



11th US-EU Energy Regulators Roundtable
May 13-14, 2014
Boston, Massachusetts, USA

Agenda (05/02/14)
With Abstracts

Loews Boston Hotel

350 Stuart Street
Boston, MA 02116

Objectives

To build on the momentum of the ten previous Roundtables, the work of the International Confederation of Energy Regulators, the World Forum on Energy Regulation and to develop cooperation and exchange of experience in areas including resilience and reliability, climate change and the environment, transmission and distribution.

Monday, May 12, 2014

Travel and arrival of participants at: *Loews Boston Hotel*

7:00 pm *Welcome Dinner*
Back Bay Harry's (142 Berkeley Street, Boston)

Tuesday, May 13, 2014

Meeting Room: Beckett

Breakfast in The Precinct Restaurant (Sponsored by NARUC)

9:00 am **Introductory Remarks**
This session will include a short overview of key developments in the U.S. and EU since the last meeting (April 2013).

- Hon. Colette D. Honorable (AR), President, NARUC
- Lord Mogg, President, CEER

9:45 am

Session I: The Regulator's Role in Climate Change, the Environment and New Technologies

Building upon the themes of resilience and reliability, regulators are facing new challenges in their roles. They are moving beyond the traditional balance of ensuring consumers get just and reasonable rates while offering the utility an opportunity to earn a fair rate of return, and now must also take into consideration environmental effects, climate change policies, emissions trading and markets and technological advances. The EU is currently debating a policy framework for climate and energy 2020 to 2030 – including further targets for GHG emissions and renewable (RES) generation. They are also reviewing how renewables are financed as they become more mainstream and penetrate markets. More generally, as these energy policies develop, the role and independence of regulators is coming under review, with environmental, competitiveness and other priorities from policy-makers interacting with regulation and markets. In addition, as we embark on these market and technology changes, the implication for energy consumers is also important. What impact will these transformations have on consumers? How can we engage with them in the regulatory process?

Moderator: Hon. Lisa Polak Edgar (FL), First Vice President, NARUC

Speaker: Mr David Haldearn (CEER), Advisor to the President

The latest energy and climate proposals in Europe call for a more ambitious reduction target for domestic GHG emissions and RES penetration by 2030. In parallel, European leaders are concerned about Europe's general competitiveness given the ongoing economic crisis and have begun to recognise the possible distortions to competition caused by previous policy choices to support the development and deployment of RES. Recently issued new EU state aid guidelines tighten the conditions for national support schemes, with a view to promoting the integration of RES in competitive markets and the cost-effectiveness of energy networks. RES are also changing the way markets are managed (e.g. generation adequacy) and operate – with capacity remuneration mechanisms emerging in part to address the value of capacity which must be on hand to back up RES. Amidst these developments and policy interventions, regulators must continue to provide investor certainty and promote well-functioning and competitive EU energy markets so that consumers receive fair prices.

Roundtable Discussion

Speaker: Hon. James W. Gardner (KY), Member, Executive Committee, NARUC

Under authority granted to the Environmental Protection Agency in recent years, the EPA has promulgated or is in the process of promulgating new regulations dealing with water, coal ash residual, mercury and air toxics, nitrogen oxide, sulfur dioxide and carbon. The electric generation utilities comply in part by presenting detailed compliance plans to state regulatory commissions which coordinate their evaluations of these plans with state environmental agencies. These evaluations include examining new

technologies for the generation units, such as scrubbers and carbon capture and storage, as well as customer side approaches such as smart grid, energy efficiency and variable pricing. Commissioners must balance the needs of the generating utilities with the cost impacts on customers in this challenging process.

Roundtable Discussion

10:30 am Coffee break

11:00 am **Session I: The Regulator's Role in Climate Change, the Environment and New Technologies (Continued)**

Moderator: Lord Mogg (CEER)

Speaker: Hon. Anita Vegter (ACM, NL) (CEER)

The complexity of energy markets is due to increase given foreseen developments. Already, providers such as aggregators are emerging, with new services to manage this complexity. However, customer involvement is currently low, in part due to the (perceived) complexity of the energy market or the lack of choice. Higher consumer involvement should stimulate energy companies to innovate and provide a better quality of service and efficient prices. Fully involving the consumer in the energy market is a significant challenge. CEER has developed a set of principles to guide energy policy development so that it puts smaller consumers first (RASP: Reliability, Affordability, Simplicity and Protection & Empowerment). Protecting consumers involves implementing adequate rights that ensure fair deals, including the protection of their data. Empowering consumers means facilitating the development of a competitive market in which consumers can engage and exert their power of choice. It also means providing relevant and comparable information in order for consumers to make informed choices. But it is also about understanding that in a complex market consumers also base their decisions on non-rational behaviour. Therefore, behavioural insights are necessary in order to encourage effective consumer participation.

