

CEER
**Council of European
Energy Regulators**



Fostering energy markets, empowering **consumers**.

What regulators stood for in 2020!

European Policy Unit

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The introductory part of this review is dedicated to CEER's¹ main messages for energy sector in 2020. These messages are in line with our current [policy strategy](#) which guides CEER's deliverables and activities throughout the year.

¹ All publications are listed here: <https://www.ceer.eu/list-of-publications>.

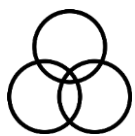
1 Our main messages in 2020!

CUSTOMERS



- Let's ASPIRE! The renewed and expanded 2030 Vision for Energy Consumers calls on governments, industry, regulators, consumer bodies and authorities to deliver Affordability, Simplicity, Protection, Inclusiveness, Reliability and Empowerment (ASPIRE) for all consumers, as we build and implement together a sustainable economy that provides climate neutrality.
- CEER's Roadmap and Handbook for achieving well-functioning retail markets by 2025 provide NRAs with a toolkit to monitor and analyse the performance of their markets. It is important to promote a discussion with national policy makers and consumer protection authorities about the goals of well-functioning energy retail markets.
- Information provision is not enough. Beyond the availability of the information itself, consumers need to be made aware of, and learn how to, process new information, what the information tells them and how they can use the information to their advantage.

CROSS - SECTORAL



- At no time is the crucial role of the energy sector more important than during a global health crisis. National regulators oversaw the quick activation of normal emergency planning to guarantee the energy supply of priority installations. Extraordinary measures were also put in place to make it safe for people to stay home during the COVID-19 pandemic to avoid energy supply disconnections.
- Need for protecting critical network environments NOW, so that we do not wait for Cybersecurity Network Codes to be firmly defined and published.
- Improving the sustainability criteria for PCIs, in particular for gas projects; sustainability as a criterion for CEF grants for works.
- Evolving EU and national laws and regulations in order to create appropriate pathways to Whole System Approach, whilst keeping to a minimum any potential negative impacts.

ELECTRICITY



- NRAs will through incentives ensure that TSOs/DSOs limit or reduce the volume of power losses and the cost of energy necessary to cover them.
- CEER provided relevant information on aspects of renewables development across Europe to support strategic decisions with background information on e.g. unsupported RES and tendering procedures.
- Favoured innovation from a regulatory perspective are developments that increase grid efficiency and benefits for consumers at the same (or at even lower) cost. This innovation is mostly promoted indirectly via the general regulatory framework and/or via specific features regarding incentives for network performance.

GAS



- NRAs might shift the responsibility for Δ in-out forecast and procurement to the TSO or the DSO and socialise related costs among (final) customers through a tariff component.
- CEER calls for a standard methodology for measuring and report the methane emissions and outlines various existing mechanisms to incentivise network operators to reduce methane emissions in their network.
- Consideration should be given to the absence of formal harmonised definitions of innovation in gas transmission as this represents a major problem for the regulatory framework.

2 CEER proposals on customer issues

CEER published **5 documents** related to customer issues.

Dynamic Price Implementation²

CEER published recommendations that seek to support the implementation of provisions in Directive (EU) 2019/944, related to the entitlement to a dynamic electricity price contract.

Consumers must be fully informed by suppliers of the opportunities, costs and risks of dynamic price contracts. CEER recommends a set of key information items to be provided to consumers.

- **Dynamic price contracts** should be based on actual meter data. Customers must have a smart meter that records consumption data at the same granularity as the relevant reference price.
- Consumers must be fully informed by suppliers of the opportunities, costs and risks of dynamic price contracts. CEER recommends a set of key information items to be provided to consumers.
- Information on consumption levels and reference prices could be provided at an aggregated time interval on the main billing document, such as using daily or weekly averages.
- If the customer needs more information, the supplier must provide them free access to a data repository and adequate reporting tools.

Cooperation among Different Sectoral Regulators³

Continuous contact with other organisations helps to create a relationship and facilitates the exchange of information.

- CEER looked at NRAs' competencies in protecting consumer rights and subsequently reported on whether cooperation models are put in place between NRAs and relevant entities/organisations in order to better ensure consumer protection, as **foreseen in the Consumer Protection Cooperation (CPC) Regulation (EU) 2017/2394**.
- Continuous contact with other entities/organisations helps to create a relationship and facilitates the exchange of information.
 - Establishing the relevance of CPC-Regulation is still ongoing but so far, most NRAs consider that this regulation is not creating tasks for NRAs and therefore is not enforceable by them.

² [Recommendations on Dynamic Price Implementation](#)

³ [National Models of Cooperation among Different Sectoral Regulators in the Context of Consumer Law Enforcement](#)

CEER BEUC 2030 Vision for Energy Consumers: LET'S ASPIRE!⁴

CEER and BEUC renewed and expanded 2030 Vision establishes 6 core principles - Affordability, Simplicity, Protection, Inclusiveness, Reliability and Empowerment.

