

POSITION PAPER

Smart local distribution grids, or Successfully linking energy markets with the energy transition

The internal energy market and the energy transition have both been decided upon in a democratic political process in the European Union. All necessary measures have to be developed to realize both objectives, as balanced as possible. With the introduction of market elements where possible and realistic, and with public intervention and regulation where needed.

The strategic topic of the smart grids should be approached equally from an energy system perspective and from a market/business perspective.

Security of supply is an essential concern for households and businesses alike. New possibilities arise for consumers, producers and energy services companies in a competitive market environment. In the regulated part, the concern for effectiveness (“keeping the lights on”) is closely linked to the search for efficiency (“keeping the costs down”), thus pushing for better asset management and innovative ways of demand side management.

CEDEC is convinced that adding more intelligence to the local distribution grids is essential to accommodate the future mainly decentralized energy mix. Adding intelligence requires ICT; ICT will deliver more and faster data; and data is the raw material for smart grid operators. Therefore it is essential that DSOs continue to be responsible for making the necessary and optimal ICT choices, in order to guarantee security of supply and to fulfil their role as market facilitator.

Transparency in the market is key to build up consumer’s trust.

In the consumer’s interest, the DSO can act as an enabler for optimal market functioning: by contributing to a level playing field, and by making data available to all stakeholders in a non-discriminatory way - secure, regulated and affordable.

In the citizen’s interest, the DSO can act as an enabler for the energy transition: by playing its role in energy efficiency where needed; and by contributing to a maximum integration of renewable and sustainable energy sources in stable and reliable distribution systems.

Given the importance of data privacy and data security for consumer’s trust, limiting the number of different roles and actors in the market will also contribute to the transparency for the customer.



Stable and stimulating regulatory framework is key to build up investor's trust.

A stable regulatory framework is providing the necessary mid to long term visibility for investors, not only for generation but also for grid infrastructure.

Given the technological upgrade that has to be undertaken to add more intelligence (mainly data intelligence) to the classic top-down grids, a more incentivizing regulatory framework is needed to stimulate innovation.

Quite evidently, the higher technology risk needs to be rewarded accordingly.

Member States need to act now to stimulate investments and innovation, contributing to growth and jobs.

DSO as the market facilitator, sure to get things done – in time.

DSOs are currently already under the supervision and control of national energy regulators. The European Commission seems to be convinced that in the smart grid environment all new activities involving new technologies should be left completely to the market.

The question arises if sustainability objectives - reflecting general interests – will best be served by maximizing the role of the market.

Knowing that a regulated alternative (DSO) is available, is it reasonable to take the risk that markets will not deliver?

Given the objectives for 2020 and beyond, is it reasonable to suppose that markets – if they deliver - will deliver in time?

The better solution seems to be to leave tasks and roles to the market where possible and reasonable, but to stick to regulation where needed in order to realize other than market policy objectives (like the energy transition).

DSO decides independently on possible synergies with ICT or other third parties.

In the recent *Communication on the Internal Energy Market*, the Commission insists on “reconsidering” the current role of the DSO and endorses a reflection on the future role of the ICT sector in local (only local!) energy distribution grids.

Moreover it is stated that all activities in the DSO area that involve new technologies should be left to the market (meaning mainly ICT).

This proposal will surely bring commercially interesting chances for ICT and other companies, but also risks to introduce insecurity in the energy system : not only about the possibility to reach the targets (what if markets do not deliver ?) but also about the risk of losing valuable time.

BACKGROUND NOTE

Why should DSOs be responsible for the data communication in smart grid environment?

Metering is DSO business

- The data originates in the DSO domain, as in 25 Member States DSOs are solely responsible for metering. (UK has a metering market; Germany officially has one.)

Secure system management

- In the changing energy system with quickly growing shares of renewable energy installations connected to the distribution systems, fast and smooth data communication to ensure system stability is essential - if 2020 targets are to be met.
- DSOs are responsible for grid stability. They should not depend on commercial market parties for data availability - if security of supply and system integrity is to be guaranteed.

Level playing field

- DSOs will provide data to third parties in a non-discriminatory manner since they are not commercial players. Delivering data - as part of market facilitation services - will stimulate the entrance of new market actors and enable new business models (e.g. ESCOs).

Data protection / customer privacy

- DSOs are mostly public and always regulated entities, which have no interest in treating data as commercial products, and can be easier and more effectively controlled by regulators than (previously unregulated or new) third parties. This is a safeguard to the privacy of consumers. If any other unregulated party becomes responsible for data handling, this contains fundamental risks for data privacy and security.

Where are the potential synergies between DSOs and ICT?

- From DSO perspective, ICT companies can be suppliers or partners. Final responsibility should always be in the hands of the DSO, who looks for synergies with third parties and decides individually on the form of cooperation with third parties.
- When searching for synergies, a cooperation model between DSO & ICT is possible in which responsibility for data collection, handling and communication remains with the regulated DSOs, but where use is made from technology, innovation & operational strengths of ICT companies. Any construction to exploit synergies has to ensure a level playing field, otherwise the functioning of the energy market is damaged.
- It is a real challenge however to overcome the mismatch between the ICT business model (short-term perspective; low cost driven; large bandwidth) and the real DSO needs (long-term perspective; high capital needs; moderate bandwidth).



CEDEC Background information

CEDEC represents the interests of local and regional energy companies.

CEDEC represents 1500 companies with a total turnover of 100 billion Euros, serving 75 million electricity and gas customers & connections, with more than 350.000 employees.

These predominantly medium-sized local and regional energy companies have developed activities as electricity and heat generators, electricity and gas distribution grid & metering operators and energy (services) suppliers.

The wide range of services provided by local utility companies is reliable, environmentally compatible and affordable for the consumer. Through their high investments, they make a significant contribution to local and regional economic development.