



## Energy Regulation – A Bridge to 2025

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# 2014 and beyond

**IEM Completion - our commitment is focused on the implementation of the Third Package**

**Approaching 2014 deadline - strategic foresight and vision to guide our post-2014 work**



**2025 Strategy - Bridge towards the future**

# The 2025 Bridge and its pillars

Green Paper: "Energy Regulation: A bridge to 2025"

**Encompasses a broad range of issues**

Gas  
Wholesale  
Markets

Electricity  
Wholesale  
Markets

Infra-  
structure  
Investment

Demand  
Side &  
DSOs

Retail  
Markets

Launch on 29 April; Responses by 16 June; Conclusions September

# Bridge paper analysis



## Pre-consultation feedback

- Pre-consultation closed on 17 December 2013
- 35 responses from a wide range of stakeholders
- Key themes in responses:
  - » Effective markets now and in the future
  - » Empowered consumers
  - » Facilitation of innovation
- Feedback informed present consultation

# 1. Energy sector trends

## Electricity Wholesale Markets

- Integration of wholesale markets: greater cross-border trade leading to greater competition
- Increase in non-programmable renewables
- Need to ensure generation adequacy (capacity remuneration mechanisms) and flexibility

## Gas Wholesale Markets

- Integration of wholesale markets on basis of gas market network codes
- Large degree of uncertainty related to gas demand and supply
- Gas market expected to play a role in providing flexibility for the electricity sector

## 2. Energy sector trends

### Demand Side & DSOs

- Technology developments: smart grids, smart meters, smart load controls
- Increased demand response
- More active role of DSOs

### Infra- structure Investment

- Essential to achieve benefits of integrated European markets
- Projects increasingly likely to span national borders

### Retail Markets

- Technological advances
- Consumer concerns: energy price rises, energy efficiency and demand response services, trust, more complexity
- New market players (e.g. aggregators)

# 1. Priorities for Regulators

## Electricity Wholesale Markets

- Implementation of the Electricity Target Model
- Common European balancing target model
- Advise on the design of interventions
- Support development of Regional/European Security Coordination Centres

## Gas Wholesale Markets

- Review of the Gas Target Model to consider measures to enhance liquidity
- Market arrangements to ensure gas markets meet the needs of the electricity market



## 2. Priorities for Regulators

### Infra- structure Investment

- Investment decisions driven by market signals
- Deploy output-based incentive mechanisms

### Demand Side & DSOs

- Framework to facilitate the market in DR
- Consult & clarify the future role of DSOs
- De minimis limit applying to DSO networks should be reconsidered

### Retail Markets

- Identify barriers to entry in retail markets
- Develop the CEER-BEUC 2020 Vision principles into practical actions
- Target of customer switching in 24 hours

# 1. Implications for Governance

- Fit for purpose processes for modifying and enforcing network codes:
  - Review of governance arrangements for the ENTSOs
  - Appropriate regulatory oversight of new entities with European responsibilities (e.g. power exchanges)

## 2. Implications for Governance

- ACER's role in an expanding market as EU acquis extends beyond EU borders:
  - Regulatory capacity building including outside of the EU
  - Possibly enhanced participation in ACER work

## Questions for consultation

1. Have we identified the correct issues within each of area of the energy sector?
2. Have we identified the correct regulatory actions?
3. Which regulatory actions are most important and should be prioritised?
4. Are there other areas where we should focus?

## Next steps:



**Thank you for your attention!**

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