Core consumer rights must be safeguarded, and adapted, as we embark on the energy transition, underpinned by a commitment to not leave anyone behind.

- The renewal and expansion of our core principles are driven by the deep transformation of our society and economy towards a decarbonised and sustainable future.
- Tackling climate change will involve a deep transformation of our economy and will significantly influence the way we use and interact with energy in our everyday life, such as to heat and cool our homes, cook our food and fuel our cars. Core consumer rights must be safeguarded, and adapted, as we embark on these systemic changes, underpinned by a commitment to not leave anyone behind.

Annual Monitoring Report on Energy Retail and Consumer Protection⁵

The composition of the final energy bills for household consumers continued to vary greatly across Member States. As the energy system evolves in the coming years, it is expected that the breakdown of consumers' electricity bills will change.

The Report provides information on the current status of **retail energy markets across the EU and the protection measures available to energy consumers**. This Volume focuses on 2019 but addresses **COVID-19 impact** on the energy sector. This impact has prompted a variety of responses from NRAs across the EU.

- **Electricity prices** for EU consumers **increased slightly in 2019** for both household (by 3.7% to 21.6 euro cents/kWh to 2018 prices) and industrial (by 7.8% to 11.0 euro cents/kWh to 2018 prices) consumers.
- The difference between wholesale energy prices and retail energy prices (mark-up) widened in 2019. A strong correlation between retail and wholesale energy prices is observed when wholesale energy prices increase. However, a weaker correlation is observed with regard to the rate of reduction of retail prices following a fall in wholesale energy prices.
- Much information to be found on EU energy bills e.g. by adding information about switching-related issues.
- The composition of the final energy bills for household consumers continued to vary greatly across MS. As the energy system evolves in the coming years, it is expected that the breakdown of consumers' electricity bills will change.

⁴ [CEER-BEUC 2030 Vision for Energy Consumers: LET'S ASPIRE!](#)

⁵ [Annual Report on the Results of Monitoring the Internal Electricity and Natural Gas Markets in 2019 Energy Retail and Consumer Protection Volume](#)

- Some MS recorded **very high switching rates** over the past years. Many consumers still do not switch their energy supplier citing a variety of reasons, ranging from regulatory barriers to behavioural aspects.
- Comparison tools (CTs) have been implemented in 20 and 15 Member States for electricity and gas respectively.
- Statistical coverage of citizen energy communities is still very limited. Only 4 MS report data about the number of energy communities.
- **Energy poverty** is only officially defined in 8 MSs across the EU, according to NRAs. However, efforts are under way to provide comparative measures of energy poverty across Europe.

Self-Assessment Status Report 2019 for the Roadmap to 2025 Well-Functioning Retail Energy Markets⁶

The Report shows the state-of-play in the work towards well-functioning retail markets. Like the first status report⁷, it identifies the varying completion levels and speeds of the self-assessment by the NRAs. It also has a special focus on gap-analysis for individual metrics provided by NRAs across Europe. The results and the majority of the pilots presented in the report concern the household electricity market.

CEER believes that the self-assessment of metrics can help NRAs with their remit of monitoring and market analysis and thus increase knowledge regarding their national markets.

- Out of 22 CEER Member and Observer countries participating in this year's self-assessment, 2 (Luxembourg and Great Britain) have done gap-analyses for a vast majority of the metrics and an additional 2 (Denmark and Poland) have done it for eight metrics. In addition, 6 countries state that they have done gap-analyses for five or fewer metrics, while the remaining 12 countries report that they have not done any gap-analyses.
- Different methodologies are used across countries to measure concentration with calculations based on the consumed volume for commercial consumers and calculations based on metering points for households. How household consumers are defined varies either by consumption level or capacity of the connection.
- Markets for household consumers seem to be more concentrated than the markets for commercial consumers.
- Procedures to access a national or regional wholesale market can take up to three months and cost anywhere between 0 and 50,000 euros. Some markets require a supply licence, which can take a supplier up to six months to obtain.

⁶ [Self-Assessment Status Report 2019 for the Roadmap to 2025 Well-Functioning Retail Energy Markets](#)

⁷ [CEER Roadmap to 2025 Well Functioning Retail Energy Markets 2018 Self-Assessment Status Report](#)

- The fact that no NRA was able to perform a gap-analysis on the availability of explicit demand response offers in 2019 indicates that in practice flexibility solutions are not yet available to many consumers.
- NRAs should follow the development of their national retail markets and, where possible, evaluate if and how it is feasible to improve the results of individual metrics.
- Self-assessment of metrics can help NRAs with their remit of monitoring and market analysis and thus increase knowledge regarding their national markets.
- Almost every NRA has concluded that all consumers have access to a standardised supplier switching process.
- The switching rate is a widespread metric used by NRAs. It is measured within different relevant markets (electricity, gas, household consumers, SMEs). Given differing national circumstances, NRAs report different figures, ranging from 0% to over 20%.

