2nd CEER-NARUC International Forum

March 19, 2019

Brussels, Belgium

Closing Statement

Energy regulators from the United States and Europe held their second International Forum[i] in Brussels on March 19, 2019. This event was co-hosted by the Council of European Energy Regulators (CEER) and the National Association of Regulatory Utility Commissioners (NARUC). [ii] The event attracted energy experts from academia, industry, international organisations, and regulatory authorities from over 20 countries. Expert speakers from the International Energy Agency (IEA), the World Economic Forum, ENTSO-E and the European Commission shared insights from their latest reports. The event discussed key regulatory issues on digitalisation and cybersecurity, which are currently shaping regulatory discussions on both sides of the Atlantic. This morning event was aligned with the European Commission's workshop on energy digitalisation in the afternoon.

Digitalisation

Digitalisation – greater use of data and digital technologies – is bringing important changes to the energy system. It provides the opportunity for increased efficiency of the existing energy system, potentially reducing costs for consumers. Digitalisation is essential for the clean energy transition, as it offers the opportunity to introduce new products and services, new business models and more demand-side participation.. Although it brings many benefits, it creates challenges including that some consumers are at risk of being left behind, that consumer data is kept secure, and that regulation keeps up to date.

At the 2nd CEER-NARUC International Forum, representatives from regulators across Europe and the US recognised that regulation must adapt to market evolutions, including the growing diversity and number of participants associated with digitalisation. Both sides underlined that they are determined to make regulation coherent with the fast-changing environment that digitalisation is bringing. Regulators agreed that one of the challenges is that the boundaries between different parts of the energy system and different actors are blurring and clear definitions must be developed.

Both regulatory spheres in the EU and the US, see new actors or arrangements emerge that interact with the existing consumer-centric model. The discussions raised questions about the

role of regulators in a multi-product market and their ability to empower and protect inactive consumers as well as those who engage. This highlighted a real need to develop thinking about an integrated consumer approach.

On the occasion of this event, CEER opened a public consultation on its new report "dynamic regulation to enable digitalisation of the energy system". The report examines the implications of digitalisation for the energy sector, and for consumers in particular to empower and unlock the benefits of digitalisation for consumers whilst protecting them against risks. Feedback on this CEER consultation paper is welcome by the 14th of May 2019.

Cybersecurity

While increasing digitalisation seeks to provide significant benefits for both consumers and the energy system as a whole, it is the very interconnectivity of assets across the energy system which makes them vulnerable to threats that were previously of little concern to the sector. Cybersecurity and the protection of critical assets across energy networks is growing concern globally. At this year's CEER-NARUC International Forum, energy regulators from across the EU and the US were joined by leading international cyber experts to discuss the main cyber security challenges for the energy sector. Key issues discussed included:

- the principles of cyber emergency management, the increasing number of challenges arising for electricity grids from the Internet of Things (IoT), and what regulators can do to ensure that emerging cybersecurity threats do not challenge the reliability of the electric grid and security of supply along the entire value chain;
- the importance of preparedness against future cyber risks, and how cybersecurity measures should be part of innovative digital solutions
- the requirement for adequate capacity and competences within energy regulatory authorities to deal with cyber (which is a cross-sectoral issue);
- the role played by the private sector in ensuring the cyber safety of the energy system
- the question of cost recovery for cybersecurity activities and how regulators can appropriately evaluate utility expenses on projects to protect their asset base against cyber threats;
- the urgent requirement for harmonisation and cooperation on cyber security, across domestic organisations and internationally

NARUC recently released the "cybersecurity strategy development guide" in October 2018 and "cybersecurity: a primer for state utility regulators" in 2017 to equip policymakers against the challenges posed by cybersecurity threats. In the EU, there have recently been significant developments in the space of cybersecurity and data privacy with new frameworks under the Network Information Security (NIS) Directive, the General Data Protection Regulation (GDPR), and a new Network Code on cybersecurity aspects of cross-border electricity flows. CEER's cybersecurity report on Europe's electricity and gas sectors (October 2018) gives an overview of the state of cybersecurity in Europe's energy sector and outlines recommendations concerning those regulatory and organisational aspects that may help in improving the effectiveness of cybersecurity.

CEER and NARUC committed to further liaise on the issue of cyber security given the urgency to develop capability with the aim to prevent, detect, respond, and recover from cyberattacks.

Next Steps

This 2nd CEER-NARUC International Forum offered energy regulatory experts the opportunity to discuss trends in the regulatory sphere as they emerge on both sides of the Atlantic and debate challenges like cybersecurity, which arise in the context of digitalisation of the energy system.

Regulators participating in the International Forum confirmed their commitment to continue a dialogue to share best practices and improve regulatory decision-making by coordinating both bilaterally and multilaterally, including through the working groups of the International Confederation of Energy Regulators (ICER).[iii]

Notes to Editors

[i] The CEER-NARUC International Forum, an open public debate, was preceded by the 14th EU-US Energy Regulators Roundtable (a closed event for regulators only) on 18 March 2019. European and U.S. energy regulators have, since the year 2000, maintained an informal dialogue to exchange views and experience on selected topics of mutual interest across the electricity and gas markets, compare regulatory approaches, and discuss international developments and cooperation. The EU-US roundtable is jointly organised by the Council of European Energy Regulators (CEER) and the National Association of Regulatory Utility Commissioners (NARUC), the associations representing national/state energy regulators in Europe and USA respectively.

[ii] Established in 2000, the Council of European Energy Regulators (CEER) is a not-for-profit association in which Europe's independent national regulators of electricity and gas voluntarily cooperate to protect consumers' interests and to facilitate the creation of a single, competitive, efficient and sustainable internal market for gas and electricity in Europe (www.ceer.eu). The National Association of Regulatory Utility Commissioners (NARUC) is a non-profit organisation dedicated to representing the State public service commissions who regulate the utilities that provide essential services such as energy, telecommunications, water, and transportation (www.naruc.org).

[iii] ICER brings together in a formal and structured dialogue the energy regulatory authorities from across 6 continents and 200 regulatory agencies, including both the most developed markets and those which are still taking shape. It is composed of 11 regional regulatory associations as well as the regulatory authorities for Australia and Switzerland. ICER's goal is to serve as an effective tool to help improve, worldwide, public and policy-maker awareness and understanding of energy regulation and its role in addressing a wide spectrum of socio-economic, environmental and market issues. More information on the ICER website www.icer-regulators.net.