eurogas
Fuelling the future

Consultation Paper

The future role of DSOs

27 February 2015

Eurogas Response to CEER consultation on the future role of DSOs.

Introduction

The DSO is the entity best placed to make a safe, efficient and neutral operation of the distribution system, in line with the requirements of the Directive 2009/73/EC. DSOs are important enablers of a well-functioning retail market, principal among which is their overall role of neutral market facilitator to contribute to a level playing field. As the market design evolves, the policy and regulatory framework should continue to ensure the necessary transparency of the DSO's role, and that their activities remain in line with the requirements of greater market competition.

Considering gas distribution, approximately 120 million customers all over Europe are connected to the distribution network. It is the main heating source in Europe, with almost 50% of households using gas based appliances. Gas demand in the residential and commercial sectors is larger than the equivalent energy used for these sectors in the electricity system.

The role of the DSO and need for regulatory oversight

1. Do you agree with these three core principles?

Overall, the basis of the three principles is appropriate, though there are some small refinements, which will ensure they are fit for purpose.

Principle 1: The DSO must run its business in a way which reflects the reasonable expectations of network users and other stakeholders.

When considered together with the supporting text in the consultation, the principle is logical, particularly the point that DSOs will have different degrees of responsibility and obligation towards different stakeholders. However, reading the principle on its own, it appears the DSOs should meet the reasonable expectations of any party who has an expectation. The DSO has four key constituents: network users, customers connected to the grid, connected TSOs and DSOs, and finally other market participants such as aggregators, ESCOs, etc. We therefore propose the following amendments, which are coupled to our comments on Principle 3 which captures the customers' element of this:

The DSO must run its business in a way which reflects the reasonable expectations of its network users, connected customers, connected grid operators and other relevant market participants.

Principle 2: The DSO must act as a neutral market facilitator in undertaking its core functions.

Eurogas agrees and supports this principle, and indeed since the third energy package, it is the rule for all DSOs. In the accompanying text, it states that where there are factors outside the control or influence of the DSO, the DSO should still act in accordance with this principle. It is not clear what is intended by this statement and further clarity would be welcomed. We would propose to amend the principle to all functions of the DSO and not only the core functions.

Principle 3: The DSO must act in the public interest, taking account of costs and benefits

Again the thrust of this principle is sound, but, with some modifications it could be enhanced further. It is unclear what exactly acting in the public interest means and it may differ for gas and electricity systems. Therefore, the following enhancements are proposed:

The DSO must act in the interest of consumers and network users, prioritise safety and ensure costs are incurred in an efficient manner.

2. What challenges would new forms of stakeholders (e.g. community or municipal energy schemes and ESCOs) bring to DSOs and to existing approaches?

DSOs continuously adapt their approaches to meet the needs of existing and newly created stakeholders. There are several examples of this happening in gas:

- Changing needs of the customer: while not a new stakeholder, the customer's role is evolving and DSOs have to be alive to these changing needs. Furthermore, where a positive cost-benefit assessment was achieved; the DSO in most countries in Europe is responsible for the role out of smart meters.
- Energy Efficiency: the introduction of ESCOs brings up questions of data privacy. DSOs need to ensure that interested parties only have access to the data that the customer has consented to.
- Demand Response (DR): In the future with the development of DR, more suppliers and in addition aggregators might be actively serving the customers. This will lead to new concepts regarding the market processes, particularly in balancing, billing and metering. It is a key responsibility of the DSO to allocate all volumes delivered to the right actor serving the customer.

- Injection of gas: through the introduction of biomethane and hydrogen, new challenges arise to ensure a constant gas quality in the grid. This importance will grow with the deployment of gas filling stations and fuel cells, as they are a lot more sensitive to gas quality changes than a normal gas heating appliance. In addition, during the summertime, storage issues may arise with high biomethane injections, as the compression of gas to the TSO level is not always possible and very costly. The new stakeholders here can be private companies but also public/private partnerships.
- Municipal energy schemes: In some countries with a long existing gas industry, the connection rates are close to 90%. Energy concepts for environmental energy distribution should therefore be developed with all relevant grid operators to find the best solutions for all.

