

# Annual Report 2011



European Federation of Local Energy Companies

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## A word from the chairman

The year 2011 has been marked by an important series of events and uncertainties in the international energy scene whose repercussions are being felt in Europe.

The international economic and financial crisis has had particularly heavy consequences in 2011 on public finances in all member states, and thus on the economic sphere and consumption of electricity and gas. The nuclear accident in Fukushima in Japan led certain countries to review their nuclear policy. The decision of Germany, among others, to abandon nuclear energy caused disquiet on the level of security of supply and led to a fundamental debate on the future energy mix of the EU member states.

After having adopted the third European directive in 2009, all member states are committed to transposing it into national law in the course of the year 2011, which had at first been fixed for March 2011 and then postponed until autumn 2011. The new legal framework notably includes more powers for regulators, greater clarity in consumer rights, the definition of a specific calendar for the installation of smart meters with a cost/benefit analysis accruing to each member state and the development of smart grids.

The European 20-20-20 objectives have also been transposed with particular attention to the proposal for the energy efficiency directive. The Smart Grids Task Force has led, throughout the year (and during the course of the year 2012) an intensive campaign on the theme of smart grids.

Moreover, the debates on the appropriate distribution of roles and oversight in the future energy landscape, namely with the entry of the Agency for the Cooperation of Energy Regulators (ACER), bear on the question of knowing what the market model should look like – and with what degree of uniformity

in the EU – and what role local and regional energy companies will play in this constantly evolving environment.

Various uncertainties have thus left their mark in 2011, and the member companies of CEDEC must confront them, on the economic, technical, social and environmental levels.

CEDEC wishes to accompany its affiliated companies in order to rise to these challenges with a single voice.

CEDEC has positioned itself during 2011 as a constructive interlocutor with the European Parliament and European Commission and will continue to closely follow and defend the different European legislative initiatives.

Thanks to the credibility gained during twenty years of its existence – since the appearance of the first projects concerning the liberalization of the European energy market – CEDEC remains an appreciated actor in the European public service sector.

Lastly, I wish to thank the directors and collaborators of the national federations and affiliated companies, who bring an essential contribution to the effectiveness of the actions carried out by CEDEC.



Bernd Wilmert  
President

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# CEDEC

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## Introduction

CEDEC defends the interests of local and regional companies operating in the field of electricity and gas supply at European level.

CEDEC's membership is made up of 2,000 companies which account for an overall turnover of 100 billion euros, 75 million customers and connections to the grid, and more than 250.000 employees.

Most of the local companies, predominantly structured as small and medium-sized companies, have developed activities in electricity and heat production sectors, operating of electricity and gas distribution systems, and supplying of electricity, gas and energy services. They are of considerable geographical importance to regional economic development and creation of local jobs.

These companies have been investing in the fields of renewable energies, combined electricity and heat production, energy efficiency and energy services for many years. They also pass their know-how on to consumers.

The structural conditions applicable to the internal energy market need to be developed without endangering local and regional companies' chances and competitiveness.

## Characteristics of companies affiliated to CEDEC

- \* They are key players in competitive energy markets: without competitors of different sizes no competition is possible.
- \* They play an active part in the entire value chain and they aspire to civic value: production, network operation, management of metering systems, supply and services for energy efficiency.
- \* They are small and medium-sized energy companies with local and regional shareholders: key players in regional economic development, investments and local jobs.
- \* They are partners in the transposition of environmental targets: investments in sustainable local electricity production, efficient and smart grids.

## Mission statement

- \* ***To represent our affiliated companies' interests in dealings with the European authorities***

CEDEC represents its members' interests in dealings with the European authorities in the field of electricity and gas.

The drawing up of legislation and regulation is the final outcome of a long process of information, dialogue, consultation and negotiation, in which CEDEC plays an active part.

CEDEC issues opinions on behalf of its members at the various stages of the legislative process. It plays a role as European spokesperson for the local and regional energy company sector.

It aims to put forward and defend the joint positions of affiliated companies in dealings with the various European institutions, including the European Parliament, Council and Commission. It also takes part in the forums held in Florence (electricity), Madrid (gas) and London (energy consumers).

Through its work, CEDEC thus aims to promote the development of local and regional energy companies in Europe.

- \* ***To translate the relationship between the companies and national regulators and carry it forward in dealings with the European regulator:***

It appears more and more crucial to ensure that CEDEC is involved in consultation procedures and other initiatives launched by the European regulator (ACER/CEER).

