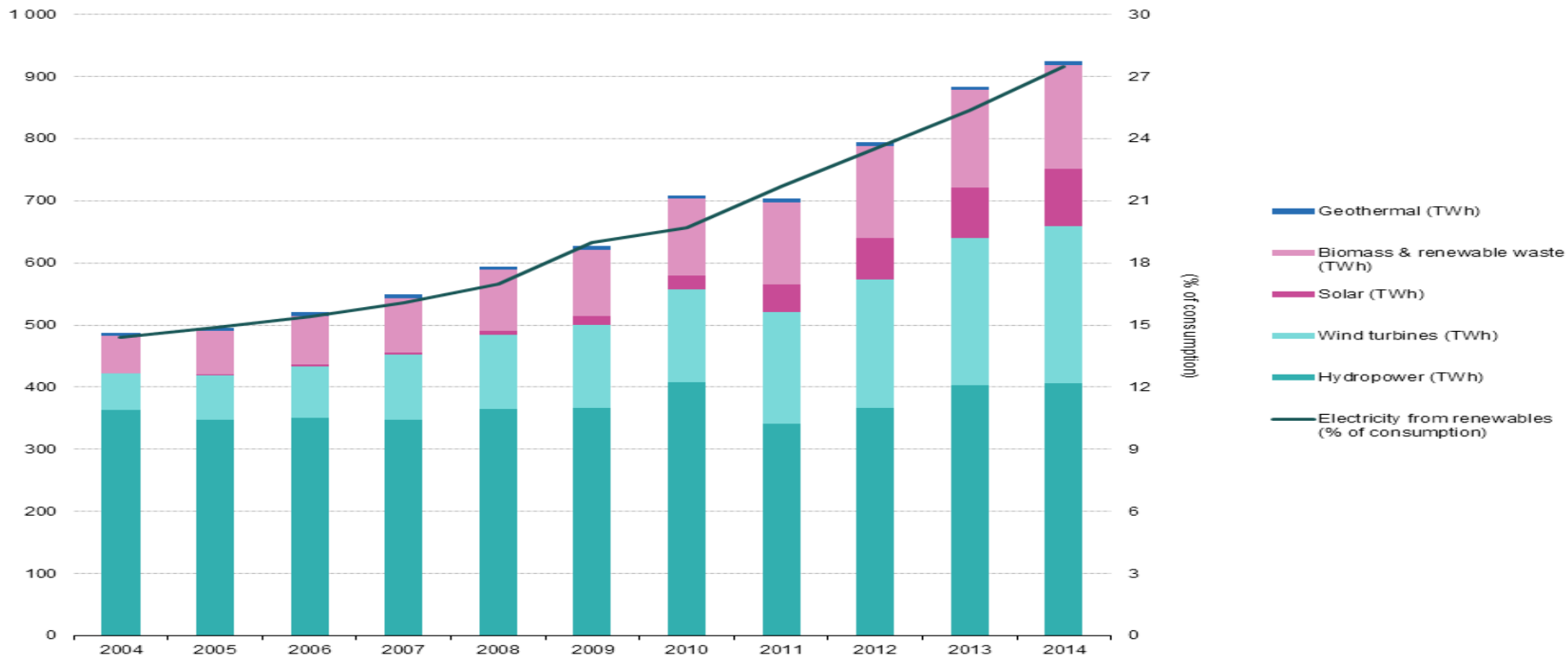
New Technology

Smart Meters
Smart Grids
Smart Heating
Electric Vehicles
Internet of Things
Data Management
Cybersecurity



European Electricity Market Context

- Renewables are now central, often subsidy-driven
- A market, technical and security of supply challenge:
 - ▶ Lowers conventional generator output and spark-spreads => less revenue
 - ▶ Intermittent generation from solar / wind