3 CEER proposals on cross-sectoral issues

In 2020, CEER published **5 documents** which are cross-sectoral and their aim and conclusions target both electricity and gas sector.

Report on Regulatory Frameworks for European Energy Networks⁸

CEER examined regulatory practices in place, the calculation of a **rate of return**, the determination of the regulatory asset base (RAB) and the depreciation of assets in different regulatory systems. Regular analysis of the developments of the energy networks due to changes caused by the energy transition are necessary. The report also shows that:

- Different countries have different characteristics in their regulatory systems.
- **The WACC is the preferred method** of asset valuation by many NRAs. Whereas the real WACC was used for the profitability calculation of the re-evaluated assets, the nominal WACC is used for the assets in historical values.
- The RAB value is inked with depreciation, depending on the NRA. In gas and electricity regulation, straight line depreciation is applied by most NRAs.
- The lifetime of the typical network asset ranges from 30 to 50 years and the majority of the NRAs use the individual depreciation ratio for each type of asset.

To cope with the challenges created by the switch from conventional to renewable energy sources, TSOs and NRAs will have to cooperate more between EU networks and integrate smart elements into the networks.

Cybersecurity in the Clean Energy for All Europeans Package⁹

CEER looked at the cybersecurity topics and how they have been developed in the CEP. The paper provides information on the status and role of stakeholders and NRAs.

- Cyberspace security should be delegated to specialists who define and implement rules to reduce the risks.
- Protect critical network NOW. Not wait for cybersecurity rules to be defined.

The need for protecting critical network environments has never been higher than today and those who wait for all cybersecurity rules to be firmly defined and published might become victims of attacks.

⁸ [Report on Regulatory Frameworks for European Energy Networks](#)

⁹ [Paper on Cybersecurity in the Clean Energy for All Europeans Package](#)

Revision of the TEN-E and Governance¹⁰

CEER and ACER investigated legislative changes to improve the planning and implementation of electricity and gas infrastructure through the upcoming Revision of the Trans-European Energy Networks Regulation (TEN-E) and Infrastructure Governance. We focused on three main areas:

1. Improving Infrastructure Development Governance

- Scenarios for network development planning should be developed jointly for electricity and gas, in a neutral way;
- ACER should approve the ENTSOs' proposal on the cost benefit analysis (CBA) methodology, and request amendments by the ENTSOs, or directly amend the proposal after consulting the ENTSOs;
- ACER should issue binding guidelines on the major infrastructure-related deliverables: The Scenario Development Report, the CBA Methodology and the Ten-Year Network Development Plan (TYNDP);

2. Principles for PCI scope

- Energy infrastructure categories to be simplified;
- PCI process not appropriate for small-scale projects;
- Criteria to identify the cross-border to be improved.

NRAs should be entitled to reject an investment request if the project fails to provide positive net benefits at EU level.

3. Improving the TEN-E processes

- Sustainability criteria for PCI, in particular for gas projects; sustainability dimension should be explicitly added in the list of positive externalities considered for CEF grants for works;
- NRAs should be entitled to reject an investment request if the project fails to provide positive net benefits at EU level;
- TEN-E mechanisms should be differentiated according to the advancement status of PCI projects;
- Risk-related incentives should be removed.

Whole System Approaches¹¹

Evolving EU and national laws and regulations in order to create appropriate pathways to work across sectors, whilst keeping to a minimum any potential negative impacts.

CEER seeks to support NRAs and stakeholders' discussions on regulatory approaches that **consider the societal net benefit for the entire system (the so-called Whole System Approaches)** and encourage network operators to consider consequences of their decisions on other actors of the value chain.

Regulators, DSOs and TSOs need to be aware of unintended consequences when applying a WSA.

¹⁰ [ACER/CEER Position on Revision of the Trans-European Energy Networks Regulation \(TEN-E\) and Infrastructure Governance](#)

¹¹ [Paper on Whole System Approaches](#)

In order to make WSA work, CEER identifies at least four types of levers or enablers that should be considered when applying WSA:

- Setting proper direct or indirect regulatory incentives to encourage the network operators to use WSA;
- Defining specific regulatory requirements for network operators or removing unwanted regulatory barriers that may exist;
- Evolving EU and national laws and regulations in order to create appropriate pathways to work across sectors, whilst keeping to a minimum any potential negative impacts; and
- Improving data transparency and interoperability to facilitate cooperation and coordination and to boost the opportunities to use the WSA.

Stranded Assets in Distribution Networks¹²

Only a couple of NRAs have formal responsibility over the economic sustainability of the distribution networks.