- \* ***To promote exchanges of information and experience.***

CEDEC acts as a veritable round table for local and regional companies operating in the field of energy. It promotes the exchanging of information and technical and economic experience between its members on the one hand, and between CEDEC and the relevant international organisations on the other.

Depending on current needs, ad hoc working groups are set up and experts are gathered in the various fields represented. They contribute to prepare CEDEC's opinions.

- \* ***To provide services to affiliated companies***

CEDEC closely monitors all legislative and regulatory initiatives and communicates relevant subjects to its members.

To do so, it publishes, among others, a regular newsletter providing targeted information: CEDEC Brief news.

Depending upon the strategic and technical requirements, CEDEC organises congresses and seminars.

Its website and information portal ([www.cedec.com](http://www.cedec.com)) enable people to consult a whole series of information online, especially the relevant European legislation.

## Composition of executive and supervisory bodies

### Executive board

#### **Chairman**

Bernd WILMERT (Stadtwerke Bochum - VKU)

#### **Deputy chairmen:**

Bernard MARGARON (SICAE de Ray-Cendrecourt - FNSICAE)  
Francesco SPERANDINI (Acea Roma - Federutility)

#### **Administrators:**

Jos ANSOMS (Intermixt)  
Lorenzo BARDELLI (Federutility)  
Norbert BREIDENBACH (REWAG Regensburg- VKU)  
Claude DESAMA (Ores - Intermixt)  
Alexandre DUNOYER (ANROC)  
Jo GEEBELEN (INTER-REGIES) till end of February 2011  
Joost GOTTMER (Alliander)  
Robert GRÜNEIS (VKÖ)  
Marcel HALMA (Netbeheer Nederland)  
René KELHETTER (FNCCR)  
Heidrun MAIER-DE KRUIJFF (VKÖ)  
Bernard MARGARON (FNSICAE)  
Giovanni TAGLIALATELA (Federutility)  
Francesco SPERANDINI (Federutility)  
Bart VAN DER CAMMEN (Netbeheer Nederland)  
Géry Vanlommel (INTER-REGIES) as from 1 March 2011  
Bernd WILMERT (VKU)  
Michaël WÜBBELS (VKU)

#### **Assistants to the Executive board:**

Pierre BOULNOIS (FNSICAE)  
Claude BOURDET (ELE)  
Renzo CAPRA (Federutility)  
Francesco DELFINI (FNSICAE)  
Thomas FREUDENBERG (VKU)  
Luc HUJOEL (Intermixt)  
Alain PETIT (Sibelga - Intermixt)  
Yves RAGUIN (FNCCR)  
Olivier SALA (GEG)  
Pascal SOKOLOFF (FNCCR)  
Guillaume TABOURDEAU (ANROC)  
Jacques VANDEBOSCH (INTER-REGIES)  
Christian VIAENE (Sibelgas - Intermixt)

### College of commissioners

Jacques VANDEBOSCH (INTER-REGIES)  
Karl FERRARI (Federutility)  
Claude BOURDET (ELE)

### Day-to-day management

Gert DE BLOCK - Secrétaire général  
Catherine BIREN - Management assistant

## Meeting of the executive bodies in 2011

The Executive Board met on 24/02/2011 (Paris – France), 13/04/2011 (Brussels - Belgium), 7/06/2011 (Vienna - Austria), 22/09/2011 (Brussels - Belgium) and on 8/12/2011 (Brussels - Belgium).

The annual General Meeting was held in Vienna (Austria) on 7/06/2011.

## CEDEC Congress in 2011

The CEDEC Congress was held at the Renaissance hotel in Brussels on 12th and 13th April 2011 and was attended by many important figures from the European Parliament, the European Commission, the regulatory authorities and executives from local companies from various countries. They met to offer a reminder of European energy policy directions and to exchange ideas on the initiatives which are underway in local and regional energy companies. The central subject of “European initiatives dealing with local realities or seeking a balance between general economic interests, consumers’ expectations and the ambitions of “local” companies” gave rise to interesting debates among the people attending the meeting.

## An affiliation to CEDEC

CEDEC members are local and regional companies (or the national federations representing them) operating in the field of energy.

The specific nature of local and regional companies, rooted in their local and regional communities, does not in any way deprive them of the right to be represented at European level. The collaboration of all local and regional companies will strengthen and both optimise their representativeness and help them to defend their own legitimate interests.

