- Consultation response -

Europex response to the CEER Public Consultation on Dynamic Regulation to Enable Digitalisation of the Energy System

Brussels, 14 May 2019 | The CEER Consultation Paper on Dynamic Regulation to Enable Digitalisation of the Energy System elaborates on the implications of digitalisation for the energy sector and for consumers in particular. It considers the changes that may be needed to empower and unlock the benefits of digitalisation for consumers and to protect them against the risks.

Selected highlights from the Europex response to the consultation are included below.

B1. What impact do you consider that digitalisation will have on the energy system and which are the most important?

Digitalisation will enable the emergence of new business models and complementary markets on a decentralised and more "local" level, with the potential to enable new players to access organised markets and benefit from a wider set of reliable short and long term price signals. As the number of players and market participants grows, so does the need for access to transparent and reliable price signals. Therefore, power exchanges and delegated operators[1] see their role growing in an increasingly digitalised and decentralised power system.

B2. What are your views on the changes for the energy system highlighted in chapter 2 of the consultation paper (a. Increases the productivity of the existing system; b. Enables new products and services that alter electricity demand and; c. Brings new digital marketplaces that transform the way the sector transacts?) And are these the most relevant?

[1] N.B. "Delegated Operators" are defined in the recast Electricity Regulation (Clean Energy Package). For more information please see the Europex paper published August 2018. https://www.europex.org/position-papers/the-essential-tasks-of-third-party-market-operators-facilitators-in-the-electricity-market/

While digital solutions have long been central to the development of the wholesale energy market, new digital market places offer new tools to help the power system to adapt to the trends identified by CEER, and additional opportunities to involve 'prosumers' and intermediaries such as aggregators.

In the context of growing RES production, power exchanges have pioneered market-based solutions to manage and reduce local congestions. Regional and local flexibility markets allow for the further integration of renewables and foster flexibility as a complement to the European wholesale markets, including Single Day-ahead Coupling (SDAC) and Single Intraday Coupling (SIDC).

Local flexibility markets can provide a clear and transparent price signal allowing more optimal activation of the local flexibility sources for, among others, local DSO and DSO-DSO and DSO-TSO level congestion management.

By acting as neutral facilitators between TSOs, DSOs and flexibility providers, power exchanges and delegated operators have a key role to play in an increasingly digitalised and decentralised energy system.

Peer-to-peer trading (e.g. through blockchain technology) also has the potential to respond to consumer flexibility needs on a micro/local level, encourage consumer empowerment. However, it is important to ensure that power exchanges can facilitate the development of these solutions, while continued connection to wholesale markets will contribute to the protection of European consumers.

B3. In your view, what are the most important value propositions for consumers which should be prioritised?

1. Empowerment of consumers, allowing them to adapt their consumption and production patterns. Consumer empowerment should come alongside easier access to transparent and reliable price signals, to ensure optimal consumption decisions.

2. Increased protection and security through complementarity between local flexibility markets, microgrids and the wholesale power market. By connecting these different levels, power exchanges can offer consumers additional opportunities for consumers to value their energy and flexibility and access to additional resources to satisfy their needs.

B4. In your view, will digitalisation lead to more consumer participation in energy markets? Please provide your reasoning.

Yes. A virtuous circle can be created, whereby additional consumer participation also brings benefits to other market participants and to the system as a whole. As an example, connecting local microgrids to local flexibility markets would also give consumers the possibility to value their flexibility and support grid stability.

Digitalisation can lead to "democratisation" as well, with wider participation in the markets and price determination.

B5. What are the key enablers needed to unlock the benefits of digitalisation for consumers?

1. Fundamental data transparency.

2. Establish retail, end-consumer, contracts with short term (hourly or shorter) timeframes based on a competitive framework (e.g. phase out of regulated retail prices).

B6. What are the main risks for consumers arising from digitalisation of the energy sector?

1. Privacy aspects; data protection aspects (e.g. GDPR). However, these risks could be mitigated through the use of certain technologies such as blockchain.

2. Possible added complexity due to "information overflow". Power exchanges have a key role to play in connecting the different levels of production and consumption, thus providing consumers with clear reference price signals.

B9. CEER draft regulatory proposals which should be pursued.

5. NRAs to monitor experience with new products and consider whether additional steps to empower or protect consumers are needed, and energy regulators to cooperate with other regulators through PEER to promote effective consumer protection. CEER to publish a summary of experience across Europe once there is sufficient experience to learn from, considering also lessons from telecoms and financial services markets where relevant. Particular attention is merited on distributional issues – whether some parts of society are being "left behind" by developments.

Should pursue: Regulators should further share best practices regarding innovations such as local flexibility markets.

7. As part of their regular processes, NRAs to review network tariffs to ensure they are fit for the future. Active customers who utilise new technology must receive cost-reflective signals reflecting the costs and benefits they bring to the network. All consumers, including those who are unable or choose not to engage, should pay a fair contribution towards the fixed costs of the system.

Should pursue: but it should be ensured that consumers also have access to other price signals for explicit flexibility.

8. Regulators to monitor development of platforms and new marketplaces and seek to establish adequate oversight and feedback from stakeholders. Where barriers are identified, regulators to promote a level playing field for alternative technologies.

Should pursue: Regulators should ensure a level playing field for the procurement of flexibility to unlock its potential.

10. DSOs to explore market-based procurement for flexibility services, considering use of a flexibility marketplace where efficient and reviewing whether network tariffs send the right signals for network users.

Should pursue: A number of pilot projects are already underway and could serve as blueprint for wider implementation.

11. DSOs and TSOs to review product definitions for grid services which make most efficient use of the services that distributed resources are able to provide without unnecessary restrictions (such as high minimum size requirements), as far as practical consistent across markets.

Should pursue: lessons and experience can be drawn from the wholesale market. Power exchanges and delegated market operators, acting as neutral market facilitators, can help ensure neutrality and transparency.

14. Regulators develop best practice approaches to enable trials of new products and business models ("sandboxes"). CEER to provide a forum for exchange of learning from both EU- funded and national trials and studies and to feed back into the parameters for new trials.

Should pursue: such initiatives should have clear objectives and parameters (e.g. clear scope, end dates) and it should be ensured that the results are transparent and of value to the consumer, and that they are taken into account in the design of any future regulatory framework for these new business models.

About

Europex is a not-for-profit association of European energy exchanges with 26 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

Contact

Europex – Association of European Energy Exchanges
Address: Rue Archimède 44, 1000 Brussels, Belgium
Phone: +32 2 512 34 10
Website: www.europex.org
Email: secretariat@europex.org
Twitter: Europex_energy