


ACER

 Agency for the Cooperation
of Energy Regulators

CEER

Council of European
Energy Regulators



ACER-CEER legislative and regulatory proposals to decarbonise Europe's energy sector

The Bridge Beyond 2025

Clara Poletti

Chair of the Board of Regulator, ACER

Brussels, 23 January 2020

Ambitious climate and environmental policy

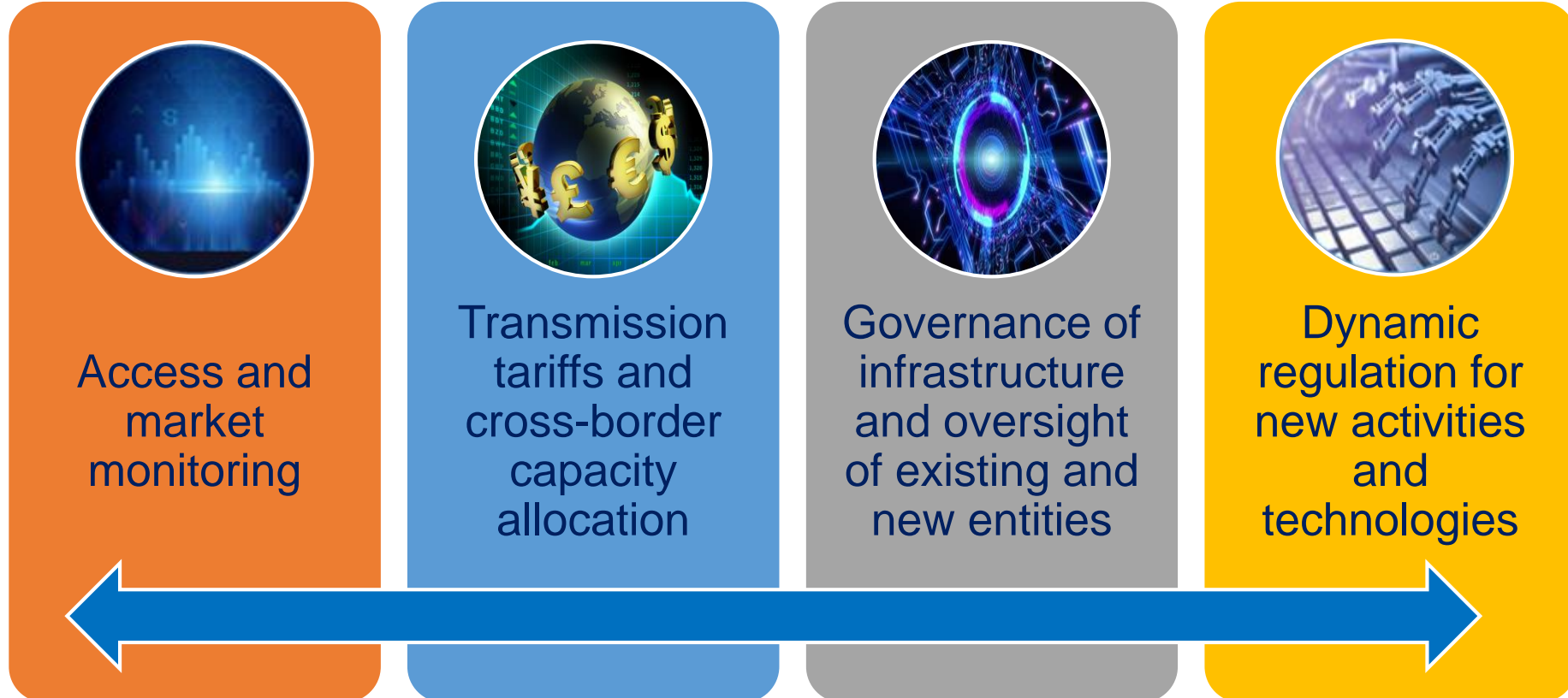
- 2050 climate neutrality target
- Integrated, interconnected and digitalised EU energy market
- Decarbonised gas sector
- Smart integration across sectors



Purpose of energy regulation

- level playing field in which competition can flourish
- investment framework consistent with climate and energy policy objectives
- sustainable and affordable energy for EU consumers

