



Fostering energy markets, empowering **consumers**.

CEER's 3D Strategy (2019-2021)
Digitalisation, Decarbonisation, Dynamic regulation:
**CEER's 3D Strategy to foster European energy
markets and empower consumers**

Conclusions Paper

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Table of contents

1 Introduction to CEER's 3D strategy	3
2 General Principles	5
3 CEER's 3Ds for 2019 - 2021.....	5
D1. Digitalisation in the consumer interest.....	5
D2. Decarbonisation at Least Cost	7
D3. Dynamic Regulation: European solutions for adaptive regulation in a fast-changing world.....	8
About CEER	11

1 Introduction to CEER's 3D strategy

Background

The key historical objectives of Europe's Internal Energy Market (IEM) cover three dimensions: 1) **security of supply**; 2) **sustainability**; and 3) **cost**, i.e. affordability for energy consumers via a competitive market. These three traditional pillars are being reinvigorated through the "Clean Energy for All Europeans" legislative package which is intended to help the EU energy sector become more competitive, more sustainable and fit for the 21st century in a way that delivers a fair deal for consumers. The Clean Energy Package will – along with the EU's "3rd Package" of legislative implementing texts – determine a significant part of European energy regulators' daily work in the coming years. The Council of European Energy Regulators (CEER) is the European association of energy national regulatory authorities (NRAs).

Consulting on CEER's 3-year, 3D Strategy

Against this background, in 2018, CEER decided to re-assess how to address the challenges facing energy regulators by publicly consulting on a forward-looking draft 3-year strategy (the "3D strategy") and draft proposals for the 2019 Work Programme, the first year of implementation of the 3D strategy. The online consultation was open for more than 8 weeks (5 June – 10 August 2018).

CEER thanks the 21 respondents, from a variety of organisations, who provided their valuable views on the draft 3D Strategy and draft CEER 2019 Work Programme. This input has informed both CEER's final 3D strategy and our concrete 2019 deliverables. The non-confidential responses received, the [Evaluation of Responses](#), the final [CEER 2019 Work Programme](#) and this present (final CEER 3D Strategy) document are published on the CEER website. CEER will continue to provide opportunities for stakeholders to contribute to our work via public consultations and events.

CEER's Consumer-Centric 3D Strategy

CEER's 3-year/3D policy strategy guides CEER's deliverables and activities from 2019 to 2021, including its annual Work Programmes. It builds on the CEER-BEUC "2020 Vision for Europe's Energy Customers"¹ and the ACER-CEER "Bridge to 2025"² commitments. CEER will track internally progress on the work programme deliverables as a means to implement the 3D strategy.

The core elements of CEER's 3D strategy are:

- Digitalisation in the consumer interest (D1);
- Decarbonisation at least cost (D2); and
- Dynamic regulation: European solutions for adaptive regulation in a fast-changing world (D3).

¹ The CEER-BEUC 2020 Vision for Europe's Energy Customers, developed with wide stakeholder consultation in 2012 and updated in 2014, aims to place customers first, namely, by providing a reliable supply at an affordable price, through simple-to-use services and in a way that protects consumers' interests and empowers them to participate in the market - the so-called RASP principles of Reliability, Affordability, Simplicity, Protection and Empowerment.

² The Bridge to 2025 paper highlights Europe's energy market challenges for the ten coming years. This document places energy consumers at the centre of regulators' policy considerations and gives recommendations to achieve the European integrated market and to take fully into account the essential role of the networks and appropriate rules.

3D

DIGITALISATION
DECARBONISATION
DYNAMIC REGULATION

As regulators' primary concern is with protecting the public interest, consumers are at the very core of CEER's 3D strategy. This is in keeping with CEER's tagline statement of "fostering energy market, empowering consumers". In setting digitalisation as a strategy policy area (D1), regulators seek to enable digitalisation in the consumer interest. To this end, CEER's digitalisation public consultation paper (foreseen for March 2019) will look at what digitalisation means for consumers and what is the role of regulators to enable digitalisation of the energy system in a positive way for the consumer. Similarly, D2 is about decarbonisation at least cost (and not decarbonisation per se).

Sections below of this paper set out, for each D, CEER's strategic objectives in the context of the opportunities and challenges faced. Each of the "Ds" should be considered in conjunction with the two others. In particular, dynamic regulation (D3) is needed in response to a fast-changing environment with increased levels of enabling digitalisation/new technologies (D1) and environmental challenges including decarbonisation policies (D2). For details on the concrete 2019 deliverables for each D, see the accompanying CEER 2019 Work Programme.