CEDEC is aiming to expand by admitting new members, in order to consolidate both its position in dealings with the European institutions and its impact in the European decision-making process. This will allow it to defend the positions and interests of its members as effectively as possible.

Any company or organisation which provides a public service of local interest and wishes to become involved in the work of CEDEC – as an effective or an associate member– may apply to join CEDEC.



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## 2011 - Highlights

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### **JANUARY**

- \* Hungary chairs the revolving Presidency of the European Union Council.

### **FEBRUARY**

- \* The Hungarian Presidency organises on 4 February the very first European Summit specially dedicated to energy.
- \* At the Energy Council of 28 February, ministers adopt conclusions on energy strategy 2011 – 2020 and on European priorities relating to energy infrastructure for 2020 and beyond.

### **MARCH**

- \* Official date of promulgation of third Energy Package for liberalization of internal electricity and gas market.
- \* The Agency for the Cooperation of Energy Regulators (ACER) becomes operational, with headquarters in Ljubljana, Slovenia.
- \* The Commission publishes its new action plan for energy efficiency.
- \* CEDEC participates in the Madrid Forum.
- \* The nuclear accident in Fukushima, Japan rekindles in Europe and throughout the world the debate on the safety of nuclear reactors and their prolongation or construction.

### **APRIL**

- \* CEDEC organizes its annual congress on the theme “Perspectives for action by local and regional companies within the framework of EU energy strategy”.
- \* The European Commission publishes a communiqué on deployment of smart grids.
- \* ACER solicits professional opinion to elaborate its framework guidelines on electricity balancing.
- \* More than 600 events take place throughout Europe on the occasion of the European Sustainable Energy Week (EUSEW).
- \* The European Commission wishes to end fiscal unbalances linked to the energy taxation directive, and proposes to modify it.

### **MAY**

- \* In response to the Fukushima nuclear accident in March 2011, the German government announces the closing of its seventeen nuclear reactors before 2022.
- \* CEDEC participates in the Florence Forum 23 and 24 May.





## **JUNE**

- \* The European Commission publishes a proposal on energy efficiency directive.

## **JULY**

- \* The Polish Presidency chairs the revolving presidency of EU Council.
- \* European Fund for promotion of energy efficiency is launched.
- \* European Parliament calls for increased financial support from the EU for large infrastructure projects in the energy field. A resolution in this sense was adopted 5 July in plenary session.

## **AUGUST**

- \* ACER adopts major framework guidelines, defining future rules for management of cross border electricity and gas interconnections. These framework guidelines shall be stated in network codes, directly applicable in all member states.

## **SEPTEMBER**

- \* CEDEC takes part in Madrid Forum, held 26 and 27 September.
- \* European Commission publishes communiqué on security of supply and international cooperation.

## **OCTOBER**

- \* CEDEC participates in London Forum, held 26 and 27 October.
- \* European Commission publishes bill on investments in energy infrastructure.
- \* EU Council adopts new rules designed to prevent manipulation and abuse in wholesale electricity and gas market.

## **NOVEMBER**

- \* Nord Stream gas pipeline, new maritime gas highway between Russia and Europe via the Baltic, is inaugurated.
- \* CEDEC sends amendments on directive proposal concerning energy efficiency to general rapporteur, Claude Turmes, and to members of the ITRE Commission of the European Parliament.

## **DECEMBER**

- \* European Commission publishes directive proposal on allotment of concession contracts.
- \* European Commission publishes its Energy 2050 roadmap.
- \* CEDEC takes part in Florence Forum, held 5 and 6 December.

# Outlines of European Union Energy Policy

## Introduction

The future of energy in the EU is one of the most important challenges Europe must face. The inevitable adaptation of our energy systems onto a more secure and sustainable path necessitates a coherent strategy and long term vision of clear political choices. Consequently, the decisions to be taken to put us on the right path are urgent, both for the investments of all concerned actors as well as for the purchasing power and competitiveness of consumers.

On the one hand, the internal energy market remains fragmented and has not yet realised all its possibilities in terms of transparency, accessibility and choice. The achievement of a truly integrated internal market must be considered a priority.

On the other hand, key decisions must be taken, in order to attain the climate objectives for 2020, namely to reduce greenhouse gas emissions by 20%, even up to 30%, to increase the share of renewable energy sources to 20% and improve energy efficiency by 20%. These objectives merely constitute a first step towards 2050.