The Bridge Beyond 2025: Core themes



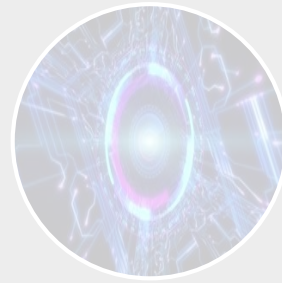
The Bridge Beyond 2025: Core themes



Access and
market
monitoring



Transmission
tariffs and
cross-border
capacity
allocation



Governance of
infrastructure
and oversight
of existing and
new entities



Dynamic
regulation for
new activities
and
technologies

GTM generally successful

EU gas consumers
saw tangible
benefits from better
functioning
wholesale markets
and could gain even
more

Ranking of EU gas hubs based on monitoring results 2018



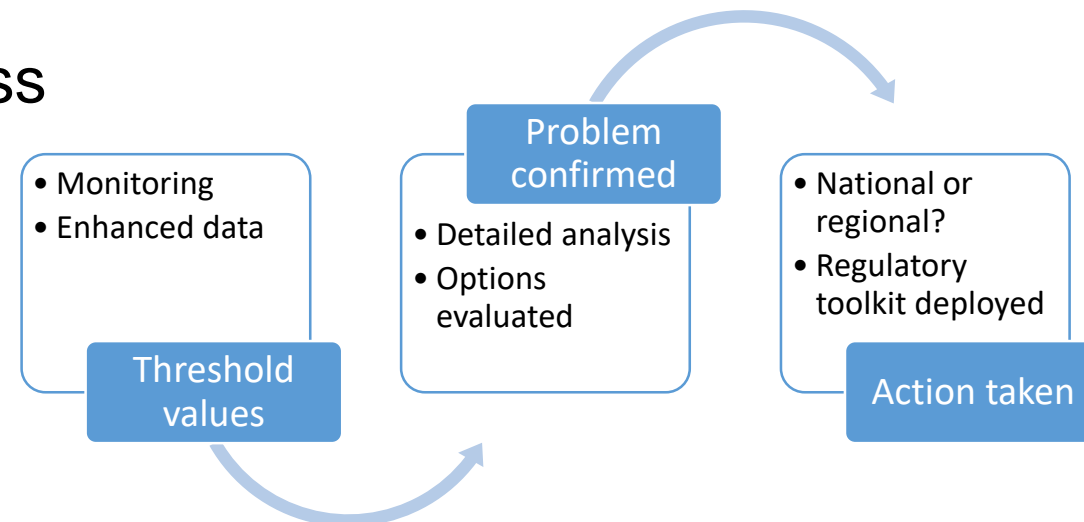
- **Established hubs**
 - Broad liquidity
 - Sizeable forward markets which contribute to supply hedging
 - Price reference for other EU hubs and for long-term contracts indexation
- **Advanced hubs**
 - High liquidity
 - More reliant comparatively on spot products
 - Progress on supply hedging role but relatively lower liquidity levels of longer-term products
- **Emerging hubs**
 - Improving liquidity from a lower base taking advantage of enhanced interconnectivity and regulatory interventions
 - High reliance on long-term contracts and bilateral deals
- **Illiquid-incipient hubs**
 - Embryonic liquidity at a low level and mainly focused on spot
 - Core reliance on long-term contracts and bilateral deals
 - Diverse group with some jurisdictions having
 - organised markets in early stage
 - to develop entry-exit systems

Challenges to be addressed

- Weak competition in some regions
- Some bottlenecks remain
- Insufficient liquidity on some balancing platforms
- Possible market barriers from administrative and legal requirements (licensing) or exemptions (reverse flows)

ACER/CEER response

- Tracking indicators developed by ACER and NRAs
- Process for problems analysis and identification of response(s)
- Targeted regulation: solution from a “Regulatory toolkit” (ex. merging zone, adaptation of tariffs) based on consultation and CBA for major ones
- ACER support for cross border issues



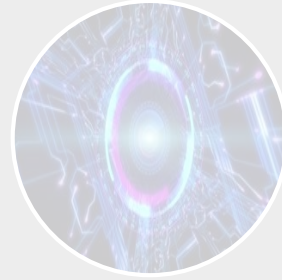
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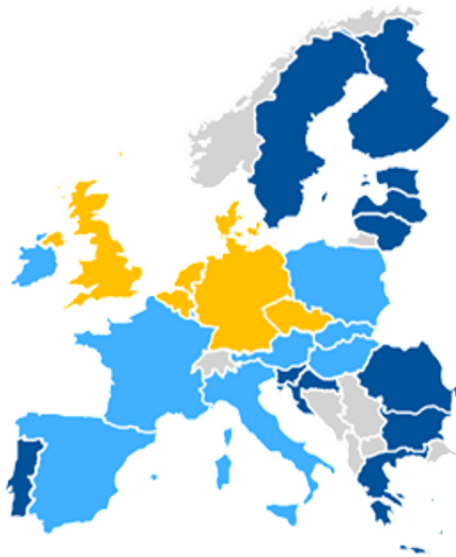
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Increased hub price convergence and correlation