Roundtable Discussion

Speaker: Hon. Alparslan Bayraktar (Turkey), Acting Chairman, ERRA

Proper implementation of policies towards emission control, energy efficiency and renewable energy, etc. require harmonization of regulatory and policy decisions. This is basically due to the fact that regulatory decisions depend on policies and have direct effects on consumers. In this regard, regulators need to be independent in determining a working approach but they should also be accountable to all stakeholders. This presentation will address the difficult task of balancing the interests and provide evidence from ERRA countries.

Roundtable Discussion

Speaker: Hon. David C. Boyd (MN); Vice Chairman, ICER

Individual states in the U.S. have established policy initiatives that address issues like greenhouse gas reduction, energy efficiency, and integration of renewable generation. Typically, volumetric “renewable portfolio standards” are used to define the minimum quantity of renewable electricity to be delivered by distribution companies, not a financial instrument like feed in tariffs that are common outside the U.S.. State and federal legislatures have created financial incentives that have had a positive effect in accelerating deployment of renewables. This presentation will reflect on the effectiveness of some of those tools and their impact on the generation portfolio.

Roundtable Discussion

12:30 pm Lunch (Living Room)

2:00 pm **Session II: Resource Transformation**

This session will explore new developments in both the electricity and natural gas sectors. Where are we and what are the implications of smart grids, demand response, distributed generation, micro-grids, shale gas, LNG export terminals, integration of renewables, rooftop solar, efficiency? What will these changes mean for traditional fuel sources (e.g. natural gas), security of supply and for the regulatory treatment of utilities (including cross-border allocation)? How does regional transmission planning impact cost allocation? Innovation and investments play an important role in driving these changes. How can regulation contribute to encouraging innovation?

Moderator: Mr Alberto Pototschnig, Director, Agency for the Cooperation of Energy Regulators (ACER)

Speaker: Hon. Susan K. Ackerman (OR), Second Vice President, NARUC

The Impacts of Distributed Generation

This speaker will address distributed generation (DG) technologies, including: the extent to which DG can be expected to supplant more traditional generation sources in the energy supply resource mix; the potential for renewable DG technologies to help de-carbonize the power system; how DG technologies may improve or potentially degrade the reliability of the of energy supply; and the impact of utility load loss to non-utility DG on the utility’s financial health and potential solutions.

Roundtable Discussion

Speaker: Hon. Annegret Groebel, BNetzA, Germany; Vice President, CEER

Regulating modern networks – cost allocation, facilitating innovation

This speaker will address the issue of how best to regulate grid charges to ensure the grid is upgraded and modernized, i.e. how to calculate the RAB and a reasonable rate of return to attract and incentivize efficient investment while ensuring that users are not overcharged in an energy system that is

increasingly complex. Do the traditional charging principles still work? Furthermore, cost allocation issues as well as the treatment of R&D costs to foster innovation will be looked at. The presentation will provide an overview of the different factors influencing network financing in times of change and the regulatory tools to deal with them.

Roundtable Discussion

3:30 pm Coffee break

4:00 pm **Session II: Resource Transformation (Continued)**

Moderator: Hon. John W. Betkoski, III (CT), Member, Executive Committee, NARUC

Speaker: Hon. Philip Moeller, Commissioner, FERC

FERC Order 1000, Inter and Intra-regional Transmission Planning, Merchant Lines

FERC Continues the multi-year implementation of Order 1000, with a second round of compliance filings and eventually inter-regional compliance filings while awaiting judicial decisions on the legality of the rule. Additional competition is emerging in limited settings, while merchant projects are gaining limited momentum to address specific constraints.

Roundtable Discussion

Speaker: Hon. Valeria Termini, Commissioner, AEEGSI, Italy; Vice President, CEER and DSO WG co-Chair

The impact of distributed generation on electricity infrastructure: regulatory dilemmas in promoting the future role of DSOs

The rapid increase in renewable generation capacity connected to distribution networks (as well as new technologies) have sparked a wide debate on how the regulation of electricity distribution networks must adapt to ensure the maximum benefit for consumers while guaranteeing system security. In this new context, the main challenges for regulating DSOs are:

- concerning infrastructure development, to define output-based regulation and incentives to encourage efficient operations and investments in order to develop smarter networks (more IT-based control, less copper);
- concerning tariff structures, to decouple DSO profits from electricity volume delivered, considering and further analyzing capacity-based, use-of-system charges;
- as for the new role of DSO in procuring resources for ancillary services, to ensure neutrality and non-discrimination, even considering further, stronger unbundling rules for DSOs.