It is therefore necessary for Europe to concentrate, in the coming decade, on the necessary investment and integration of technological progress so that European infrastructure responds to future needs.

## Internal energy market

The achievement of the internal energy market continues in spite of the important obstacles to overcome, among which we find non-existent infrastructure and insufficient market transparency.

During the year 2011 the transposition of the third energy package remained the major objective of the Commission and member states.

Even so, the national implementation of directives has been delayed. Well beyond the date set for March 2011, only eight member states have signified the entire transposition of the package.



### [Framework guidelines and network codes](#)

Günter Oettinger, European Energy Commissioner, and Alberto Pototschnig, the first director of the Agency for the Cooperation of Energy Regulators (ACER), officially launched on 3 March 2011 the activities of the Agency. ACER notably plays a central role in the realisation and elaboration of the modalities of the new European regulations.

The process described by the third package foresees, among others, that these principles will be stated as guidelines and codes of operational networks for the European transport system operators for electricity (ENTSO-E) and for gas (ENTSO-G).

The elevated level of sophistication of the network codes poses the question of their potential revision.

Noting that these network codes, whose field of activity is in principle restrained to transport activities, directly influence the activities of the distribution system operators, CEDEC has become involved in the elaboration process of these codes. In view of the development of network codes, concertations took place with ENTSO-E and resulted in a cooperation agreement at the end of 2011. Groups of experts from different organisations of distribution system operators (including CEDEC) were then put in place for the elaboration of each specific network code.

Throughout the year 2011, ACER adopted texts which establish the principles for development of the future European network codes. These framework guidelines (cf. ACER annual report) will be stated as network codes, directly applicable in each member state of the EU.

The texts are the result of an intensive amount of work carried out by European regulators, and during which CEDEC participated at public consultations and workshops, both in electricity and gas.

In view of the follow up of all projects and for which CEDEC appealed to the experts of the member companies, CEDEC placed at the disposition of its members from September 2011 a flexible and accessible extranet for members and their experts on the following site: [www.cedec.com](http://www.cedec.com).



CEDEC notes that the framework guidelines and network codes are developed at the same time, which might lead to difficulties for the participants to mobilise the necessary experts. CEDEC is convinced that the ambitious calendar can only be met if the field of application of the framework guidelines and network codes is restricted to cross-border issues with a potential incidence on distribution system operators.

This is why CEDEC recommends:

- \* Allotting the necessary time to the elaboration of network codes taking into account a sufficient period of time in order to consult all concerned actors;
- \* Recognising that all network codes do not need the same period of development; certain codes may be realised in less than a year, others need a longer space of time;
- \* Utilising the same principle for electricity as for gas, namely in developing only one network code conforming to one framework guideline;
- \* Limiting network codes to cross-border issues.

## Market integrity and transparency (REMIT)

Regulation 1227/2011 of the European Parliament and Council of 25 October 2011 which appeared 8 December 2011 in the official Journal of the European Union concerning wholesale energy market integrity and transparency, forbids certain actions in the wholesale energy markets and confides to regulators the monitoring and enforcement of these prohibitions.

The prohibitions in question namely concern:

- \* Insider operations consisting of using non-public information, whose publication would have an impact on the price of energy concerned, in order to intervene in the markets for one's own benefit.
- \* Market manipulations giving a wrong signal on the price or balance of supply and demand.

Enforcement of these prohibitions is confided to financial and sector regulators. The monitoring of cross-border transactions is coordinated at the ACER level which must alert national authorities of a potential market abuse and favour information exchange. National energy regulators will be tasked with the enquiries and will be able to impose sanctions.

In order to enable this monitoring, REMIT envisages obligations as to the availability of data, as for example the use of the means of production of electricity and the networks.

ACER shall gather the data collected. The content and field of application of these data will be defined by implementing measures adopted at the European level. Once they are implemented, the whole of the mechanism put in place by REMIT will be totally operational, probably in the course of the year 2013. Preparation has already commenced, with CEDEC taking part.

Lastly, REMIT has created a European register of wholesale energy market actors which will gather relevant information collected in the emission quota markets and which can be accessed by the regulators.

CEDEC supports the initiative aiming to improve the integrity and transparency of the energy markets. A high degree of market integrity and transparency will enable a reinforcement of trust in the markets and will encourage the participants to become more active.