CEER looked at stranded assets in the Distribution Networks. It is not an easy task **to define stranded assets**. According to the CEER [Study](#) from 2018 in most regulatory frameworks, there is no clear and uniform regulatory definition for stranded assets. Also no regulatory treatment or measures for those assets have been developed at a European level. CEER came to these conclusions:

- In most countries there is no framework or methodology for infrastructure decommissioning decisions. Some mechanisms and regulatory methodologies can help to mitigate the risk of stranded assets such as:
 - Incentives for efficient investment;
 - Development and utilisation of grids, creating alternative uses for assets (e.g. hydrogen and renewable gases);
 - Changes in depreciation policies (accelerated depreciation); and
 - Adjustments to the cost of capital.
- Only a couple of NRAs have formal responsibility over the economic sustainability of the distribution networks.
- The projected demand volume and any subsequent differences are assessed mainly by the regulated company. NRAs or governments examine and confirm them in the process of setting tariffs and policies.

¹² [CEER Note on Stranded Assets in the Distribution Networks: the corresponding internal EoR document can be found here.](#)

4 CEER proposals on electricity regulatory issues

In 2020, CEER published **7 documents** related to the electricity sector.

Report on Power Losses¹³

CEER looked at the levels of losses, how they are defined, calculated and valued across 35 EU countries.

NRAs will through incentives ensure that system operators limit or reduce the volume of power losses and the cost of energy necessary to cover them.

- Losses in transmission are mostly **technical** and are hence more difficult to reduce.
- Incentives should be set efficiently with appropriate target and timeframe
- Regulatory approaches could be implemented for technical and non-technical components of losses but more data on non-technical losses are available.
- Reduce technical losses by implementing newer or more efficient transformers or by operating higher voltages in distribution grids.

Electricity Distribution Tariffs Supporting the Energy Transition¹⁴

CEER investigated electricity distribution network tariffs within today's electricity system and how they can support the energy transition – including the areas of interaction with the procurement of flexibility, storage and electric vehicles – and the impact of the Clean Energy for All Europeans package.

There is not a one-size-fits-all tariff model that is appropriate for all Member States when it comes to distribution tariffs. Rather, tariff design should take a number of principles into account. Cost-reflectivity, leading to economic efficiency, is the key principle, while the additional principles are non-distortion, cost recovery, non-discrimination, transparency, predictability and simplicity. Regulators should seek to find a balance between these principles.

- For cost-reflective tariffs = check the structure of distribution networks in the short term (losses and congestion costs) and over the long term (infrastructure costs).
- Advanced differentiation in time and location, e.g. dynamic tariffs or interruptibility.
- Dynamic tariffs require a sufficient level of automation. Signals stemming from dynamic network tariffs could be diluted by e.g. dynamic retail prices.

- **Procurement of flexibility and dynamic tariffs.**
- Fully dynamic network tariffs in combination with flexibility procurement by DSOs is more complex than with static tariffs.
- No one-size-fits-all tariff model appropriate for all MS.

¹³ [2nd report on Power Losses](#)

¹⁴ [Paper on Electricity Distribution Tariffs Supporting the Energy Transition](#)

- Increased decentralised generation requires increase of tariffs for production, BUT network charges should not discriminate positively or negatively between production connected at the DS level and the transmission level.
- Increased decentralised generation requires NRAs to monitor the cost allocation between voltage levels, for example, when the cascading principle is applied NRAs should see if it holds.
- Net metering of self-generators should be avoided.
- Distribution tariffs applied to customers with energy storage facilities must reflect the use of the network (both energy withdrawal and injection).
- No double charging for storage facilities.
- NRAs should explore changes in the tariff structures with the developments of electric vehicle (EV) charging.

Unsupported RES¹⁵

CEER provides a first assessment of the status quo of formerly supported Renewable Energy Sources (RES) installations.

An increasing amount of capacity will be confronted with the end of their support time in the coming years. Regulatory and legislative framework face this challenge (ongoing development at national level).

- Legal RES framework has to be adapted: to make a difference between supported and unsupported RES + the support time is still running and adaptation will be needed only in the future.
- For unsupported RES installations: it is important for larger installations – to rely on the market as a source of income. Smaller ones (PV) will focus on self-consumption.
- An increasing amount of capacity will reach the end of their support time in the coming years. Regulatory and legislative framework face this challenge (ongoing development at national level).

¹⁵ [CEER Paper on Unsupported RES](#)

DSO Procedures of Procurement of Flexibility¹⁶

CEER examined procedures of Procurement of Flexibility and subsequently provide readers with insights on what the implications are for incentives, prerequisites and interactions among the involved parties with DSO access to and use of flexibility.

All NRAs have an important task in the assessment of the whole framework and especially the procurement procedure, which has to be transparent, non-discriminatory and market-based, e.g. through making the terms and conditions of the DSO as clear as possible for the stakeholders.