It is to be expected that complexity will increase with the number of active stakeholders. Fundamentally, this needs good organisation and coordination, but specifically the key **challenges** that arise because of this are:

- If the regulation framework needs to be changed, then it is a challenge to do this evolution in a considered and careful way. It needs to be ensured at the same time that all stakeholders, especially the DSOs are fully involved. The clear definition of role and responsibilities with new actors in different sectors is important;
- Avoiding new financial exposures which cannot be managed by a regulated entity, being placed on the DSO;
- Development of national market processes and data formats to allow all participants – both old and new – equal access to the market;
- Ensuring that the process for adopting IT systems provides sufficient time for all market participants, if new market processes have to be implemented;
- Active involvement and cooperation between the energy industry and research and customer associations to develop products and techniques for the benefit of the customers and the environment.

3. Do you agree with the proposed logical framework? Are there other important questions which should be included in the framework?

Eurogas commends the CEER for setting out such a framework with the intention to provide clarity on this topic. The possibility of the activity being subject to competition is clearly an important consideration, when deciding which party should take on a new role. From previous discussions, we think it is important to develop a common view, together with CEER, of what competition within one of the "grey" areas means in this case e.g. minimum number of competitors active, minimum market shares each, number of products offered but also chance of long standing competition.

The proposed framework can be enhanced by including the following considerations:

- *Safety and reliability*: this has to be a core assessment criteria when allocating a role. The DSO is responsible for the safety and reliability of the grid (and sometimes customer installations) and this may not be jeopardised. There should be no ambiguity in defining which party is responsible for the safety of the grid.
- *Data protection*: wherever customer data is involved, measures are needed to ensure data protection. The DSO is a fully regulated entity that has no commercial interest in the customer's data and is well placed to cover such activities. They can act as a safe guardian of the data and will only allow other market participants to share the data if the customer has explicitly allowed this.
- *Legislation*: national law may oblige the DSO to carry out certain activities. Even if the activity could be carried out by the market in the future, an interim period has to be allowed, as the DSO will have built up human resources and investment in connection with these activities
- *Likely level of competition*: it may be that achieving meaningful competition in an activity is in practice more challenging.
- The DSO should be allowed to promote new connections to the gas grid and also gas against competing fuels. This will improve utilisation of the grid and its overall economic efficiency, the benefits from which should be reflected in fair cost-allocation and the level of users' tariffs, on a non-discriminatory basis. Where a DSO connects new properties to the gas grid, the DSO should transparently inform all suppliers of this new connection and allow competition to occur.
- *Other considerations:* An assessment might also consider:
    - whether there is economy of scale lost by splitting the task amongst third parties and is there an impact on customers costs as a result.
    - what are the likely impact on the service level to the customer.
    - whether the level of complexity for the customer might outweigh any benefits foreseen.

The framework needs further elaboration to capture these points.

4. Do you agree with the proposed assessment of activities and are there any additional grey areas for DSOs other than those considered?

The list does appear quite comprehensive and in some cases activities need to be split into different topics, as proposed below. Regarding the assessment of different forms of unbundling, the requirements in the Gas Directive should be met and there should be continued assessment and enforcement of existing rules. At present Eurogas does not see the role of the gas DSO changing in such a way as to require changes to the unbundling rules. If, however, the role of DSOs evolves in the future away from that of neutral market facilitator, further thought may have to be given. In terms of the retail market, it can be seen

from ACER and CEERs market monitoring report, that there are a number of areas that need to be addressed.

The rules of Article 27 from the third energy package should also be highlighted, which have to be followed by all DSOs regardless of their form of unbundling. This article ensures that all DSO have to act in a non-discriminatory manner. This rule includes all data available to the DSO, but also all relevant information regarding possible customers or competitors.

It is important to make the distinction between who is responsible for the activity and who is doing it. In some countries –(e.g. UK & Netherlands) – the DSO are responsible for data management but use a joint platform. Even by doing so, the responsibility still remains with the DSO and not another competitive party.

Activity	**Comment**
A1 Core activities	Promotion of new connections to the grid may be a core activity of the DSO.
A3 Gas quality checks	Gas quality checks are not always the role of the DSO. Usually the TSO has to deliver the gas at the interconnection point with a specific gas quality regulated by the country rules. This is more efficient as gas chromatographs are costly, in both investment and operation terms. In this case, the DSOs role is to ensure that the gas injected into their grid at a biomethane or power-to-gas plant fits to the gas quality standards in the grid.
A5 losses	For gas at least, the link between smart metering and measuring gas losses referred to in the text is not clear. Indeed, the error margin of meters is likely to lie outside that of the margin of unaccounted for gas.
B3 Exception for generation for continuity of supply	Another important point is the need to purchase gas in respect of system losses. Depending on the Member State, some DSOs are responsible to buy their systems losses.
B4 beyond-the-meter	The limitation in the text that the DSO role may only be in the case of gas emergencies should be expanded to include circumstances where DSOs have an obligated role, for example the periodic safety check-up of the boiler or the house installations. In general, activities beyond the meter should be left to the market.