CEER Values

As part of its 3D strategy development, CEER has adopted a set of values for the members and staff of our association for the period of the 3D strategy, to be applied internally and externally. These values are intended to guide and inform our culture, behaviour and outputs, in the interests of European energy consumers. Using the CEER acronym as a reminder, our values are:

Cooperation: we cooperate and collaborate, acting in solidarity in the European public interest.

Evidence: we use evidence to independently promote regulatory positions and well-functioning markets in the consumer interest.

Expertise: we value expertise and are dedicated to delivering excellent regulatory outcomes.

Respect: we act in a positive team environment with integrity and respect to all, also valuing equality and diversity.

2 General Principles

The following general principles highlight the CEER's approach and will guide the implementation of our strategy, as described in the 3Ds below:

- Clarify the respective role of all parties involved (NRAs, European Commission, European Networks for Transmission System Operators (ENTSOs), ACER) and improve the articulation between European decision-making and regional and national implementation, to avoid regulatory gaps.
- Act national, think European by identifying common approaches and appropriate level of voluntary design standardisation to combine European coherence and national specificities.
- Make full use of the international dimension of CEER to reinforce the “knowledge-based” aspect of the work, by extending opportunities to incorporate external inputs into our work and to share our own expertise externally.
- Take a whole-system approach to mirror the development that sectors are increasingly growing together and becoming more dependent on each other.
- Build on our cooperation with other sectoral regulators, agencies, data protection authorities, ombudsmen and consumer protection authorities, etc. through our Partnership for the Enforcement of European Rights (PEER) initiative.
- Anticipate issues, so that the regulatory framework is not a barrier and that consumer protection evolves.

As part of our 3D strategy, CEER will continue our successful close cooperation with ACER, and our respective work complements and strengthens one another. ACER has a legislative mandate and responsibilities related to Europe's Internal Energy Market (IEM). CEER, as a collective of European national regulators, has the freedom to propose bold visions for the future, which stem from national experiences and best practice. CEER's National Regulatory Authorities (NRAs) are also on the frontline of delivering the IEM in important areas where ACER does not have a mandate such as retail markets and distribution systems, and in terms of implementing and enforcing EU-wide rules nationally. Our experiences shared and nourished within CEER help inform the policy cycle and ultimately help Europe's national energy regulatory authorities and ACER in working for the energy consumer.

3 CEER's 3Ds for 2019 - 2021

D1. Digitalisation in the consumer interest

Digitalisation is driving changes for the whole economy, including the energy sector. By 2030, new business models and technology will probably fundamentally change the energy retail markets.

Consumer markets are increasingly intertwined: products and services are delivered in combination, software is embedded in products and more and more devices are connected to the internet. Ever-growing complexity means that the traditional sectoral responses need to be reviewed to ensure that regulation is updated to provide adequate protection and supervision, avoiding regulatory uncertainties and enforcement gaps.

Digitalisation can also provide cost saving opportunities in the whole system by facilitating energy efficiency and demand response, better integrating the market with pan-European platforms and optimising network operations and costs (flexibilities, predictive maintenance, etc.).

CEER is working to ensure the change for the best to bring in more competition, efficient use of resources, new offers and services, and consumers who will fairly benefit from distributional impacts of developments while still adequately protected. More specifically, consumer empowerment is a prerequisite for well-functioning markets, and it is necessary that energy issues are understandable, affordable and fair. Competition and information are key features to facilitate prosumers while efficient and competitive markets generally enable consumer confidence and participation in the market. This way, we will continue to champion competition to the benefit of consumers and apply a consumer focus to all of CEER's work. The 2019 public consultation paper on dynamic regulation to enable the digitalisation of the energy system is likely to lead to follow on work in 2020 and beyond.

Opportunities:

- Facilitate new business models as part of a flexible energy system, leveraging an information technology driven energy market, for example smart grids, new services to consumers, more internet-based business models.
- Make full use of the possibilities offered by new technologies to improve the energy system efficiency e.g. encourage network cost reduction through better use of data if Distribution System Operators (DSOs) have a better understanding of the rate of utilisation of their systems.
- Improve management of peak demand and its consequences on network investment.
- Facilitate consumers' active involvement, and ensure accountability of service providers.
- Facilitate the move towards pan-European markets.

