



The role of regulators in DR and in new market design

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CEER

Council of European
Energy Regulators



The Role of DSO is evolving

New Services and Products emerging

Regulatory Challenges due to New Regulation

Fostering energy markets,
empowering **consumers**.

CEER position to date



Digitalisation and Energy Regulators

Opportunities

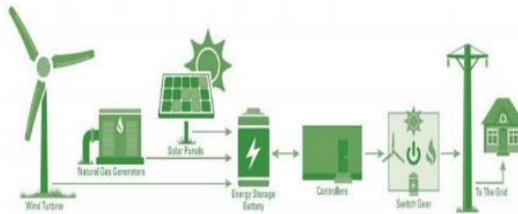
- Consumer empowerment
- DSR / flexibility
- More efficient networks and system
- More value for money
- Direct participation: blockchain traceability

Challenges

- Inactive consumers - widening gap?
- Passing wholesale cost reduction to consumers
- Role of DSOs
- Cybersecurity
- Data Protection

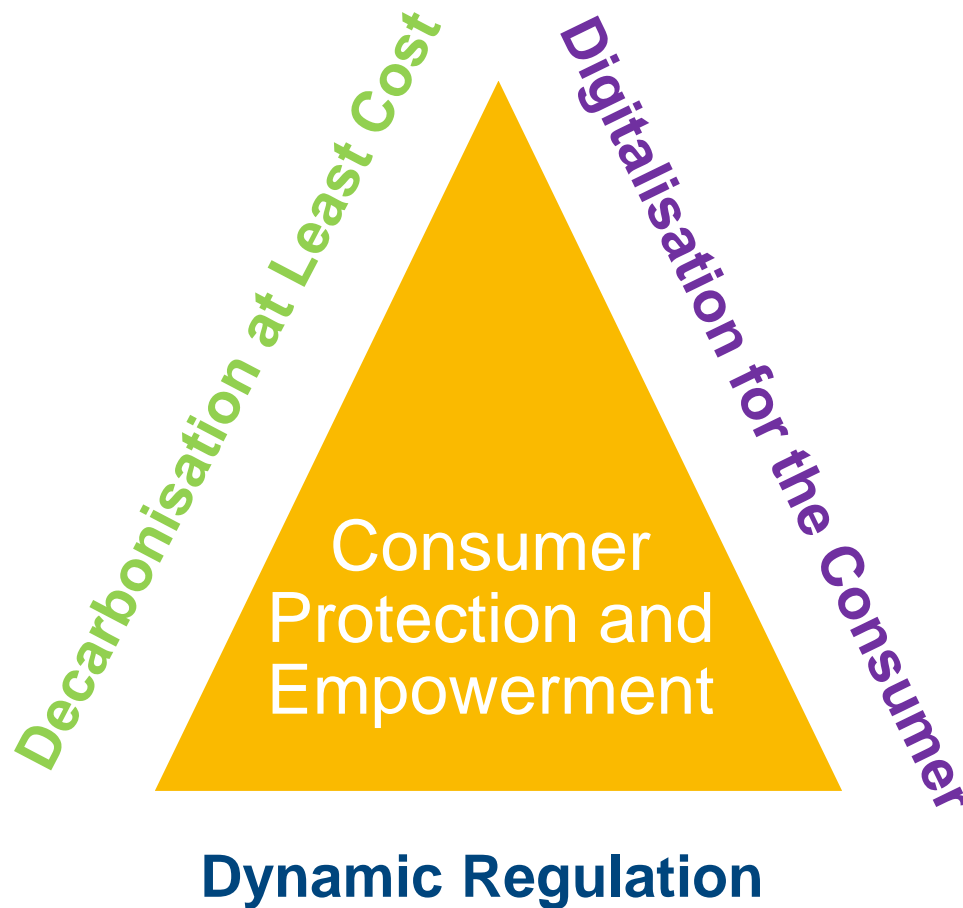
Regulators' Objectives

- Competitive European markets: protect and empower consumers
- Enable system savings from digitalisation
- Agile regulatory framework which facilitates innovation
- Strengthen cross-sectoral cooperation (PEER)





CEER 3D Strategy



- CEER public consultation on the 3D strategy held in 2018.
- Formally adopted via a conclusions paper published 9 January 2019.
- This strategy informs CEER's strategic objectives and the focus of its deliverables and activities in the work programme 2019-2021.