C2 Customers revenue protection	The title should be amended here to disconnection and reconnection as it relates to that. Revenue protection is a much wider topic. The paper links this point to unbundled DSOs, which is not relevant in this context. All DSOs regardless of the unbundling form, have to provide this service to the supplier, as suppliers do not disconnect or connect customers to the grid.
C3 Customer switching	Facilitating customer switching is a core role of the DSO.
C4 Commercial data handling	This should be split into commercial and regulated data and it is important to distinguish between the two: • Regulated data is data for balancing, grid tariff billing, operations, etc. Managing the regulated data is a core role of the DSO. Commercial data (referred to as dynamic data by the European commission) is additional information that can be used for the provision of additional services. Collecting and processing the commercial data could be core role of the DSO, as well as a possible role.
F2 Third party metering	Even in this case, it is possible the DSO will have a last resort metering role. In any event, common technical rules will be required to ensure a consistent application of the metering rules. Even if metering is a competitive activity, the DSO is responsible for the allocation process and therefore needs the daily/intra-daily metering data of IDM/DM in the time frame/frequency and data format defined in the national network code.
G2 EE Beyond the meter	The DSO is legally obliged in some countries under Article 7 of the Energy Efficiency Directive, to carry out activities beyond the meter, e.g. Denmark.
G3 Energy efficiency	Under the energy efficiency directive, DSOs may be legally obliged to have a role in energy efficiency. This should be added to the supporting text. It may be possible to merge items G2 and G3, as they appear to cover the same topic.
L2 Data collection	Limiting this to system security is too narrow. DSOs need data for many reasons other than data management.

5. For activities falling in category II and III (see Figure 1), under which regulatory conditions could DSO intervention be allowed?

We refer to our answer to question 3 earlier in this consultation. Clearly where there is a legal imperative to do such an activity the DSOs must do so.

The conditions for DSO intervention are established in the third package, through respecting the rules of unbundling and also by following the principles as stated in this consultation: transparent and non-discriminatory treatment of market participants, i.e. acting as a neutral market facilitator.

6. Do you agree with the assessment of DSO access to data and data management?

The assessment itself is fully supported by Eurogas. As said earlier, according to article 27 of the 3rd package any DSO has to act in a non-discriminatory manner delivering, as the consultation proposes, sufficient independence and market confidence. Therefore, any DSO should have the possibility to be appointed data manager.

In each Member State, future national rules for Data Management for gas will vary, depending on the roll-out of smart meters and on balancing and metering rules. The distinction in the text between technical data and commercial data need further clarity. Metering data of intra-daily metered customers for example have to be provided to network users, twice a day according to the European network code on gas balancing. This data can be considered as both commercial and technical data.
The principles set out in the consultation regarding data management seem sensible, namely:

- Clear rules;
- Neutrality;
- Customer data protection and privacy;
- Cost efficiency and simplicity and interaction.

Information should be provided to the parties that need it, in a transparent, non-discriminatory and efficient way. Where customer consent is required for data sharing, this consent should be provided to the DSO or the appropriate third party. Customers' privacy and data confidentiality should always be safeguarded. The role of the regulators should be to ensure that these rules are followed, regardless of the party that carries out the data management.

7. Do you agree that the risk of DSOs participating in some of the "grey areas" (particularly flexibility and DSR) decreases the more separated a DSO's operational activities are from other competitive activities carried out by other companies within the same vertically integrated group?

As mentioned above, we think it is important to develop a common view, together with CEER, of what competition within one of the "grey" areas means and then there could be argument for looking in more depth and on a case by case basis at this stance. It is clear, however, that users of DSO services have to be confident in their continuing role as neutral market facilitator.

The contention in the question would suggest that the third energy package is not providing sufficient safeguards and that it allows a means to discriminate between parties. We are not aware of any examples of this, and no evidence is provided to make such a conclusion. The correct implementation of the third energy package must remain the priority.

