



European Federation of Local Energy Companies
Confédération Européenne des Entreprises Locales d'Énergie

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CEDEC Position Paper

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CEDEC is the European association of local and regional energy companies.

CEDEC represents more than 1500 companies with a total turnover of about 100 billion Euros, and more than 250.000 employees. Together, they serve 75 million electricity and gas customers.

These predominantly medium-sized and small energy companies have developed activities as electricity and heat generators, electricity and gas distribution & metering system operators, and electricity and gas suppliers.

Local energy companies - strong partners for a sustainable energy industry in the European Union

The energy industry and thus the local energy companies are in a profound and necessary transformation process that is largely determined by the European Union. In light of the challenges associated with this, local energy companies welcome in principle the priority areas proposed by the European Commission for its energy policy until 2020.

In view of the transformation process associated with the development of a decentralized energy system in the EU, the proposed priorities in the EU strategies should be more focused on this development. The local energy companies are ideally placed to serve their local markets and therefore are the cornerstones of a sustainable energy industry with their decentralized generation, network infrastructures and energy services.

1. Creating an energy-efficient Europe

Increased energy efficiency is a key prerequisite for improving the competitiveness of the European Union. The EU and the Member States have already taken some important measures.

So far, in energy production the combined generation of heat and power has not been sufficiently considered. With an efficiency of up to 90%, combined heat and power (CHP) is by far the most efficient production technology. In addition, the highly efficient use of fuel in cogeneration plants reduces CO₂ emissions to a considerable extent.

As far as energy efficiency services are concerned, an appropriate advice for consumers is necessary for the optimal long term development of their energy use. This implies that - next to public service obligations that may be imposed on DSOs & suppliers in this field - commercial energy advice services should be offered in an open market with a non-discriminatory access for qualified service suppliers.

CEDEC calls for an increase in energy efficiency in the energy industry:

- the review and development of the CHP Directive, since its implementation has so far progressed little. The objective should be to establish minimum standards for the promotion of combined heat and power in the Member States.
- testing the integration of CHP heat in the emissions trading mechanism of the EU. The focus here should be on how the competitive disadvantages associated with CHP heat from the auctioning of emissions trading - in contrast to competing energy sources such as heating gas and heating oil - can be compensated through public policy.

CEDEC is in favour of a better integration of electricity, gas, heat and cold networks. In order to reach this goal, the **opening of the district heating and cooling networks to competition**, as recently promoted by the European Parliament, **would be counter-productive**.

The reason for this is that the CHP infrastructure, unlike gas and electricity networks, is local and has a defined group of heat consumers. Since district heating systems are designed accordingly and are technically unable to transmit the heat or cold (local area networks, heat losses in transmission over greater distances), opening up the networks to competition would lead to a need to shut down existing highly efficient cogeneration plants. The result would be a reduction in energy efficiency.

In the field of **energy efficiency advice and services for final consumers**, CEDEC is in favour of the ambitious climate goals and therefore is convinced it will be necessary to involve all potential players that are in contact with the consumer and who can contribute to the realization of these goals. Also, different existing incentive and support schemes (public service obligations or white certificates) – as far as they have proven their success - should be maintained.

2. Developing an integrated internal market

The backbone of the internal energy market of the EU is its energy infrastructure. An expansion, in particular of decentralized generation structures, urgently requires the implementation and development of energy infrastructures, particularly in the field of electricity.

Signs of a switch to decentralized structures, bidirectional communication and control of production, consumption and storage of energy are visible at all network levels. This convergence of ICT and energy infrastructure will result in the emergence of smart grids. The first priority in the development of smart grids should be the satisfaction of the needs of the network users. The challenges are mainly at the distribution level.

The prerequisite for a functioning internal energy market is also the creation of market transparency and safeguards against market abuse. Existing and successful working practices in the Member States should be used as a basis for the further development of the energy market. As an example of market transparency, transparency platforms already exist in some regions, which provide market participants with fundamental data.