Estimated gas supply sourcing costs
Results of Monitoring the Internal Gas Market in 2018

2014: TTF = 23.7 € /MWh



2016: TTF = 15.5 € /MWh



2018: TTF = 20.8 € /MWh



■ <=1 euro/MWh
 ■ 1-3 euro/MWh
 ■ >3 euro/MWh

Challenges to be addressed

- Cross-border tariffs not a major issue on a pan EU basis, but concerns already present in some regions and may grow
- Cross-border trade and market integration impacted by the way in which TSOs allowed revenues are calculated
- Need to guarantee a fair and efficient split of costs among users
- Differences between gas and electricity tariff frameworks could distort investment and operation in view of sector coupling
- Risk of market foreclosure in illiquid/concentrated markets due to the securing long term capacity by the dominant party

ACER/CEER response

- Develop a proper definition of the entry-exit system and of harmonized capacity products
- Unlock regulatory tools to address regional concerns
- Establish a framework (also with common criteria for TSOs allowed revenue) for the development of ITC mechanisms
- Ensure that network charges provide a level playing field for electricity and gas assets
- Develop additional measures to address market foreclosure

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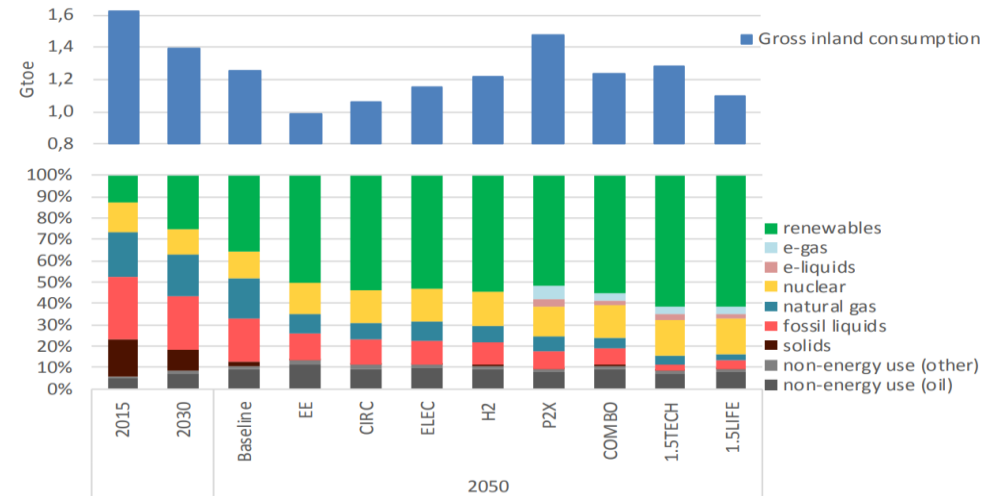


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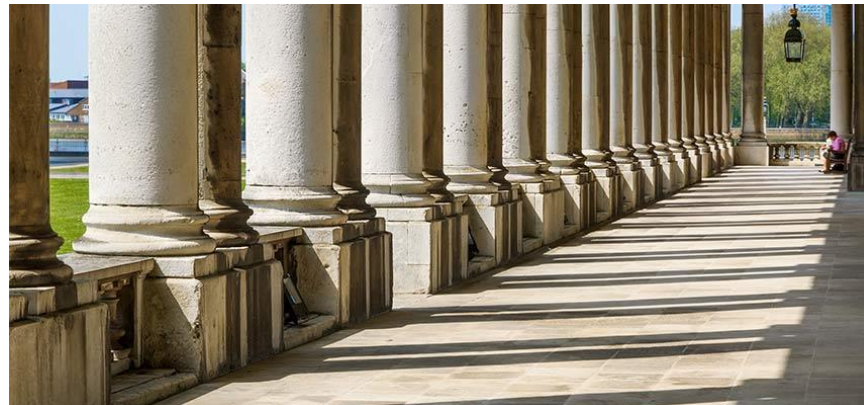
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- The use of gas infrastructure changes according to policies and actions developed as well as technologies deployed
- The choice of scenarios and needs is important to define which infrastructures are needed