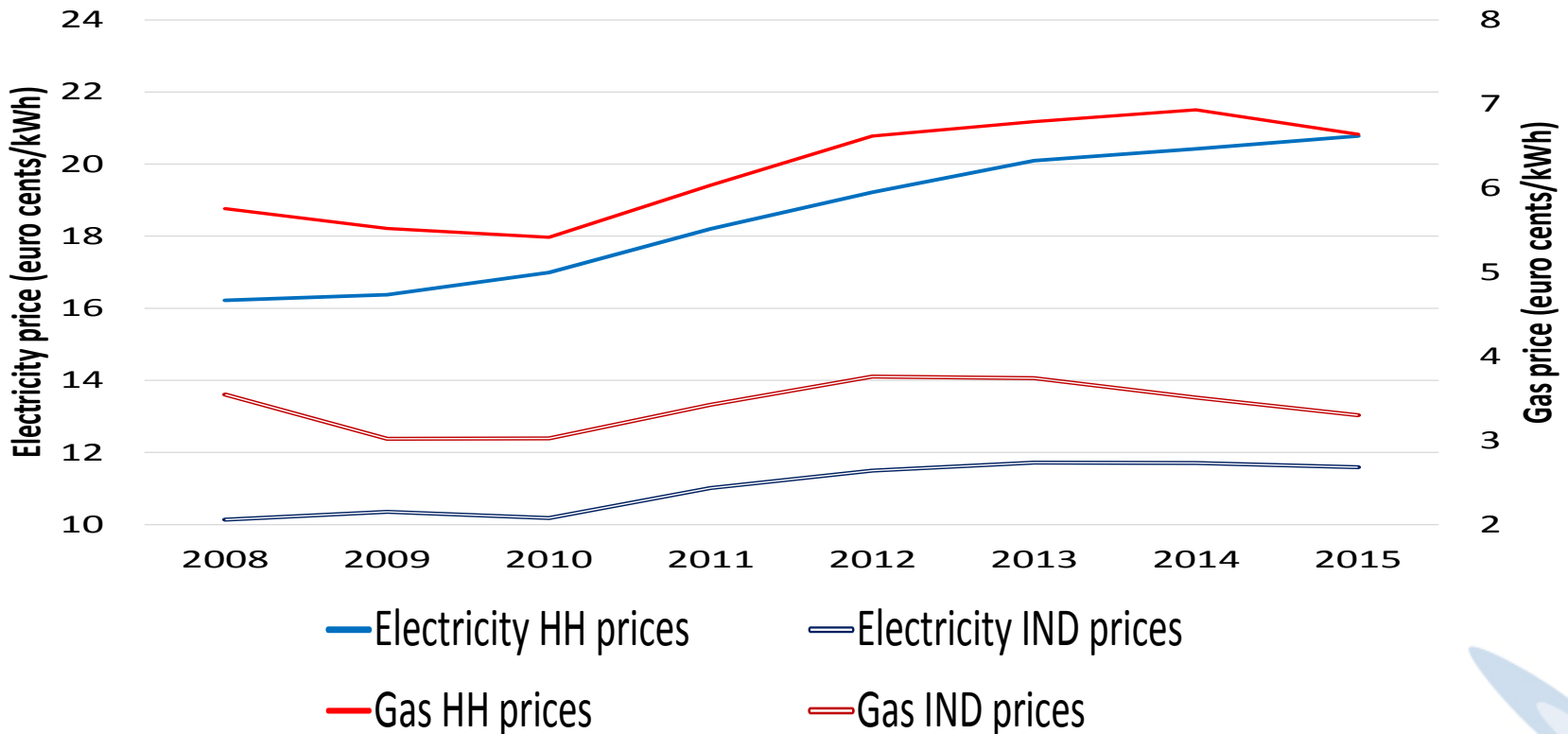
European Electricity Market Context

- Energy wholesale market integration progressing
 - ▶ A single day-ahead spot price-auction (algorithm)
- Currently one single coordinated Day-Ahead Market for NWE Region + ES/PT and IT
- Covers around 75 % of EU demand
- With networks + interconnection, market integration assists security of supply and competitive prices