Roundtable Discussion

5:00 pm Session Concludes

7:30 pm *Official Dinner*
Grill 23 & Bar, Exeter Room (161 Berkeley Street)

Wednesday, May 14, 2014

Meeting Room: Beckett

Breakfast in The Precinct Restaurant (Sponsored by NARUC)

9:00 am **Session III: Resilience and Reliability**
NARUC's recent publication *Resilience in Regulated Utilities* defines resilience for the regulator as "robustness and recovery characteristics of utility infrastructure and operations, which avoid or minimize interruptions of service during an extraordinary and hazardous event¹." Reliability focuses more on power system operations, monitoring and compliance and resource adequacy. The regulatory frameworks for resilience may be different than those used to address reliability. Regulators will discuss a variety of resilience and reliability issues including responses to natural disasters, mutual aid and coordination among utilities, security of supply, environmental implications, etc. Changes in network use and design (linked to new generation and load profiles, technologies and cross-border interconnections) have lead European regulators to initiate a holistic review of electricity and gas markets leading up to 2025, including any implications for the regulatory framework.

Moderator & Speaker: Hon. Colette D. Honorable (AR), President, NARUC

Resilience in Regulated Utilities

In the world of the economic regulator, resilience is the new and improved reliability. Our electricity infrastructure faces numerous challenges every day, but increasingly these risks are magnified as severe weather events, cyber threats and manmade catastrophes become more prevalent. NARUC is educating its members to proactively address the growing threats to the grid.

Roundtable Discussion

Speaker: Lord Mogg (CEER)

Building a Bridge to 2025

Delivering reliable, affordable and simple-to-use energy services for all European consumers (whatever their size) is at the very heart of creating the EU's Single Energy Market. Regulation plays an essential role in within this framework. European regulators are considering anticipated market and technological changes, and changing energy policy priorities - and whether regulation is sufficiently robust in this changing environment. Key among these changes is the integration of renewables, including its impact on security of supply and market arrangements. Networks will require more flexibility (and tighter cooperation between grid operators) in order to

¹ http://www.naruc.org/Grants/Documents/Resilience%20in%20Regulated%20Utilities%20ONLINE%2011_12.pdf

guarantee operational security and reliable service to consumers. In their strategic document "Energy Regulation: a Bridge to 2025," European regulators have set out their common thinking on the energy sector challenges and possible policy and regulatory responses for the period 2014-2025.

Roundtable Discussion

10:30 am Coffee break

11:00 am **Session III: Resilience and Reliability (Continued)**
Moderator: Hon. Tomislav Jurekovic (HERA, Croatia); Vice President, CEER

Speaker: Hon. Philip Moeller, Commissioner, FERC

Generation resource adequacy is emerging as a serious concern for at least the next three years due to retirements, retrofits, and repowering of a significant portion of the coal fleet, enhanced reliance on gas as a fuel, and the economic stress on nuclear units. The Reliability Regulatory regime continues to evolve with greater experience, while ongoing cyber threats receive attention. Physical threats to the grid have received renewed attention with new standards under development.

Roundtable Discussion

12:00 pm **Session IV: Conclusions and future cooperation**
Description: ICER, World Forum on Energy Regulation, concluding remarks, next steps on cooperation and planning

12:30 Hotel Check out
Take luggage to bell stand for those checking out on May 14.

12:45 pm Lunch

1:45 pm Depart from hotel lobby and walk to the Prudential Center

2:00 pm – Cultural Activity: Boston Duck Boat Tour (80 minutes)
4:30 pm The fun begins as soon as you board your "DUCK", a W.W.II style amphibious landing vehicle. You'll cruise by all the places that make Boston the birthplace of freedom and a city of firsts, from the golden-domed State House to Bunker Hill and the TD Banknorth Garden, Boston Common and Copley Square to the Big Dig, Government Center to fashionable Newbury Street, Quincy Market to the Prudential Tower, and more.

4:45 pm Return to Hotel

Program concludes

Note: For international flights, we recommend arrival at the airport 2-3 hours in advance.