Challenges to be addressed

- Responsibility for planning network infrastructure
- Divergent views on infrastructure needs
- Blurred edges between competitive and monopoly activities
- Neutrality of TSOs
- Regulation of hydrogen networks, new technologies and new regional entities



ACER/CEER response

- Scenarios to be driven by National Energy and Climate Plans to ensure that they are in line with wider policy objectives
- Energy-sector scenario development and identification of needs at EU level for the TYNDP should be at least subject to approval by ACER but without overwriting national approvals of the NDP
- Ensure consistency between EU and national regulatory approval of network development plans
- CBA methodology needs to be adapted to ensure that sustainability effects of new investments are properly taken into account. ACER should be given the power to prescribe binding guidelines

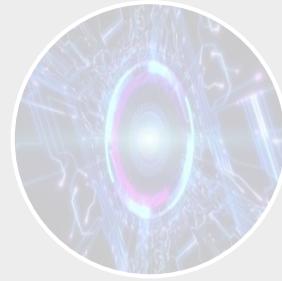
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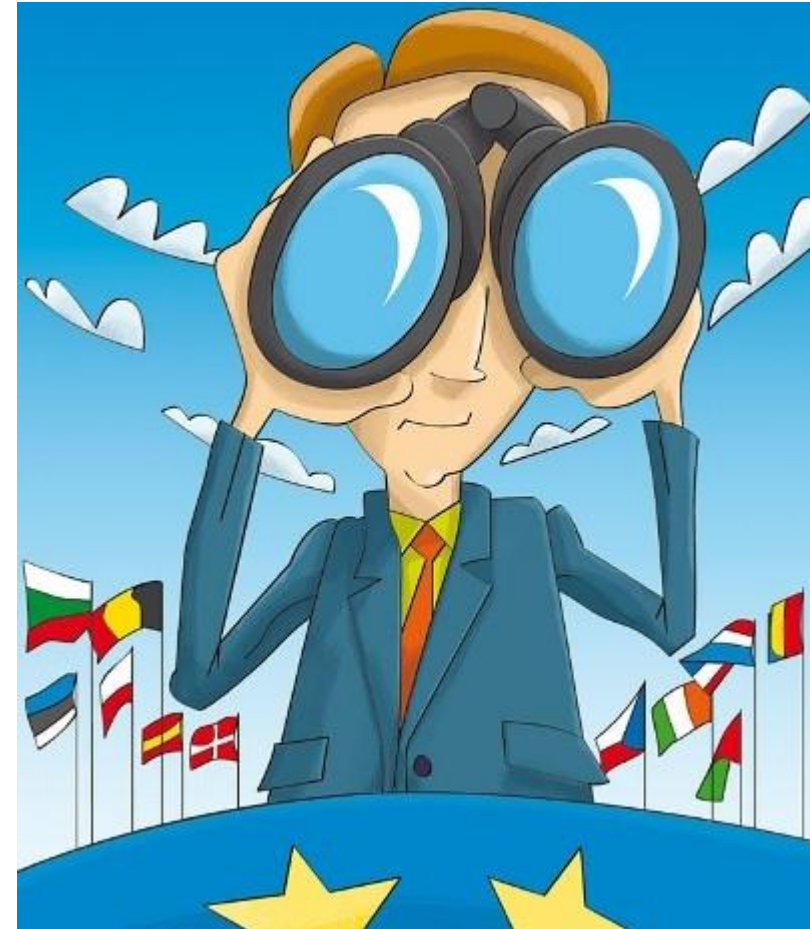


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- Wide range of different technologies to decarbonize gas
- Uncertainty about energy demand
- Need for flexibility to cope with future system needs



Challenges to be addressed

- Clear definitions of different decarbonized energy products are needed
- Impact of these new solutions and technologies on competition and on regulated monopolies
- Possible distortions or unintended consequences resulting from competition between gas and electricity
- For power-to-gas assets, there may be issues where differences in tariffs or market rules between gas and electricity cause distortions or unintended consequences.