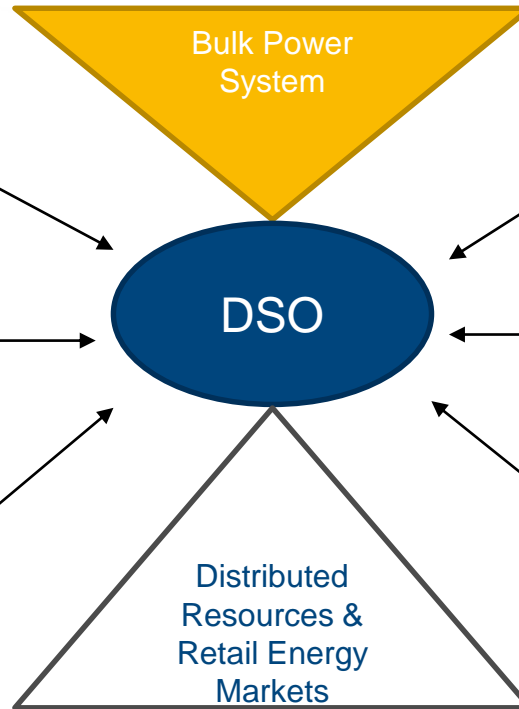
The Role of the DSO

DSOs as Neutral Market Facilitators

No ownership / operation of energy storage and/or electric vehicle charging infrastructure

Enhance unbundling requirements

Transparency of forecasts of network needs / service requirements



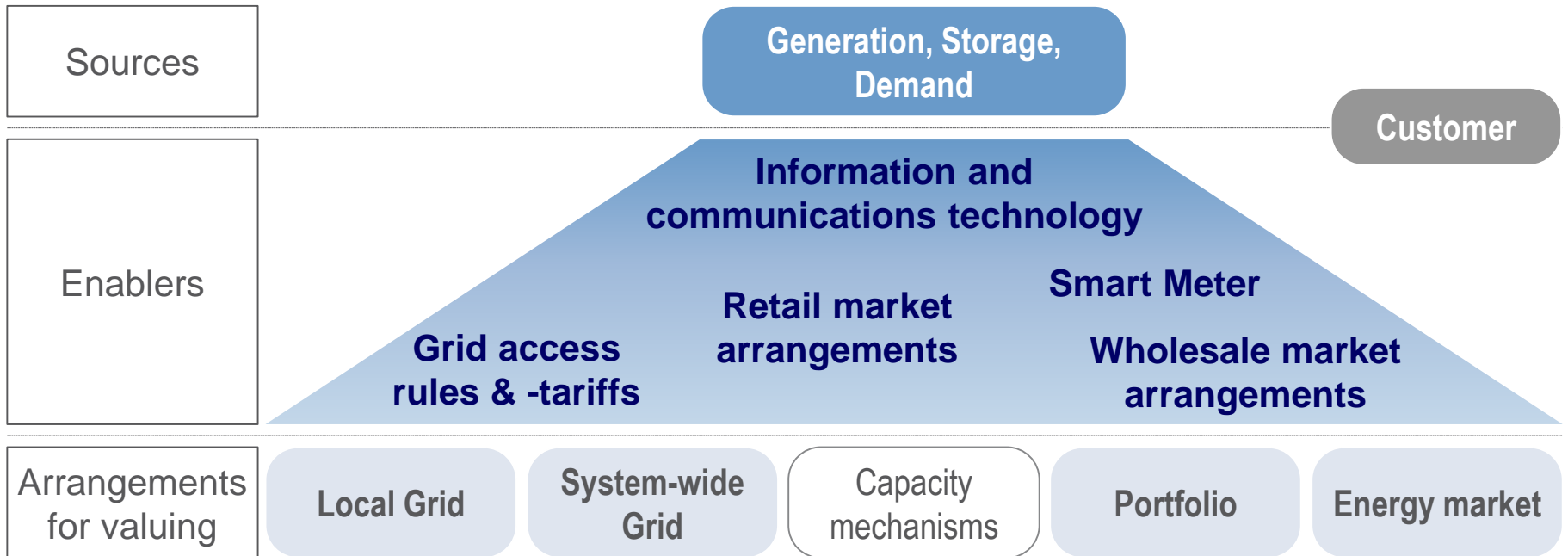
Better Network Planning & Coordination

Consult stakeholders on network plans and take responsibility for their quality

Give NRAs discretion in defining network plan requirements for small / integrated utility DSOs

ENTSO-E and the new EU DSO entity with appropriate obligation to cooperate

Flexibility – how to optimize



Source: European Energy Regulators' White Paper # 3 Facilitating flexibility Relevant to European Commission's Clean Energy Proposals, CEER, May 2017

<https://www.ceer.eu/documents/104400/5937686/ACER-CEER+White+Paper+3-European+Energy+Regulators+White+Paper+3+Facilitating+Flexibility+2017+05+22/4e03e0b4-0886-606d-b69b-ff48225e83f3>