In addition, the intention of implementing a "lex specialis" for the wholesale energy market, covering all energy products is, in CEDEC's opinion, the most appropriate approach to cover the question of energy market monitoring.



## Concessions

The draft directive of the European Commission, published 20 December 2011, on the allocation of concession contracts, extends the field of application to distribution and energy supply concessions.

This draft directive aims to modify directives 2004/18 and 2004/17.

The European Commission considers that the dispositions envisaged do not engender excessive administrative burdens and only concern concessions of a significant amount, where cross-border interest is manifest.

The directive objectives are:

- \* to offer greater transparency to companies;
- \* to ensure flexibility and security for the contracting authorities: no public authority shall be constrained to externalise its management methods, but this directive will on the contrary enable them to be securitised.
- \* to combat bad practices. In this framework, the Commission proposes the following measures:
  - Obligation to publish in the official Journal of the European Union beyond five million euros;
  - More precise definition of what constitutes a concession;
  - Guarantees of minimal procedures;
  - Rules on modification of contracts;
  - Rules on conflict of interest.

The text shall be debated at the European Parliament and at the Council. CEDEC has already taken position within the framework of consultations carried out by the European Commission. It will continue to defend its position during the latter phases of negotiation.

## Climate challenge

### [Action plan for energy efficiency 2011](#)

The European Commission adopted, on 8 March 2011, an action plan for energy efficiency seeking to attain energy savings of 20% by 2020. The Commission will evaluate the results in 2013 and, if necessary, will propose binding national objectives for 2020. In this context, the new energy efficiency plan proposed in particular:

- \* To favour exemplary role of public sector;
- \* To focus on deployment of smart grids and meters to optimise energy consumption;
- \* To improve efficiency of electricity and heat production, electricity distribution system operators being obliged to grant priority access to cogenerated electricity;
- \* Suppliers and distributors having to contribute to energy saving actions by improving energy efficiency among their clients. They must also appeal to energy service companies (ESCO);
- \* To launch “Smart Cities and Communities” initiative.



In general, CEDEC is favourable to European Commission proposals concerning instruments which stimulate more efficient energy use and recognises the responsibility of the public sector in this objective.

However, the manner in which energy resources are used affects not only the public but also the private sector. That is why obligations must be assigned in a fair and non-discriminatory manner to public and private actors. Moreover, CEDEC recognises that access to energy is of capital importance in improving quality of life, as well as economic development.

Consequently, energy scarcity must be analysed and approached with a holistic vision.

Concerning introduction of innovative technology, such as smart grids and meters, CEDEC recognises that these are key factors in attaining a high level of energy efficiency.

CEDEC also considers that combined heat and electricity production is an essential instrument in enhancing energy efficiency.

Finally, CEDEC recognises the importance of the Covenant of Mayors which aims to contribute to the energy objective of horizon 2020. It must also be taken into account the small regions and communities who also play a key role in realising energy saving objectives, as they ensure security of supply by providing sustainable energy services, and contribute in this way to added value in their respective regions and communities.

## Energy efficiency directive

Pursuant to its revised action plan on energy efficiency, the Commission published, on 22 June 2011, a draft directive on energy efficiency which aims to replace the directives on promotion of cogeneration and energy efficiency in end applications and energy services.

The new text foresees measures leading member states to intensify their efforts for more efficient use of energy in all steps of the chain, from energy production through distribution to final consumption.

This draft directive, which must assist the EU in reducing by 20% its energy consumption, has an important potential impact on local and regional energy companies. In effect, the Commission proposes in particular that:

- \* Energy distribution or retail energy companies must achieve each year energy savings equivalent to 1.5% of their sales, by implementing energy efficiency measures;
- \* Public authorities must realise each year thermal renovation which must cover at least 3% of the total ground surface;
- \* Installation of smart meters before 1 January 2015 is mandatory, in order to communicate in real time to consumers detailed information on their energy consumption in order better to manage their energy consumption;
- \* Member states must foresee incentives related to tariffs, in order to limit unnecessary increases in volumes of distributed or transported energy.

The European Commission draft directive has been the object of numerous debates. At the Parliament, in the ITRE committee, some 1,800 amendments were tabled. At the end, 18 compromise articles were approved in Commission.