ACER/CEER response

- Establish effective definitions of decarbonised gas
- Promote a market-based approach to develop new activities and technologies
- In general, TSOs and DSOs should be precluded from investing in potentially competitive activities
- If the market is not bringing forth the needed investment, the CEP approach for electricity storage and recharging points for TSOs and DSOs should be applied
- Review market rules across gas and electricity to avoid distortion in particular for P2G
- EU principles or methodology for hydrogen blending

Thanks for your attention

ACER Recommendation

https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Recommendations/ACER%20Recommendation%2002-2019.pdf

ACER/CEER - The Bridge Beyond 2025 – Conclusion paper

https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/SD_The%20Bridge%20beyond%202025/The%20Bridge%20Beyond%202025_Conclusion%20Paper.pdf

Aim

Support the EU institutions in identifying future challenges and appropriate measures for the gas sector after 2025 in order to:

1. have a more efficient gas sector and
2. favour its decarbonization in the context of the EU climate target

Joint work ACER-CEER

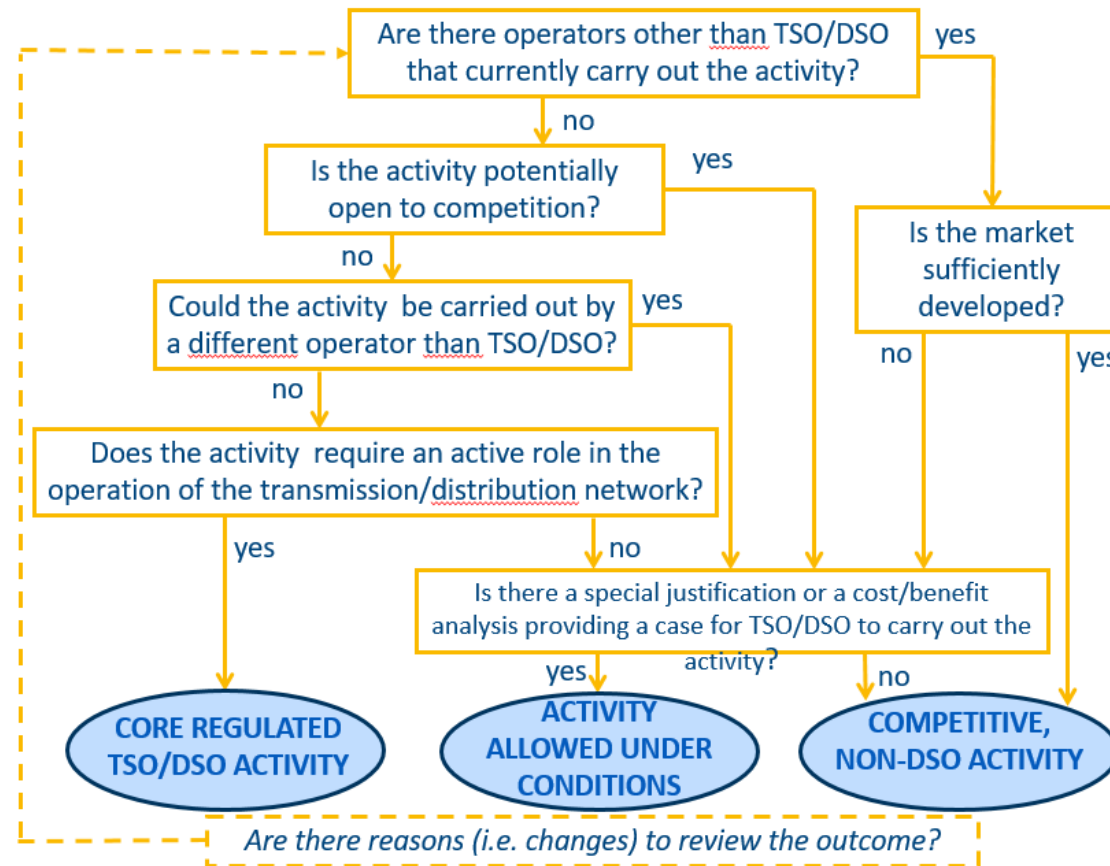
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- **ACER Recommendation**
- **ACER – CEER Conclusions document**
- **Evaluation of Responses**



Example of a clear framework for competitive vs. non-competitive activities

- If market is not already bringing forth needed investment in an activity, use competitive tenders
- If no interest, analyse costs/benefits and impact on competition
- In such cases, grant limited exemptions to TSOs/DSOs to allow them to invest in order to get the market started
- Consider additional restrictions, e.g. requiring investments to be through a separate but related company for greater transparency, and requirements to divest once the market is ready to take over