

## Responses to ACER Pre-consultation paper: Energy Regulation: A Bridge to 2025

### Consumers and Distribution Networks

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<b>C1. Do you think that further European level measures should be taken to enhance the operation of retail markets to the benefit of consumers?</b>
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Customers are not homogenous, and in the fast evolving energy market, their needs will vary considerably and will continue to change in the envisaged time period.

The internal market is not a goal in itself, but a means to ensure that customers benefit from a well-functioning competitive market. This is not the case throughout Europe, and so the Bridge should in the first instance emphasise the need for markets to be open and customers to benefit from the provisions of the Third Package. The ACER-BEUC *2020 Vision*, which Eurogas endorsed, is an appropriate framework on which to build the spread of good customer-related principles and practices.

Therefore, the two main aspects need to be addressed

- the interests and needs of all customers, including the most vulnerable in society, who will seek to participate in the energy market in different ways and at different levels;
- in the longer horizon and in the context of the potential offered by energy efficiency services (and also demand side response mainly for electricity), the appetites of customers to shape and engage more actively in the market.

Eurogas does not presently see need for further European level measures beyond the Third Package and the EED for the first broad category of customers. The Bridge to 2025 should build on the foundations of work done to improve market transparency of products and prices, the quality of comparison tools, billing including e-billing, the approach to vulnerable customers. It is essential to spread good practices in these areas.

Also, the target model should aim at the progressive phasing out of regulated prices as these can hinder market entrance and distort competition particularly when they are set below market price, or are below cost. When there are justified arguments for maintaining some form of regulated prices, these should be a temporary measure as part of the transition to a fully competitive market.

Different considerations, however, are arguably to be addressed with regard to further steps into the future, in a market structure in which new actors will enter the market and the roles of some existing market players could shift. New roles could evolve and relationships with customers could potentially develop in ways very different from today's. To ensure a smooth transition to this new sort of market structure, new regulatory measures may be required in the medium term to ensure a competitive and level market.

**C2. Can you suggest ways in which we could enhance the voice of consumers in the development of Europe's energy market?**

Does the “we” refer to ACER/CEER, or to all stakeholders aiming to enhance the voice of consumers?

If the first, then a number of practical ways are open to ACER to engage consumer Associations, from bilateral discussions at European level to closer relations at national level between NRAs and consumer bodies, ombudsmen etc. it will also depend on resources and how organisations are structured nationally.

The “voice of consumers”, however, can be broader than the representation of customer bodies. Industry from its perspective engages increasingly directly with consumers, to establish their needs and interests. In a competitive market, companies will often not be able to share their findings, but they can still reflect their perceptions and expertise in wider dialogues that can contribute to the picture of needs of different customers.

**What are the main questions that you consider the proposed CEER review should address with regard to the future role of DSOs and also to ensure that the regulation of distribution networks remains fit for purpose in 2025?**

The roles of DSOs differ across Member States and are evolving in both gas and electricity in recent years and this trend is likely to continue to 2025. The regulatory environment to 2025 should build on the full implementation of the second and third energy packages.

In gas, we are seeing distribution networks:

- accepting injections of renewable gas;
- being used as a conduit, supporting the roll-out of gas in transport services;
- expanding the grid to give the customers a fair and cost efficient choice for heating fuels;
- connecting power to gas facilities, providing a form of energy storage to complement the intermittency of renewable electricity.

In some Member States, DSOs may have direct contact with customers, but in other national models this will not be the case. These differences must be considered and it may not be possible to adopt a single “one size fits all” approach.

In parallel, smart metering systems are being installed in countries where a cost benefit assessment showed it beneficial to do so. In most Member States, DSOs are responsible for managing this installation (in at least one Member States, however, the roll-out is supplier-led). A robust and high quality data network is needed to support these developments.

The work on the Bridge to 2025 should evaluate the role that DSOs play as “neutral market facilitators”, providing consumers and suppliers with transparent and efficient switching procedures. It should also consider the roles DSOs can play to help facilitate the emergence of new technologies, e.g. more biogas in the grids which helps also to reduce greenhouse gas emissions. In addition, the

added value of already existing technologies in gas and renewable heating technologies (such as gas heat pumps or micro-CHP for residential and commercial heating systems) will increase.

The review should focus on the changing nature and function of activities in the market to 2025. For example, for data management, what are the features that would be valued by customers and market actors: privacy and confidentiality; accessibility; transparency; non-discriminatory, etc.? Guidance for each of these could then be explored.

The review could examine roles in terms of current activities of DSOs and whether there are market participants willing and able to share or take these responsibilities, as well as costs and benefits of having different participants carry such roles. Valuable insights may also be gained from practical experiences to date in the member states.

We welcome that the Bridge to 2025 pre-consultation considers both gas and electricity issues in a holistic manner as an efficient energy system can maximise the benefits (such as security of supply) from both of these complementary infrastructures. Of course the review should also consider where the characteristics of the gas and electricity systems differ, given their inherent characteristics. An issue that is identified with the electricity sector, may not be relevant in the gas sector and vice-versa.

The injection of renewable gas into the grid will in the near future not influence the gas grid as much as the renewable injection on the electricity side. For demand side management, the possibilities for gas lie mainly with the commercial and industrial consumers. However the market could develop by optimising the use of gas and electricity technologies and markets. The DSO can act as an enabler and data provider for aggregators and suppliers. In times of grid congestion there must be a traffic-light-system in place, communicating with the other DSO – adjacent gas DSO or other forms of energy as electricity, heat and cooling – to achieve optimal results in terms of cost efficiency, potential consumer activities and grid stability. We think that the consultation should consider these aspects.