The amended text mentions measures not included in the initial proposal of the European Commission. One of the measures consists notably in the putting into place of binding national objectives, based on reference values specific to each country of the European Union. The goal of this measure is to ensure the reaching of the global energy savings objective of 20% throughout Europe. The Commission would evaluate, in June 2013, progress achieved by the member states. The European Executive should then present, in June 2014, an energy savings proposal horizon 2030.



CEDEC has, on numerous occasions, intervened in order to mitigate certain measures, notably concerning obligatory efficiency measures and smart meters.

CEDEC also insists on the necessity for the member states to ensure the economic and financial viability of the DSOs and suppliers with regulated prices and tariffs and that this necessity must not be compromised by way of binding energy efficiency measures.

The third energy package foresees the need for a cost/benefit analysis for the implementation of smart meters. CEDEC considers that this cost/benefit analysis must take into account not only financial and technical effects, but also issues of security and consumer data protection.

It is necessary that procedures be created at the distribution level in the optic of accelerating the implementation of smart energy grids.

The simplification and acceleration of the approval process for construction of grids should not be limited to the level of the transport system, but also equally be applied to the distribution system.

## Roadmap 2050

The European Commission published on 15 December 2011 its energy roadmap horizon 2050. It presents five scenarios to reach the objective of reducing its CO<sub>2</sub> emissions to 85% by 2050.

The decarbonisation of the energy sector cannot be realised only by significant energy savings. The measures notably take into account stricter requirements for new buildings and appliances, the high renovation rate of existing buildings and the creation of energy savings obligations for energy sector companies.

The roadmap also counts on a doubling of the share of electricity in the final energy demand and on a greater contribution of renewable energy in the production of electricity.

In addition to the rapid rise of new technology in the exploitation of renewable energy, this evolution should include a reconfiguration of the electric system with more flexible and better coordinated infrastructure.

The roadmap states that, if carbon capture and storage technology is available and extensive on a large scale, gas might occupy a greater place in the European energy mix. In this case, the reinforcement of interconnections in Europe and the diversification of sources of supply must be further taken into consideration.

From the analysis of these scenarios, nuclear energy would contribute in lowering the system costs and the price of electricity. As a large scale low carbon option, nuclear energy might continue to constitute one of the possibilities for electricity production in Europe.

Moreover, CEDEC believes that an efficient roadmap should include a combination of different scenarios and require significant technological development at all levels.

CEDEC supports, in general, the initiative of the European Commission seeking a long term solution. It considers that the transition of our economy towards a low carbon energy future will have a considerable impact on energy infrastructure and on all actors in the value chain, including distribution system operators. It is therefore crucial to analyse the roles and responsibilities of the actors in a low carbon economy.





## Energy Infrastructures



There is no doubt that infrastructure is an essential element to successfully carry out the energy programmes of the EU, ranging from the achievement of the internal market to competitiveness and improvement of consumer services, from energy solidarity to meeting goals relating to climate and renewable energy, and from energy efficiency to security of supply.

### Smart grids and smart meters

In February 2011, ERGEG (European Regulators' Group) published its recommendations, following a consultation and public hearings, relating to smart meter deployment. Among these recommendations, the regulators advise member states to define at a national level a minimal list of services that suppliers and electricity and gas distribution system operators must offer their clients, in order that the latter may benefit from these investments.

If smart metering is deployed, it must effectively benefit not only the suppliers and DSO's but also consumers.

According to the European Commission communiqué published 12 April 2011, 80% of households in Europe should have access, by 2020, to smart meters. The Commission recognises that the system operators must bear the cost of the investments.

This communiqué stipulates five types of measures to favour smart grid development:

- \* The elaboration of technical standards: this implies communication protocols and functionalities in order to ensure the interoperability among systems. Besides the definition of a network code, the Commission will ensure the development of standards relating to ICT (Information and Communication Technology). The first

results on the subject of European standards for smart meters are expected at the end of 2012.

- \* Legal and regulatory dispositions to guarantee respect of consumer privacy. Concurrently with the development of technical standards for smart grids, the privacy aspect will be taken into account.
- \* The elaboration of guidelines defining a methodology for national implementation plans for smart grids.
- \* With a view to ensuring competitive services to consumers, the Commission envisages, on the one hand, the revision of the energy services directive, and on the other hand the monitoring of the application of the requirements of the third energy package.
- \* Lastly, the Commission intends to further support innovation and smart grid technology by launching the European initiative on smart cities and collectivities in 2011, and by initiatives of large scale demonstration for the deployment of smart grids.