CEER recommends the following principles:

- **Incentives:** provide the basis for the DSOs to choose the most cost-efficient solution in consumers' interest, including market-based, with appropriate CAPEX/OPEX consideration;
- **Neutrality and unbundling:** DSOs must act as neutral market facilitators;
- **Technical prerequisites and operational principles:** definition of the problem to solve and tools to solve the problem successfully and efficiently, including observability (actual and forecasted state of the grid), controllability (activation with verification);
- **Framework for procurement:** can give room for development and regulation of essential parts of the topics to fit to the national framework. CEER state that all NRAs shall assess the whole framework and especially the procurement procedure, which has to be transparent, non-discriminatory and market-based.

In regard to the procurement procedure, CEER has identified the following important elements:

1. Flexibility demand: DSOs must signal and publish their need;
2. Request for tenders: should be as broad as possible; and
3. Product requirements: must be properly defined and preferably based on standards.

Annual Report on Electricity Wholesale Markets in 2019¹⁷

Despite the disruption caused by the pandemic, electricity market integration projects did not stall. Thanks to the expansion of Single Intraday Coupling (SIDC) to further countries in late 2019, a year-on-year increase in continuous intraday volumes of more than 25% was observed in the first half of 2020.

CEER and ACER annually report on the results of Monitoring Internal Electricity Markets. This year's volume includes a number of novelties, partly to reflect some of the provisions of the CEP and to provide insights on the impact of the COVID-19 on Europe's energy markets.

¹⁶ [Paper on DSO Procedures of Procurement of Flexibility](#)

¹⁷ [ACER/CEER Annual Report on the Results of Monitoring the Internal Electricity and Natural Gas Markets in 2019 – Electricity Wholesale Markets Volume](#)

- The COVID-19 pandemic and its consequent lockdown measures are significantly impacting the energy systems. An unprecedented year-on-year decline in EU electricity demand (-7%) was recorded in the first half of 2020.
- Thanks to market coupling, the integration of day-ahead markets, which are the main reference for trading electricity close to real time, progressed significantly over the last decade. Consequently, the level of efficiency in the use of cross-zonal capacity (88%) in day-ahead markets was the highest across all short-term timeframes in 2019.
- Despite the disruption caused by the pandemic, electricity market integration projects did not stall. Thanks to the expansion of Single Intraday Coupling (SIDC) to further countries in late 2019, a year-on-year increase in continuous intraday volumes of more than 25% was observed in the first half of 2020.
- This edition of the MMR shows a reduction of the costs of remedial actions in 2019, partly explained by circumstantial factors.
- In the area of SoS, the MMR shows that in 2019 a variety of national capacity mechanisms remained across Europe. The overall costs of CMs totalled 3.9 billion euros, representing a 73% increase compared to 2018.
- A lack of a consistent framework for identifying resource adequacy concerns, emphasises the need for enhanced adequacy assessments.

Status Review on Regulatory Frameworks for Innovation in Electricity Transmission Infrastructure¹⁸

Innovation is mostly promoted indirectly via the general regulatory framework and/or via specific features regarding incentives for network performance (output-based regulation).

CEER presents a progress report on regulatory frameworks for innovation in electricity transmission. It follows up on the conclusions of the Energy Infrastructure Forum 2019. The conclusions invited NRAs to review their regulatory practice in light of the recommendations of a [consultancy study](#) on regulatory frameworks on innovation and security.

- There is a substantial lack of formal definitions of innovation in legislative or regulatory frameworks. However, there seems to be a broad common understanding of innovation in electricity transmission across NRAs.
- Innovation is mostly promoted indirectly via the general regulatory framework and/or via specific features regarding incentives for network performance (output-based regulation).

¹⁸ [CEER Status Review Report on Regulatory Frameworks for Innovation in Electricity Transmission Infrastructure](#)

- Legislative barriers to innovation are, in particular the lack of NRA powers to implement certain decisions regarding tariffs (in a few countries) and the lack of NRA powers/duties to consult and approve the network development plan.
- NRAs need sufficient leverage and regulatory control of tariff setting and NRAs should be empowered to approve and to amend the national transmission network development plans.

Report on Tendering Procedures for RES in Europe¹⁹

Across all technology-specific schemes implemented, offshore wind, onshore wind, PV (solar) and biomass have been the most selected renewable technologies.

The report offers an update to a previous CEER report on RES tendering procedures published in 2018²⁰, which described key tendering design elements and provided an overview of experiences with the implementation of tenders. Besides mapping the tenders implemented since the last report, this report put an emphasis

on available empirical evidence up to July 2020, notably with respect to the level of competitiveness and price development as well as the realisation rate.