The requirements in the Gas Directive should be met and there should be continued assessment and enforcement of existing rules. At present Eurogas does not see the role of the gas DSO changing in such a way as to require changes to the unbundling rules. If, however, the role of DSOs evolves in the future away from that of neutral market facilitator, further thought may have to be given. A one-size fits all approach may not in any case be the way forward, providing customer interests are met in a competitive market. Any further framework measures should be conditional on thorough cost-benefit studies.

The rules in force today are to ensure that no preferential treatment is offered to any company in the same group. If this is not the case, then the issue is with the application of the current rule-set and this should form the focus of the regulators considerations.

8. Do you agree with first considerations on the de-minimis threshold?

In the first instance, it is important to set out the differences that apply to those DSOs to whom the de-minimum rule applies and those that it does not. In the case where Member States decide to apply this exemption to Article 26 of the Directive 2009/73/EC, several other Articles in the Directive still apply to all DSOs, such as:

- shall not discriminate between system users;
- provide system users with their information they need for efficient access and use of the system;
- keep separate accounts for the distribution activities with a view to avoiding discrimination, cross-subsidisation and distortion of competition.

The article 26 to which the exemption applies (in cases where Member States decide so), refers to the legal form of unbundling. Therefore even in cases where the exemption is

applied, other safeguards exist which if enforced should ensure equal treatment of users. Indeed, if a DSO with such an exemption were not treating all users in the same manner, then that DSO will be in breach of the current legislation.

Chapter 2: DSO-TSO relationship and responsibilities

9. Do you consider all the activities and topics described in this Chapter relevant to further defining a regulatory framework for DSO-TSO relationship and responsibilities? Are any activities or topics missing in the DSO-TSO relationship discussion?

We agree with the topics that CEER have identified as part of the relationship between the TSO and DSO. In gas, coordination for balancing is very relevant and we note a chapter on information flows including between the TSOs and DSOs is included in the European gas balancing network code. The gas interoperability network code should also be referred to, as it covers some key areas of cooperation between the TSO and DSO. The Regulator also has an important role in DSO-DSO coordination as it has oversight of all the DSOs within a Member State. Like the TSO, The DSO will also have an important role in implementing the European network codes.

10. Do you agree with the description of the activities and topics in this Chapter? If not, what is your view on your specific activity or topic that is relevant for the DSO-TSO relationship?

There are quite a few different points summarized under this chapter and they seem to be written with electricity in mind. Therefore we would like to answer according to the subchapter.

2.1. Real time operation: Data communication between the TSO and DSO in gas follows very different rules to that of electricity. Gas grids have the advantage of linepack, which allows longer reaction times. Demand response in gas, in the form of interruptible contracts, has been used in some Member States for a long time, driven by capacity prices, or the possibility to fuel switch. In the future, demand response is likely to develop to a different level, due to the close connection between gas and electricity systems. Customers producing electricity from gas might switch between self-production and buying electricity in times of oversupply of RES. Due to the flexibility of the gas grids, this should not pose a technical problem as long as the peak loads for which the DSO system was designed - depending on the Member State and region, typically in the range -5 to -16 °C, are not surpassed. Only in cases of emergencies or gas shortages, would special communications be needed.
When developing network plans , not only the cooperation between gas TSOs and DSOs is needed, but also between the operators of both gas and electricity grids. Considering the

potential in micro-generation and power-to-gas, electricity peaks can be managed by using the gas grid, therefore potentially avoiding electricity grid reinforcements.

2.2. For gas, we would not concur with the statement regarding missing coordination and data exchange, between the DSOs and TSOs. The balancing rules are defined in the network code and are implemented into the national rules.

2.3. The gas TSO has to define with supporting rationale for the regulators consideration, the granularity and frequency of data and forecasts of the connected DSO needed to balance the system. For example, in Germany, the TSO has the right to ask the large and relevant DSOs for a daily forecast, in order to be able to plan the balancing of the system. If a TSO has capacity constraints in their grid, this might lead to special rules for cold days. The allocation system in each country will also require agreed rules that the TSOs and DSOs must follow.

Network planning on the TSO level: According to Article 8 of the Gas Directive, ENTSO-G has to develop every 2 years a European community wide network development plan. In this rather complicated process, the TSO in each Member State plans their grid, including the needed capacities for the delivery to the DSO. DSOs have to take part in this process, with potential consequences on the long-term capacity planning for the interconnection points to the TSO. If power-to-gas and biomethane develop further, these injections into DSO grids have to be included.