Nevertheless, in its communiqué, the Commission has attributed a greater role to suppliers whereas all the parties involved in the work of the smart grid task force agreed on the pivotal role that distribution system operators will play in the deployment of smart grids.

CEDEC wishes that:

- \* procedures be created at the distribution level in the optic of accelerating the implementation of smart energy grids: the simplification and acceleration of the process of construction permit approval should not be limited to the level of transport network, but also be applied to the distribution network, in a simultaneous way with the planned reinforcement of transport network capacity;
- \* the additional costs of formation and reconstruction linked to network development, such as the implementation of smart energy grids, be recognised as such in the regulation, if it is done on a basis of stimulation measures: local energy companies within the EU need to have their investments guaranteed in the long term;
- \* If the political will of deploying smart grids comes to fruition, a coherent working framework must be put in place. Interfaces and open technology standards must see the day. The grid operators must, as well, have the opportunity to refinance investment granted in the installation of smart meters.

### Regulation on investments in energy infrastructures

The European Commission published, on 19 October 2011, a proposal for a regulation on investment in energy infrastructure. The objective is to coordinate and optimise the development of networks in the EU.

The regulation includes the development of smart grids among the “priority energy corridors” whose realisation the Commission judges indispensable in order to reach the energy and climate objectives that Europe has set for 2020.

A selection of “common interest projects” (CIP) should be organised, in the first instance, at a regional level, also having member states, regulators and operators intervene.

The European Commission desires regulators to facilitate the implementation of these projects by means of financial stimuli.

The issue of the principle of “beneficiary-payer” is also posed in the case of projects which lead to costs in one member state and generate benefits in a neighbouring state. This is why the Commission asks concerned regulators to agree on a sharing of costs in function of the benefits perceived.

The ambitious projects of this regulation must still be debated among the Commission, Parliament and Council of the European Union, in view of the adoption of the final text, foreseen for the end of 2012.

CEDEC has introduced its amendments to the text, in view of the final report which will be adopted in June 2012 in the ITRE Committee. CEDEC deplores that the concrete elements of the text focus solely on transport. The taking into account of distribution infrastructure – including local smart grids – is necessary to arrive at a balanced and complete text.

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## **Florence Forum – Madrid Forum – London Forum**

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CEDEC participated in 2011 in Electricity (Florence Forum), Gas (Madrid Forum) and Citizens' Energy Forums (London Forum).

The Florence, Madrid and London Forums consist of representatives of the European Commission, regulatory authorities (ACER and CEER), member states, consumers (IFIEC, BEUC) and organisations representing market actors, notably CEDEC.

In general, in the Florence and Madrid Forums, mainly problems touching the wholesale market are discussed: transport (interconnections), storage, generation and trading.

The London Forum deals with key questions relating to the retail market and consumer interests: conditions of changing energy supplier, billing, metering and data exchange or consumer protection, consequently distribution system operators and suppliers are more concerned.

### **Florence Forum – Electricity**

CEDEC took part in the Electricity Forum held 23 and 24 May in Florence.

This Forum debated the stakes linked to the concretisation of the European electricity market.

The discussions and presentations focused on four principle themes:

- \* Development of infrastructure. CEDEC expressed its opinion to extend the Commission proposal on infrastructure to the distribution level, since it tends to restrict its projects exclusively to the transport level;
- \* Regional electricity initiatives;
- \* Transparency and integrity of the energy market. The European Commission notably intends to propose, by autumn of this year, comitology guidelines on data transparency;
- \* Internal market from now to 2014. The stress has been placed on guidelines and network codes necessary for the implementation of the European electricity market by 2014.

A second Florence Forum was held 5 and 6 December 2011.

### **Madrid Forum - Gas**

CEDEC participated in the Madrid Forum of 21 and 22 March 2011.

The discussions were mainly centred on the implementation of the third energy package, on framework guidelines, on the package concerning energy infrastructure and on EU proposals relating to energy market integrity.

A second Madrid Forum was held 26 and 27 September 2011.

### **London Forum - Citizen's Energy Forum**

CEDEC participated in the Citizen's Energy Forum, held 26 and 27 October 2011 in London.

Very diversified themes which reflect all particular aspects of the retail market were debated: market competitiveness, handling of complaints, changing suppliers, the role of different actors, smart meters and development of energy services for demand side management.