- By mid-2020, tendering as a competitive instrument to determine the level of financial support for the operation of RES installations had been implemented in a large number of European countries.
- The report finds that most MSs have opted to implement both technology-neutral and technology-specific tenders. Only a small number of countries (5) do not have any technology-specific tenders at all.
- Across all technology-specific schemes implemented, offshore wind, onshore wind, PV (solar) and biomass have been the most selected renewable technologies.
- As a price-awarding mechanism, the pay-as-bid method, where bidders are awarded a support entitlement in accordance to the level of their submitted bid, has been the favoured approach.
- Acceptance issues for RES deployment are being observed, especially for onshore wind, negatively impacting the participation level in onshore wind tenders.
- Competitive procedures do not obviate the need for administrative processes. Instead of detailed monitoring and anticipating price developments of supported technologies, the implementation of tenders, i.e. the preparation and the evaluation of the tenders, is at the centre of attention, which also requires administrative capacities, notably in National Regulatory Authorities (NRAs).

¹⁹ [2nd CEER Report on Tendering Procedures for RES in Europe](#)

²⁰ [CEER Report on Tendering Procedures for RES in Europe](#)

5 CEER proposals on gas regulatory issues

In 2020, CEER published **3 documents** which relate to the gas sector.

'Delta In-Out' in Distribution Networks²¹

In order to avoid network users being confronted with a commercial risk which they can hardly forecast and influence (thus leading to inefficient balancing actions or costs which are passed on to final customers), NRAs might consider shifting the responsibility of Δ in-out forecast and procurement to the TSO or the DSO.

CEER explored the Δ (delta) in-out problem in distribution networks, by creating a common understanding despite possible different features of distribution networks.

- The Δ in-out problem can be solved by 1) physically reducing the amount of Δ in-out; and 2) putting in place regulatory tools to limit the effect of undue risks for network users which ultimately lead to inefficient costs due to inefficient

balancing actions.

- NRAs might shift the responsibility for Δ in-out forecast and procurement to the TSO or the DSO and socialise related costs among (final) customers through a tariff component.
- To reduce the amount of Δ in-out, one can follow three different threads: role of DSOs, measurements and load profiling.

Annual Report on Gas Wholesale Markets in 2019²²

CEER and ACER annually report on the results of Monitoring Internal Natural Gas Markets. This year's report on Gas Wholesale Markets is published against the backdrop of an unprecedented and ongoing health crisis with important repercussions for the EU energy sector.

Today, carbon neutral gases account for a minor share of EU gas consumption (around 4%, mainly biogas which is not injected into the gas grid) while the objective is to fully decarbonise the gas sector by 2050.

Economic lockdowns associated with the crisis have resulted in severe reductions of energy consumption throughout the EU. In the case of gas, EU demand fell by 8% year over year (YoY) up to May 2020. Since the beginning of the summer, demand destruction has been easing but has not reached pre-lockdown levels. The key findings of this MMR 2019 are enumerated below.

²¹ [Paper on Regulatory Issues Related to the 'Delta In-Out' in Distribution Networks](#)

²² [ACER/CEER Annual Report on the Results of Monitoring the Internal Electricity and Natural Gas Markets in 2019 – Gas Wholesale Markets Volume](#)

Internal Gas Market

- LNG imports rose 90% YoY with LNG accounting for 20% of EU natural gas demand – by far its highest aggregated market share to date.
- The volume of natural gas traded at hubs was at an all-time high, with 20% more volume changing hands YoY.
- Today, carbon neutral gases account for a minor share of EU gas consumption (around 4%, mainly biogas which is not injected into the gas grid) while the objective is to fully decarbonise the gas sector by 2050.
- In order to achieve the lowest-cost solutions, new developments shall be backed by competitive markets wherever possible, although supportive measures may be foreseeable, which may bring some trade-offs with competition.
- Gas flows are progressively becoming more responsive to hub prices, although the situation differs between interconnectors as their price responsiveness is dependent on their specific market role and their transportation contracts.

Gas Target Model

- A number of tailored-regulation measures are considered to close the functionality gap and eliminate persisting barriers at selected markets.
- Most EU gas demand is consumed at wholesale markets that are generally functioning well, but significant differences persist among MS.

Network Codes effects

- Five gas Network Codes and Guidelines have been adopted since 2013. The exercise reveals that Network Codes are becoming a key driver.
- The Capacity Allocation Mechanism Network Code has facilitated a more efficient and flexible booking of capacity, closer to market participants' needs.
- In the area of transportation tariffs, new reference price methodologies set in accordance with the Tariffs Network Code are progressively starting to be implemented, improving network tariffs' transparency and cost-reflectivity.
- The analysis of gas balancing markets reveals how an ambitious implementation of the BAL NC reduces the active role of TSOs in balancing activities, which also benefits the liquidity of spot markets.

Status Review Report on Regulatory Frameworks for Innovation and Security of Supply in Gas Transmission Infrastructure²³

The absence of formal harmonised definitions of innovation in gas transmission does appear to be a major problem for the regulatory frameworks that address innovation.

This document presents a progress report on regulatory frameworks for innovation and security of supply in gas transmission, based on a survey of NRAs. It also seeks to support discussions of the Copenhagen Energy Infrastructure Forum on innovation and security of supply in gas transmission infrastructure.