Challenges:

- Ensure consumer rights protection, including non-discrimination, is fit-for purpose given new market paradigms (data privacy, contract laws...) with consumer-centric regulation.
- Effective regulatory oversight of cross-cutting issues with other sectoral authorities and new market models (block chain, bundled products...).
- Cybersecurity: helping to identify and manage the potentially increased threat to security of supply, market manipulation and data protection associated with digitalisation (and decentralisation) in the sector.
- Identify and mitigate risks associated with those consumers who may be "left behind", as not all innovative services, devices, etc. are accessible to, or wanted, by all.
- In order to keep up with innovation and the global trend of digitalisation, regulators must be ready to allow new interpretations of their regulatory work and changes in the regulatory framework.

CEER's Strategic Objectives:

- Foster a competitive European energy market and empower consumers to engage in energy markets in a fair and secure way, in the new framework of increasing digital and inter-linked markets.

- Ensure consumer protection and non-discrimination by setting common standards championing consumers' interests and empowerment, and contributing an energy market perspective to the European Commission's proposed "New Deal for Consumers" and revision of the general EU consumer law.
- Develop dynamic regulation to enable the digitalisation of the energy system that is a cost-saver for the whole energy system and is in the consumer interest.
- Ensure that the regulatory framework enables new business models to develop, so that the energy market can fully benefit from technological innovation and developments while ensuring a level playing field.
- Strengthen cooperation with other sectoral authorities, consumer protection authorities, etc. to support NRAs' understanding of the new opportunities and challenges (disruptive business models, cybersecurity, shared economy, circular economy...) and ensure consumers are protected as traditional energy markets are reinvented, notably through our PEER initiative.

D2. Decarbonisation at Least Cost

The climate agenda and "Clean Energy" objectives are major policy drivers for change in the energy sector through:

- 1) the development of renewable energies and green mobility;
- 2) the improvement of energy efficiency; and
- 3) the CO₂ prices via a reform of the Emissions Trading Scheme (ETS) and various other schemes (carbon taxes, carbon floors, etc.) which give a signal to the market in relation to the internalisation of CO₂ emissions costs.

Energy regulators aim to remove all possible obstacles to allow an efficient and least-cost decarbonisation of the EU energy system. To this end, we will continue to work to promote flexibility and to integrate renewables fully into the market and the grid. We will consider their impact on market design and implement appropriate regulatory models, while also taking account of the role that gas can play in achieving cost-effective energy decarbonisation. This should be done efficiently, fairly, and consistent with international objectives.

We emphasise promoting decarbonisation at least cost. Cost-efficient decarbonisation of the energy sector needs a cross-sectoral (electricity and gas) and whole system approach, keeping in mind all aspects: wholesale, networks, retail and potential impacts on infrastructure development. It also needs to factor in impacts on the electricity and gas sector from decarbonisation of mobility and building sectors (green mobility, efficiency...).

CEER has a key role to play in creating and nourishing the debate at EU level by sharing experiences and best practices across the EU but also internationally, to provide market-based solutions.

Opportunities:

In addition to significant environmental benefits, decarbonisation policies offer many positive effects:

- Ensure adequate system resilience and security of supply by reducing consumption and diversification of energy sources.
- Facilitate innovation and industry development, new business opportunities.
- Improve energy efficiency.

- Increase in people's involvement in the energy system through local energy production.

Challenges:

- Manage the penetration of renewable energies in the market, their impact on network designs and their technical functioning (variability, reverse flows, etc.) to ensure adequate security of supply.
- Provide for an effective regulatory oversight and new regulatory approaches for a fast-growing diversity of new market models, business models and market actors.
- Steer efficient investment in a context of price volatility on wholesale energy markets with a market-based approach, in order to best manage risk.
- Adopt a whole system approach to minimise consumers' bills, including via energy efficiency
- Take decisions in a context of major uncertainty and adapt to different market circumstances, notably the role of gas, the share of green gas, electricity storage advances, the electrification of transport and future trends of green mobility and other technological developments, as yet unforeseen.

CEER's Strategic Objectives:

- Integrate (fully) renewables in all segments (retail, wholesale and networks).
- Effectively and fairly manage the transition towards a low carbon energy system.
- Facilitate decarbonisation at least cost by two means:
 - Develop an energy market design with a minimal level of subsidy mechanisms (including cross subsidies and indirect schemes); and
 - Optimise the whole energy system cost to achieve decarbonisation at least cost, taking account of both gas and electricity, while maintaining a high level of security of supply.
- Build consumer confidence in the market by ensuring all consumers benefit in a fair way, notably through the efficiency of the network tariff, and promote the participation of consumers without discrimination between consumers/prosumers.