The cost of the search for transparency should be in line with the expected level of profits for consumers in terms of development of the market.

CEDEC supports the completion of the internal energy market with regards to energy infrastructure in that:

- procedures for the accelerated implementation of smart grids will be created at the distribution level. Simplifying and accelerating the approval process should not be limited to transmission network level but is equally valid for the distribution network. The expansion of the distribution network level must be equal and parallel to the planned expansion of transmission network capacities.
- the additional training and reconstruction costs for expanding the distribution network level, for example by the implementation of smart grids, are recognized in the system of incentive regulation. The local energy companies in the European Union require long-term investment security.
- consistent and workable framework conditions must be created to fulfil the political requirements for the roll out of smart meters. There must be open-technology interfaces and standards. Network operators must also have the opportunity to refinance their investments in the establishment of smart metering systems fully and promptly through network charges.
- research and investment in innovative storage technologies capable of reducing the costs of network expansion and balancing, is to be encouraged.

CEDEC expressly supports the EU plans to continue the development of renewable energies.

However, it seems too early to create a single European support system. The different existing national support systems proved to be effective and cost-efficient promotion tools for the time being, and should be retained to avoid disruption of the current positive developments. In the long term, a harmonization of support systems within the EU internal market should be analyzed.

CEDEC supports the completion of the internal energy market with regards to market transparency and market abuse in that:

- transparency in the energy trade is strengthened with the aim of improving the functioning of the markets. Proportionality must be maintained with respect to the transparency obligations and care must be taken to ensure that the relevance of the data to be collected is guaranteed.
- the transparency obligations are regularly reviewed for their effectiveness before further commitments are implemented.
- specific rules for energy markets are created that fit the characteristics and purposes of the energy markets, and which are not necessarily aligned with the new regulations for financial markets.

3. Strengthening consumer protection in the European Union

As local energy companies are close to the customer, consumer protection is of high importance from the perspective of CEDEC.

Therefore CEDEC supports the plans announced by the European Commission to facilitate switching between provider, to report on the implementation of consumer regulations and to implement smart grids / smart meters.

To strengthen consumer protection CEDEC suggests that:

- use is made of successful working practices in the EU Member States
- the impact on companies of reporting obligations is taken into account, in order to limit the organizational cost that is caused by avoidable bureaucratic formalities".
- concerning data collection, protection and privacy, only relevant data are collected, preferably to be handled by a neutral market facilitator like the DSO
- a common definition of "vulnerable customer" is developed at European level, taking into account the diverging social and economic situation of the Member States.

4. Expanding leadership in technology and innovation

The European Union must step up its efforts in research and development in the energy sector. This is necessary to increase the competitiveness of the EU and to achieve the 20-20-20 targets, for which the priorities are set in the climate and energy package.

For the purposes of expanding technology and innovation leadership CEDEC recommends that:

- the different support programs of the EU (Framework Program on research, SET-Plan, ERDF, etc) – against the background of the negotiation on the financial perspectives of the EU – should focus more on the energy and climate policy targets of the EU
- support programs with respect to fund management and resource allocation are designed so that local energy companies are eligible to apply directly with a minimum of bureaucratic effort, and the disbursement of funds are accelerated
- pilot projects in the field of energy research take into account the developing decentralization of the energy system, the role of local energy companies and the central position of the DSOs in the Smart Grid environment.

5. External dimension

The European Union should also address strategic partnerships with neighbouring countries at the international energy policy level. This is an important basis for cooperation in key areas beyond the boundaries of the EU.

CEDEC advocates as part of the external dimension that:

- the cooperation of energy companies - especially local and regional companies – be considered in the context of potential cross-border cooperation in the field of renewables, CHP, storage, etc
- The experience of local energy companies can prove to be useful for the development of initiatives with external partnerships, complementary to large scale projects.