- A substantial lack of formal definitions for innovation in legislative or regulatory frameworks was identified among the NRAs. Nevertheless, there seems to be a broad common understanding of security of supply.
- Innovation in the gas sector is mostly correlated with the concepts of carbon neutrality (e.g. injection of non-conventional gases into the grid), sector coupling (e.g. Power to Gas, P2G) and digitalisation (e.g. smart metering).
- The absence of formal harmonised definitions of innovation in gas transmission appear to be a major problem for the regulatory frameworks that address innovation.
- In most regulatory systems, innovation is promoted indirectly via the general regulatory framework and/or some specific features regarding incentives for network performance (output-based regulation).

²³ [Status Review Report on Regulatory Frameworks for Innovation and Security of Supply in Gas Transmission Infrastructure](#)

6 CEER advocacy work

In 2020, CEER engaged in **9 public consultations and requests for input**. Below, we present topics and main messages which were sent to the institutions.

<p>Response to the Commission's Public Consultation on the priority list of Network Codes</p>	<p>14. 05. 2020</p>
<p><u><i>The need for a new electricity Network Code on cybersecurity</i></u></p> <ul style="list-style-type: none"> • CEER believes that cybersecurity is crucial for the functioning of the EU's energy supply. • Implemented security measures are either the result of industry initiatives or a reaction to cybersecurity regulations on national levels. • Regulators support the efforts to maintain and enhance cybersecurity. • Additional requirements coming from a cybersecurity Network Code should be properly justified and scoped. <p><u><i>The need and adequate scope of new electricity Network Codes on demand side flexibility</i></u></p> <ul style="list-style-type: none"> • Any further integration via a new Network Code should be postponed until MS have first implemented the aforementioned. • First assess the said implementation and if no results possibility of infringement proceedings against those Member States. <p><u><i>Gas networks rules for 2020 (and beyond)</i></u></p> <ul style="list-style-type: none"> • Implementation of the existing Network Codes, in particular the Gas Tariffs Network Code, remains a priority for national regulators. • CEER and ACER outlined their proposals for a new system of dynamic and targeted regulation, with a process for monitoring and improving market performance going forward. • Reflection in the future legal and regulatory framework for gas(es). • Clear regulatory framework and differentiation between competitive and monopoly activities. TSOs and DSOs should only be allowed to undertake potentially competitive activities under strict rules and as a last resort. • CEER propose to provide for an "EU umbrella" for a sandbox approach, allowing time-limited projects to be developed in which network operators shall not have a commercial role, with transparent clear rules and conditions which safeguard a competitive Internal Market. • CEER believe that TSOs should consider developing harmonised counterparty risk management policy at EU level and set up a centralised EU database on creditworthiness and market behaviour. There should be mutual recognition across the EU of licensing for wholesale traders (or an equivalent mechanism). 	

<p>Input to an EU Strategy for Smart Sector Integration (draws upon the Paper on Electricity Distribution Tariffs Supporting the Energy Transition)</p>	<p>19. 05. 2020</p>
<ul style="list-style-type: none"> • Legislation should allow regulators to monitor the development of platforms and new marketplaces and establish oversight and feedback from stakeholders. • NRAs should oversee DSOs and TSOs in reviewing product definitions for grid services (such as high-minimum size requirements). • Clear boundaries help ensure TSO/DSO activities are confined to those that may be carried out by the neutral market facilitator and do not overlap or interfere with activities that should be left to market players. • It is crucial that network operators ensure unbundling. Cross subsidisation should continue to be avoided. • NRAs have to review the current tariff structures to create stronger incentives for efficient usage of the grid including dynamic network tariffs' potential and the interaction with procurement of flexibility. 	
<p>Input on the roadmap for an EU strategy for Hydrogen (draws upon the ACER/CEER: The Bridge Beyond 2025 Conclusions Paper)</p>	<p>8. 06. 2020</p>
<p>CEER recalls some of the recommendations presented in the <i>Bridge Beyond 2025 paper</i>, which we hope may be of interest for the development of the EU's Hydrogen Strategy:</p> <p><u><i>Defining and monitoring new technologies</i></u></p> <ul style="list-style-type: none"> • Definitions and criteria should unambiguously determine the different types of decarbonised gas and the extent to which each can be regarded as "green" or "low carbon" • In terms of blending of hydrogen in gas networks, regulators call for preparatory assessments coordinated at European level at least in terms of principles or methodology <p><u><i>Dynamic regulation for new activities</i></u></p> <ul style="list-style-type: none"> • Regulation should be neutral between technologies and support efficient outcomes and investments. • Proposal to provide for an "EU umbrella" for the sandbox / pilot project approach, allowing time limited conditions with the view to generate information that is useful in the public interest and there is no significant risk of a material impact on the wider market. • Include requirements for regulated third party access for all assets developed by TSOs or DSOs. • Where new infrastructure such as power-to-gas or biogas plants are developed by the market, there is a need to coordinate with network availability and development. 	