The coordinated system planning between the gas TSO and gas DSOs should be limited to the topic of capacity planning. The development of the DSO grid is a very local process and out of scope for the TSO. Common planning standards between DSO and TSO should be limited to the calculation of forecasted capacities at the interconnection points. Grid planning of a DSO grid will be very different to the grid planning of a gas TSO.

2.4. This is only valid for electricity. Emergency and restoration procedures in gas are totally different to electricity. As of today, no gas network code is planned for this topic. Due to the Ukraine crisis in 2009, it can be assumed that detailed rules have been laid down in the Member States on how to deal with security of supply issues and interruptions in the DSO grids. This would require close cooperation between the TSO and DSOs.

2.6. The need for real time data exchange between the gas TSO and Gas DSO is limited. Depending on the Member State and technical rules, the interconnection stations between TSO and DSO – including the online metering equipment - are owned by the TSO. Therefore the TSO always has the possibility to access the data in the frequency needed for the simulation of the flows. The need for more information should be discussed in the national industries according to the needs of the TSO. Gas Balancing data is not considered as real time data.

11. Do you agree with the statement that further regulatory guidelines may be required (in addition to current Network Codes) and if so, which regulatory guidelines do you consider necessary?

At present, Eurogas do not see the necessity for further regulatory guidelines in gas in addition to the network codes. A lot of progress has been made in developing the codes and their implementation is well underway. We also understand that the entire list of potential codes from the third package has not been fully considered yet. The paper specifically refers to biogas as a reason for potential further interventions in the gas market. However, Eurogas is not aware of any examples where the injection of biogas would necessitate such a requirement. In the preparation of European network codes, DSOs should be given a clear identifiable role.

Chapter 3 Economic signals for DSOs and customers

12. What, if any, are the particular or incremental risks attached to innovative and non-conventional investments? Do these warrant special recognition by NRAs? To which extent, if any, is this incremental risk borne by DSOs?

By their very nature, innovative and non-conventional investments carry a greater risk profile than conventional investments. This can cover the upfront capital costs, but also the operational costs once the investment is carried out, with smart metering being an example. Answering the CEER question on a fundamental basis, the level of risk borne by the DSOs must be linked to the level of reward in the event of a positive outcome. This holds true for that part of the risk that is borne by the customer – they should then take a fair share of any positive outcome.

Such investments do warrant special recognition by the NRA. However, it is important that any increased risk of such an investment does not result in increased risk in other parts of the DSO business. Individual investments in this case may need to reimbursed in a different manner.

13. Does the conventional focus on rate of return regulation on capital expenditure, and in some cases limited pass through of OPEX, have the effect of discouraging certain smart grid investments? What alternative approaches help incentivise DSOs to adopt smart grids?

The CEER correctly diagnose that the current regulatory model may not suit those investments which have a higher proportion of Opex over Capex, as compared to the

traditional grid infrastructure. In these cases, other models may be warranted, but limited to the specific investment, rather than all of the business activities.

14. CEER would welcome views from stakeholders on the pros and cons of output based incentives. Please also define for which regulatory incentives they might be appropriate.

The answer to this question will differ per Member State DSO. It may be that some form of output based regulation is appropriate to those DSOs who have liberalised their markets many years ago. However in those cases, where the regulatory framework is less mature, a jump to output regulation would not make sense. The consideration of whether output regulation is appropriate or not, might cover issues such as:

- The degree of liberalisation;
- The evolution of a countries regulatory framework;
- Is the increased level of complexity manageable for the DSO and NRA, particularly when there are many DSOs.

15. Do you agree that to allow timely recover of DSO revenues, assumptions on consumption patterns in tariff models could be updated within price control periods?

Yes, this is a sensible principle and is more important given the changes in demand patterns that have been seen in recent years and are likely to continue. In the absence of such a measure, the risk profile of the DSO would increase affecting its WACC with consequent costs. It also should be noted that this is a two-way tool which can be used in the event of over-recovery, due to increases in consumption.

The fundamentals for tariff design in electricity and gas can differ considerably. Notably gas tariffs need to consider the considerable seasonality of demand and apportion the cost of peak capacity, to a much greater extent that electricity tariffs. The presence of competing fuels is also an important factor when designing tariffs for gas distribution. With regard to the question of fixed verses throughput based tariffs, it is a trade-off:

- Too much fixed costs might mean a loss of customers, while on the other-hand ensure a steady income for the DSO;
- Customers might be discouraged from using gas, if there is a high fixed rate tariffs (e.g. for their cooking needs;
- A higher consumption charge can encourage energy efficiency;
- Gas demand is more variable due to the direct link to temperature, so the risk is greater.