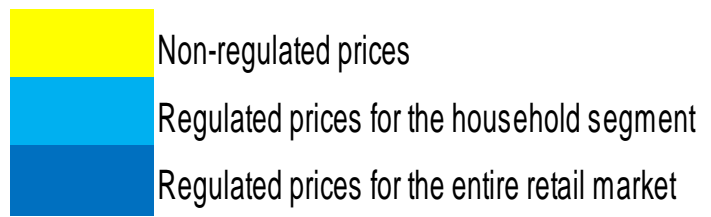
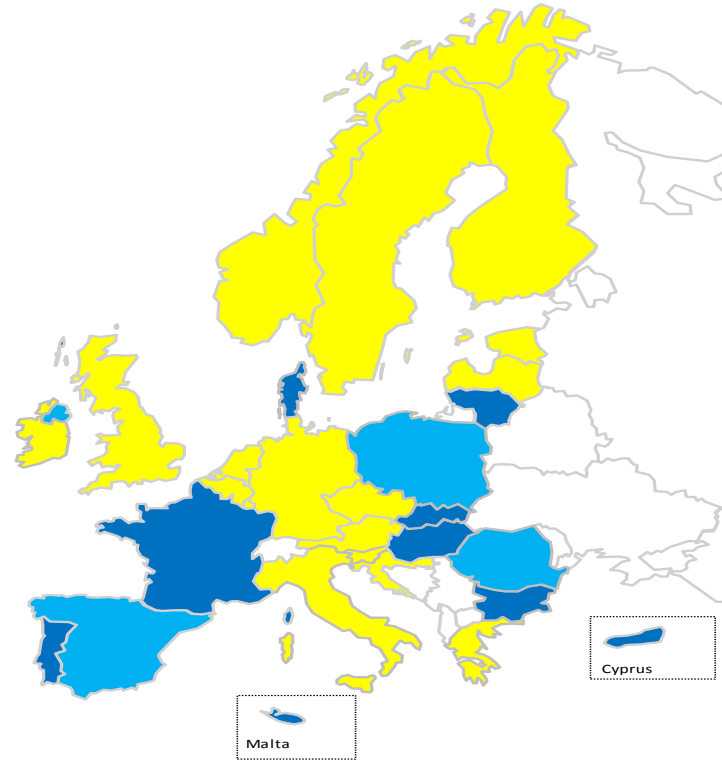
European Electricity Market Context

- Retail competition and consumer empowerment still mixed, with industry benefitting more than households
- ACER/CEER MMR: retail prices falling again, except for elec HH
 - ▶ Subsidies and levies are an issue!



European Electricity Market Context

- Many retail markets still price regulated and not v competitive
- More choice for consumers where prices have been liberalised for longer
- We recommend price deregulation once the market is competitive
- We support facilitating new supplier entry by reducing barriers
- We advocate consumer protection and empowerment



What Can Assist Security of Supply?

- Fully implement the 3rd Package
- Appropriate investment in networks and cross-border interconnection
- Enhanced functioning of EU wholesale electricity markets:
 - Fully implement / extend European day-ahead market coupling
 - Enhance European intra-day (XBID) and balancing markets
 - Implement efficient bidding zones
 - Reward generator flexibility: scarcity pricing
 - Enable and reward demand-side flexibility
 - Integrate RES into the market / have robust carbon pricing
- Assess system adequacy at EU level, with any CRMs compatible with efficient cross-border trade
- Improve retail competition, innovation and consumer engagement

Clean Energy Package

- Regulators' Overview Paper of 23 January broadly welcomed the CE Package, highlighting issues for consideration



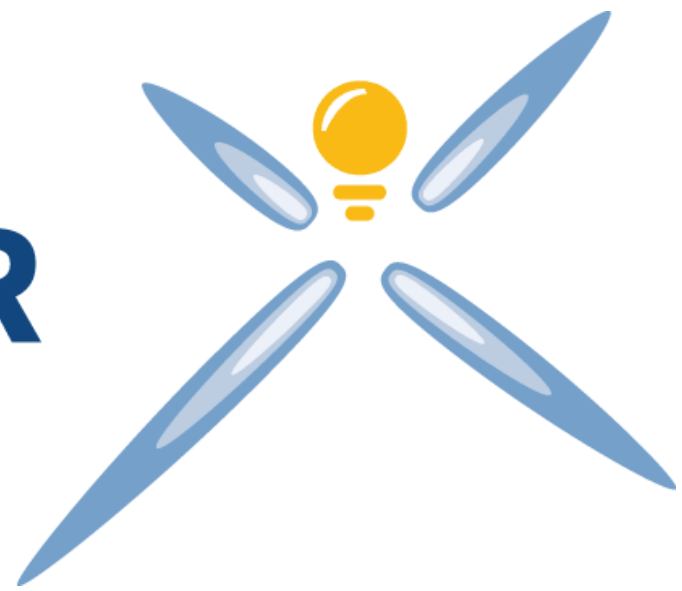
- More detailed regulatory papers expected in the coming months





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