<u>Regulation of new networks</u>	
<ul style="list-style-type: none"> Suggestion to set at EU level some principles, such as third-party access, before investments are made. 	
Input on a planned procedural clarification in four electricity guidelines by way of a Commission Implementing Regulation	16. 06. 2020
Response to Consultation on the renewed sustainable finance strategy	15. 07. 2020
Input on the Roadmap for an EU Strategy for Methane (draws upon the ACER/CEER: The Bridge Beyond 2025 Conclusions Paper)	5. 08. 2020
<ul style="list-style-type: none"> TSOs, storage operators and LNG operators, as well as DSOs above a size threshold, should be obliged to measure and report their methane emissions according to a standard methodology. The data should be publicly available through a European Methane Emissions Observatory. Once emission data are sufficiently robust, tradeable permits or taxes on actual emissions could be introduced. CEER will work on a report “Regulatory mechanisms to incentivise reductions in methane emissions in gas networks”. It intends to summarise the various existing mechanisms to incentivise network operators to reduce methane emissions in their network. 	
Response to the Commission’s public consultation on Energy market regulation – fees to be paid to European agency ACER	31. 08. 2020

<p>Response to the European Commission's Public Consultation on an EU Strategy for offshore renewables.</p>	<p>21. 09.2020</p>
<ul style="list-style-type: none"> • Removal of all possible obstacles to allow an efficient and least-cost decarbonisation of the energy system. To this end, CEER and its members will continue to work to promote flexibility and to integrate renewables fully into the market and the grid. Cost-efficient decarbonisation of the energy sector needs a cross-sectoral (electricity and gas) and whole system approach. • Sustainable development principles and the Sustainable Development Goals should be taken into account; as these are applicable to all policy and legislative measures. It must not be forgotten to take these on board. • New technologies and developments such as hybrid infrastructure raise new issues, e.g. conflict/trade-off between CEP's 70% rule and priority dispatch rules. A framework is needed to enable these type of projects, considering possible technological add-ons coupling different energy types (electricity, methane, hydrogen...). • EC guidance is needed on how to apply the existing rules to offshore RES and hybrid infrastructure/grid development, with certain exemptions and/or some specific rules. • Mechanism for landlocked MS to support offshore so the RES produced counts toward national targets. • Offshore strategy can best complement the Clean Energy Package and the TEN-E Regulation. Therefore, any new proposals should go hand in hand with other initiatives such as the smart sector integration, methane and hydrogen strategies. 	
<p>Response to the European Commission's Public Consultation on The New Consumer Agenda</p>	<p>6. 10. 2020</p>
<ul style="list-style-type: none"> • The transition towards a sustainable and carbon-neutral society will be achieved in an integrated way, meaning closer interlinkages between sectors, including energy. Consumers are themselves integral participants and the main driver in this process. • Providing consumers with information must be accompanied with adequate and wide-reaching national and European campaigns to educate consumers to identify, read, understand and use that information in their future decision-making and behaviour. • It should not be possible to introduce easy green or climate-neutral (or similar) labelling of "dirty" products and services that do not engage in climate mitigation/adaptation production and/or without the need to pay adequate and reasonable costs/compensations for climate/environmental pollution. • Beyond the system of Guarantees of Origin (GOs) for the type of energy consumed, more information should be made available on CO2 emissions and other environmental/climate impacts in the production of energy, 	

arguably in some areas to a greater amount/potential than in the end-user consumption of these products/services.

- “Efficiency First”. Consumers need to be better informed about potential and actual rebound effects of increases in efficiency in order to avoid that a “better” product/service leads to an increased consumption of that product/service (which is the equivalent of waste).

About CEER

The Council of European Energy Regulators (CEER) is the voice of Europe's national energy regulators. CEER's members and observers comprise 39 national energy regulatory authorities (NRAs) from across Europe.

CEER is legally established as a not-for-profit association under Belgian law, with a small Secretariat based in Brussels to assist the organisation.

CEER supports its NRA members/observers in their responsibilities, sharing experience and developing regulatory capacity and best practices. It does so by facilitating expert working group meetings, hosting workshops and events, supporting the development and publication of regulatory papers, and through an in-house Training Academy. Through CEER, European NRAs cooperate and develop common position papers, advice and forward-thinking recommendations to improve the electricity and gas markets for the benefit of consumers and businesses.

In terms of policy, CEER actively promotes an investment friendly, harmonised regulatory environment and the consistent application of existing EU legislation. A key objective of CEER is to facilitate the creation of a single, competitive, efficient and sustainable Internal Energy Market in Europe that works in the consumer interest.

Specifically, CEER deals with a range of energy regulatory issues including wholesale and retail markets; consumer issues; distribution networks; smart grids; flexibility; sustainability; and international cooperation.

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More information is available at www.ceer.eu.