16. How can ToU network tariffs be coordinated with system energy prices?

This section does appear to be written with electricity in mind, therefore, perhaps any conclusions should be limited to electricity. Time of Use tariffs should be coordinated with the needs of the distribution system rather than energy prices, which the commodity element of an offer should be related to. For example, in gas, time of use tariffs can be linked to the increased grid needs in the winter compared to the summer or even on a more granular monthly or daily level. In most cases, time of use tariffs within the day is not relevant in gas, give that it is typically a daily priced product

The interaction of network tariffs with energy prices would need careful consideration and there may be circumstances where they are contradictory in nature. The introduction of time of use tariffs might also consider if the additional complexity in the customer's bill (depending on the design) is offset by savings to the customer's bill.

17. Are there circumstances under which suppliers should be required to pass through the distribution tariff signal to customers? - If so, should there be regulation to ensure this happens?

Suppliers should not be obliged to pass on the signals from tariffs, as this could have a direct and potentially adverse effect on retail pricing. Suppliers should be able to have all the flexibility their need to propose offers for different consumer segments (e.g. optimization of energy price and network tariffs).

As the main point of contact with the final customers, suppliers are in the best position to know and address the needs of their clients through adequate offers that optimise both the use of energy and the use of the networks.

18. Do you agree with the above assessment (in Table 2) of different cases when DSOs or other parties should have contracts or agreements with consumers and distributed generators?

The content of table 2 is very complex and seems to be purely electricity based. Therefore our comments are more generic regarding DR for gas. The differentiation between the four different cases of DSR is not clear and neither is the basis for choosing whether certain contacts should be allowed by the DSO. It is not clear why new and existing customers are treated differently. We would refer to earlier comments on the role of the DSO and that with the current rule-set, there should be no obstacles to the DSO carrying out the data management role.

Gas DSOs might need demand response contracts for two reasons: if the capacity of the TSO grid in not sufficient to connect all customers without unplanned interruptions at cold temperatures, or if the capacity in the DSO grid is not sufficient to connect new customers DR can lower costs. In both cases, the location of the interruptible customer will be crucial. It would be preferable if suppliers or aggregators can offer demand response capacities on the local level. If no offer is available, the DSO must have the possibility to contract directly with

relevant customers. The process shall be transparent and non-discriminatory and give market actors sufficient possibilities to take part.

Possible grid tariff design will depend on the market. What the aggregator or supplier offers to the end customers should not be regulated.

19. Which type of regulatory controls should be adopted by NRAs for DSOs, in cases of contractual arrangements falling under categories II and III?

There may be a regular call for market participants to test their interest in offering such products. Transparency is a key regulatory control for this area- publishing rules, controls, etc. The regulatory controls that are needed are likely to vary depending on the specific features of the role.

12.02.15

Role of a Distribution Company

1. The 2009 Internal Market Directive (2003/55/EC) defines distribution as the "transport of natural gas through local or regional pipeline networks with a view to its delivery to customers, but not including supply" (Art. 2(5)). Supply is defined as meaning the sale, including resale of natural gas, including LNG, to customers.

General

2. Distribution companies are primarily distribution system operators, who maintain and extend the physical network and operate it safely on behalf of all network users. At present, a DSO's responsibilities are perceived as the following in line with Articles 24-29 of Directive 2009/73/EC:

   - maintain the safe operation and efficiency of the local network and work with the Transmission System Operator (TSO) to minimise supply interruptions, low pressure;
   - manage emergency situations in coordination with the relevant TSO, suppliers and other agencies;
   - extend the distribution network on a cost-efficient basis to meet new demand, cooperating as appropriate with suppliers, end users, and other parties in identifying future possibilities;

   These provisions emphasise the essential neutrality of the DSO, in terms of non-discrimination, information provision and grid operation. Eurogas considers that implementation of these requirements identifies the role of the DSO as primarily a neutral market facilitator, with a significant organisational role to play in many member states in making customer switching easier. Therefore, it is essential that they are implemented in full. DSOs may also be given specific tasks under national public service obligations.