D3. Dynamic Regulation: European solutions for adaptive regulation in a fast-changing world

While energy regulators are not the advent of digitalisation technologies, decarbonisation policies, and decentralisation trends they imply, they can be enablers of the subsequent adaptation of the energy regulatory framework and its implementation. CEER sees that regulation must be stable, but not static. Regulation must adapt to market evolutions, including a growing diversity and number of participants. Europe's energy regulators are determined to make regulation coherent with the fast-changing environment that digitalisation and decarbonisation bring about, whilst continuing to protect the European energy consumers' interests effectively.

Dynamic regulation refers to:

- 1) full and coherent implementation in practice of the legislative and regulatory framework in the European Union;
- 2) an appropriate oversight to ensure trust in the market; and

- 3) a strong link between the evolution of the energy sector and regulatory implementation by developing future-proofed European solutions.
- 4) An adaptive regulation, inciting regulators to evolve, to be open to innovation, and to work on enhancements to their regulatory frameworks, while pursuing reasonable stability, in order to ensure predictability for market players and readability for consumers.

Regulators will reflect on how to regulate an industry/network with potentially continuing reduced energy volumes and throughput, on how to move from static regulation to more dynamic regulation, and on how to regulate infrastructure for different purposes. This will mean increasing flexibility for market participants, so that they can incorporate future developments, while maintaining regulatory predictability. We will seek to implement a future-proofed regulatory framework that allows market forces and regulated entities to deliver the energy transition and digitalisation and to achieve energy efficiency targets as well as security of supply (for example, providing attractive investment signals in a market where renewables account for a large share of power production).

Opportunities:

- Enhance the importance of sharing and bottom-up/horizontal approaches, and innovation for regulators.
- Achieve a smooth-running energy market, to foster business opportunities and promote better competition in the interest of all consumers.
- Develop and implement adaptive regulation.

Challenges:

- Reconcile smart and flexible regulation with necessary accessibility, stability, predictability and visibility for market actors – particularly in terms of infrastructure development – accounting for differences in resources and know-how in the Member States, as well as cultural and local differences.
- Ensure effective regulation of simultaneously-occurring EU integration and decentralisation movements by offering European solutions.
- Avoid undue stranded costs in infrastructure development being supported by consumers.
- Ensure that regulatory models (e.g. tariff design, cost recovery) can adapt to the energy transition, the unprecedented availability of data, the arrival of new actors, the changing relationships and interfaces for consumers, local and national circumstances, etc.
- Reconcile potentially diverging developments like low wholesale prices and development of new investments or flexibilities.

CEER's Strategic Objectives:

- Implement a coherent and adaptive regulatory framework for European solutions in electricity and gas. This will mean finding the relevant levels (regional regulation/local implementation, etc.) and the optimised balance as for flexibility versus stability.
- Design effective regulatory oversight and new regulatory approaches for a fast-growing diversity of new market models, business models and market actors, which an intelligent use of data, respectful of privacy principles, can facilitate and accelerate.

- Support strong, independent and efficient regulation through an appropriate level of resources for NRAs and ACER as key for dynamic regulation and market actors' trust in the market.

For details on the concrete 2019 deliverables categorised according to each D (Digitalisation, Decarbonisation at least cost, and Dynamic Regulation), see the accompanying [CEER 2019 Work Programme](#) (ref. C18-WPDC-30-06).

About CEER

The Council of European Energy Regulators (CEER) is the voice of Europe's national energy regulators. CEER's Members and Observers comprise 37 national energy regulatory authorities (NRAs) from across Europe.

CEER is legally established as a not-for-profit association under Belgian law, with a small Secretariat based in Brussels to assist the organisation.

CEER supports its NRA Members/Observers in their responsibilities, sharing experience and developing regulatory capacity and best practices. It does so by facilitating expert working group meetings, hosting workshops and events, supporting the development and publication of regulatory papers, and through an in-house Training Academy. Through CEER, European NRAs cooperate and develop common position papers, advice and forward-thinking recommendations to improve the electricity and gas markets for the benefit of consumers and businesses.

In terms of policy, CEER actively promotes an investment friendly, harmonised regulatory environment and the consistent application of existing EU legislation. A key objective of CEER is to facilitate the creation of a single, competitive, efficient and sustainable Internal Energy Market in Europe that works in the consumer interest.

Specifically, CEER deals with a range of energy regulatory issues including wholesale and retail markets; consumer issues; distribution networks; smart grids; flexibility; sustainability; and international cooperation.

More information at www.ceer.eu.