



CEER workshop on DSOs Breakout session 2 – Economic signals for DSOs and customers

Fostering energy markets,
empowering **consumers**.

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CEER Public Hearing on the Future Role of the DSO – 30 March 2015, Brussels

Introduction

- Public Consultation from 19 Dec 2014 to 27 Feb 2015, building on the themes from the Acer Bridge to 2025
- More than 100 responses received from a wide variety of stakeholders
- On Chapter 3:
 - ▶ Broad agreement on regulatory incentives and need to stimulate innovation
 - ▶ Recognition that capex bias may hinder smart grid development
 - ▶ Support for output based regulation but different views on practicality and value of establishing some inputs
 - ▶ Lots of different views on demand side response and tariffs
 - ▶ Some support for DSOs having more of a focus on system benefits
- The focus of this breakout session will be on five areas, starting with one of the most controversial areas in responses
- The discussion will provide a basis for the panel session this afternoon

DSOs and Economic Incentives

- We described traditional regulatory/price control incentives and asked some questions
- We asked -
 - ▶ whether traditional NRA economic regulation (allowable revenues, economic incentives, regulated WACC etc.) discourage DSO investment in R&D and innovation
 - ▶ whether there are incremental risks for DSOs for such investments
 - ▶ whether traditional regulation puts too much emphasis on assets and the physical RAB
 - ▶ about the pros and cons of output based regulation



Demand side response

- We also asked about demand side response and incentives for consumers
- We described demand side response as an alternative to grid development
- We asked about the structure of grid tariffs and about the relationship with system energy prices
- We also asked if suppliers should be required to pass on the distribution price signal to consumers



Contractual Arrangements

- Sensitive issue – when can/should DSO engage directly with end consumer?
- Need for clarity on role of each stakeholder
- The paper considers alternative types of contract in light of the Key Principles and Conceptual Framework
- Stakeholders' views sought.

Some question areas for you to focus on

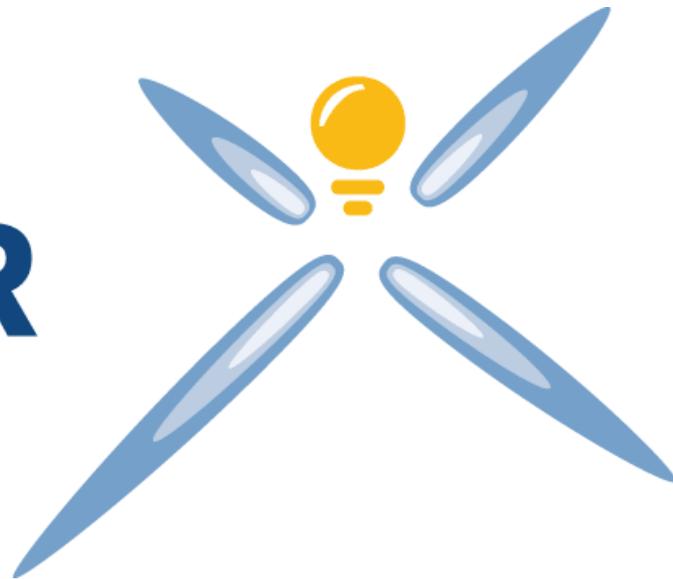
- What contact should there be between DSOs and domestic or non-domestic consumers? What are the advantages and disadvantages?
- Are time of use network tariffs needed? If so, what are the key issues to be addressed?
- Is there a need for new incentives on DSOs to explore innovative projects?
- Is gas different?
- Should everyone adopt output based regulation? Are there disadvantages?



Thank you for your attention!

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