Metering Services

3. In addition to their network responsibilities, distribution companies are usually appointed the Meter System Operator (MSO), though there are a few examples where third parties have the opportunity to compete for this activity. In the later case, DSOs are usually appointed the MSO of last resort also. Consistent with the requirements of the Third Package metering and meter reading services should be efficient, economic and provided in a non-discriminatory manner, whether provided by the DSO or any competing metering companies. If the DSO is not the MSO, clear rules should be in place to allow the DSO to fulfil their obligations under the balancing network code.

4. Where DSOs or any third party have responsibility for installation of smart meters, this should be cost efficient in a way that supports market-driven supply choices for customers.

Customer Switching

5. DSOs should also contribute to a well-functioning retail market by

   - Ensuring no barriers to suppliers wishing to enter (or exit), in particular through making more easily available effective, simple, and low-cost switching processes. This role may vary among Member States, but certain principles should be observed.
   - DSOs should provide system users with the information needed for the operation of a competitive market and efficient access to the system.
   - Information should be provided to the parties that need it in a transparent, non-discriminatory and efficient way. Where customer consent is required for data sharing, this consent should be provided to the DSO or the appropriate third party.. Customers' privacy and data confidentiality should be safeguarded.
   - Standardised electronic formats for data exchange between DSOs and industry participants should provide a level playing field for all gas suppliers at national level. In the longer term, this could set the foundations in place for cross-border market integration.

6. As smart energy markets and demand-side response develop, the role of DSOs should adapt to the new dynamics delivering a level playing field for energy market competition through the adoption of appropriate technical solutions

Data Management

7. The role of the data management responsible party/parties should be filled according to the ability of the party/parties to meet effectively the needs of the market and its customers. The objective of data collection and subsequent data management depends on the type of data and how it will be used. Data could be (1) validated; (2) dynamic; or (3) be required for the operation and functioning of the system.

8. Validated data, e.g. consumption and billing data, belongs to the customer under the Energy Efficiency Directive 2012. Where the customer requests that this data be provided to a DSO or any other third party, this request should not be unreasonably withheld.

9. Dynamic data: where smart meters are installed, timeliness of data availability will in general improve, although differences will continue in the functions meters can perform, depending on their gateway communications. Customers may have access to dynamic data directly from their smart meter. The DSO has no role in this data flow, though it is noted that this data is not validated. This data can be expected to be used for the provision of services other than those offered by DSOs, e.g. energy services and aggregator services. Any aggregation services will also require validated data from the DSO or appropriate third

party afterwards. Data required for the operation and functioning of the system should be provided in a way that facilitates the effective operation of the market.

10. Where data has the potential to be used for commercial purposes, then, subject to appropriate customer consent, this data should be available to all market participants. Where DSOs seek to compete in such markets, perhaps outside the scope of their regulated activities, their participation should be subject to appropriate legal, accounting and brand separation from their regulated operation, together with the introduction of the necessary compliance regime and Chinese walls.

Service/Performance Standards

11. Distribution companies should establish standards of service/performance standards for all their key activities, which are cost-effective, reasonable and achievable. These standards do not need to be the same in all Member States, for example prevailing climate conditions or DSO's obligations arising from National Safety Regulations may recommend flexibility of approach. However,

    - Suppliers should understand the service they and their customers are entitled to expect from the distribution company.
    - Standards of service should incentivise the distribution company to deliver the required levels of performance, e.g. through compensation mechanisms, when standards are not met.

    Standards of service schemes should be consistent in their design, and with requirements placed on TSOs, to ensure a coherent network service for companies. Where distribution service obligations exist in Member-States, these should be transparent to consumers.

New Connections

12. Where a DSO connects new properties to the gas grid, the DSO should transparently inform all suppliers of this new connection and allow competition to occur. The DSO should be allowed to promote new connections to the gas grid. This will improve utilisation of the grid and its overall economic efficiency, the benefits from which should be reflected in fair cost-allocation and the level of users' tariffs, on a non-discriminatory basis. It may be appropriate for DSOs to be recognised for marketing activity.

Conclusions

The DSO is the entity best placed to make a safe, efficient and neutral operation of the distribution system, in line with the requirements of 2009/73/EC.

DSOs tasks are important enablers of a well-functioning retail market, principal among which is their overall role of neutral market facilitator to contribute to a level playing field.

As the market design evolves, the policy and regulatory framework should continue to ensure the necessary transparency of the DSO's role, and that their activities remain in line with the requirements of greater market competition.

Without prejudice to Article 26 of 2009/73/EC, DSOs and suppliers should engage within their differing roles to make the market work for consumers.