Flexibility Use at Distribution Level

- The CEER position on main goals relating to the use of flexibility at distribution level following the public consultation concern the following key areas:
 - ▶ The regulatory framework for DSOs;
 - ▶ Enabling the development of a full range of possible flexibility services;
 - ▶ Treating all sources of flexibility in a non-discriminatory manner;
 - ▶ Giving DSOs the ability to access and use flexibility services provided by grid users for managing the distribution network;
 - ▶ That details on the roles and responsibilities of DSOs should be determined at national level; and
 - ▶ That it is pivotal to differentiate between the use of flexibility by market actors and the use of flexibility that benefits the grid by the DSO
- **Barriers to the use of flexibility that have to be overcome:**
 - ▶ Customers have to be more deeply involved: Communicate/educate customers, engage them on why flexibility is needed
 - ▶ Lack of incentives – the framework should incentivise DSOs/TSOs and customers
 - ▶ Lack of smart meters and the ability to measure the amount of flexibility being used



Level Playing Field for Flexibility

- Holistic approach to support market flexibility contributes to a level playing field
- DSOs only to procure flexibility – do not to operate or own it
- DSOs should be required to act in a non-discriminatory manner when procuring and using flexibility
- The use of flexibility by DSOs should not be exclusive

- CEER divided the models enabling DSOs to access flexibility into four categories:
 - ▶ Rules-based Approach: codes and rules, which impose detailed flexibility requirements
 - ▶ Network Tariffs: tariff structures may be designed to encourage network users to alter their behaviour for a more efficient use of the distribution network
 - ▶ Connection Agreements: DSOs could reach arrangements with new customers for the provision of flexibility
 - ▶ Market-based Procurement: DSOs can explicitly procure flexibility that benefits the grid services from the market



DSO and TSO coordination

- TSOs and DSOs should be required to coordinate with each other, including in procuring and accessing flexibility
- TSOs and DSOs should access and use flexibility services, in a coordinated way, to manage their networks in an efficient manner
- In CEER's review of the topic, flexibility services were seen to enable:
 - ▶ Alleviation of insufficient transfer capacity in the network by means of an active congestion management at the DSO level, allowing alternatives to curtailment
 - ▶ A reduction or shifting demand to flatten the load shape
 - ▶ DSOs to address power quality issues, such as those relating to harmonics, flicker, voltage rises/ drops, and asymmetry in the network to alleviate the stress on the system



Recommendations and future work

- Recommendations:

- ▶ The regulatory framework for DSOs should be non-discriminatory and not hinder or unduly disincentivise DSOs from facilitating the development of flexibility
- ▶ The regulatory framework should enable the development of a full range of possible flexibility services, while also ensuring that it is robust enough to deliver the best outcomes for consumers
- ▶ All sources of flexibility should be treated in a non-discriminatory manner equally by network operators - Regulatory incentives should avoid any bias towards specific technologies that deliver flexibility
- ▶ It is vital to differentiate between the use of flexibility by market actors and the use of flexibility that benefits the grid by the DSO. This distinction is due to their different competitive, technical and regulatory conditions. The source of flexibility may be the same, the purpose is different.
- ▶ Intensify the discussion on principles and roles and responsibilities regarding DSO-TSO coordination in the field of flexibility

- CEER ongoing work:

- ▶ **Procurement of Flexibility, Network Tariffs, Whole System Approach**
- ▶ **Workshops: data accessibility, best practice “sandboxes”, Network planning and coordination**
- ▶ **Report on new products and services and innovative business models**

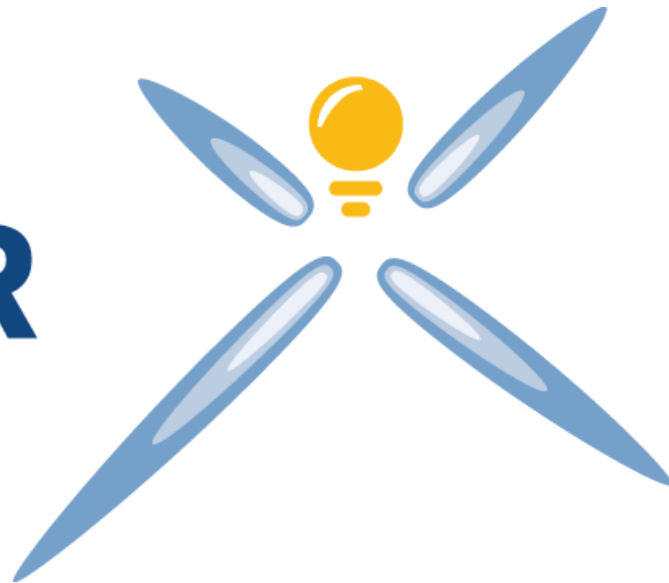




Thank you for your attention!

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