# European Council in 2011

## Council Presidency

The Presidency of the Council plays an essential role at the level of legislative and political decision making in the heart of the EU. It is charged with organising and presiding the whole of the Council sessions, as well as elaborating compromises likely to offer a solution to the cases under discussion.



It is held in turn by each member state for a period of six months (from January to June and from July to December), according to a pre-established order. In 2011, the Presidency was successively occupied by Hungary and Poland. Each Presidency elaborates its work programme, which also includes an energy chapter.

### Hungarian Presidency

The Hungarian Presidency completed, in the first semester of 2011, the work of the trio of presidencies chaired by Spain and Belgium in 2010.

An event which strongly marked the Hungarian Presidency was the European Council of 4 February entirely devoted to energy.

Under the Hungarian Presidency, several strategic files destined to define common energy policy directions for the decade to come and to the 2050 horizon were taken into consideration.

- \* A ten year strategy stressed five priorities: efficient use of energy, European market integration, technological development, secure and affordable supply befitting consumers and a reinforced external dimension centred on strong international partnership.
- \* A horizon 2050 roadmap sets the main directions in order to assure the EU's transition towards a low carbon economy.

Budapest also began the work on modernising and reinforcing infrastructure, in order to set priorities in interconnections and electricity and gas capacity. Lastly, the Hungarian presidency led to the first work on the integrity and transparency of the energy market.

### Polish Presidency

From 1 July to 31 December it was the turn of Poland to head the Council of the European Union, thus inaugurating a new trio of presidencies in which Denmark and Cyprus will also take part.

Taking into account the directions defined by the European Council in February 2011 and the conclusions of the Council on Energy Strategy 2020, these three presidencies will emphasize the implementation of the strategy in question, including the chapter dedicated to infrastructure and the energy efficiency plan.

The implementation of the directive on energy produced from renewable sources was the object of a follow up concerning the viability of biofuels and questions of finance and coordination, and work on the integration of renewable energy in electricity grids.

Regulatory initiatives bearing on smart grids and promotion of electric vehicles were also envisaged in this context.

Lending appropriate support to the pursuit and implementation of the European Strategic plan for Energy Technology (SET) equally played a major role in these areas.

During the second semester Poland wished to close the negotiations in progress on the Regulation on Energy Market Integrity and Transparency (REMIT). Lastly, the Polish presidency desired to lend, in its programme, its contribution to the elaboration of the external energy policy of the EU.

## European Energy Council

The European Energy Council brings together heads of state or government of the EU member states and the president of the European Commission. The decisions taken at European Council meetings play a primordial role in defining the general policy directions of the EU, including in the field of energy.

The principle European Council held during the year 2011 was that of 4 February.

Organised by the Hungarian presidency, this European Council focused primarily on the topics of energy and innovation and concluded that achieving the internal market of the European Union was its first priority.




The Council agreed that the objective of 20% energy efficiency by 2020 in the EU must be met.

In this context, CEDEC submitted a position to the European leaders which calls for an increase in energy efficiency at the heart of the energy sector, notably:

- \* Revision and development of cogeneration Directive, the object being to put into place minimum standards designed to stimulate the recourse to cogeneration within the Member States;
- \* Integration of heat produced by cogeneration in the quota exchange mechanism for EU emissions. In this, CEDEC considers that the accent must be placed on the manner that public policies might compensate competitive disadvantages linked to heat produced by cogeneration, originating in auctioning of emission quotas relating to competitive energy sources namely gas and heating oil.
- \* An enhanced integration of electricity, gas, heating and cooling networks. In this optic, it would be counterproductive to throw open to competition collective heating and cooling networks, as the risk of closing existing productive cogeneration sites would result, in the end, in a reduction of energy efficiency.
- \* Ambitious climate objectives. It will be necessary to involve all potential actors who may contribute to reaching these goals. It would be better, moreover, to maintain various incentives and support mechanisms to the extent that they have proved their effectiveness.

The European leaders have also concluded that EU members must promote investment in renewable energy and in reliable and sustainable technology.

CEDEC formally supports EU plans with a view to pursuing development of renewable energy. The different national aid systems have proven, so far, to be efficient and profitable promotion tools; they must thus be maintained to avoid all disturbance of the current positive evolution. It will however be preferable to analyse the suitability of harmonising, in the long term, the different aid systems present in the EU internal market.



As for the European Commission, it has been invited to present new initiatives relating to smart grids.

The Council has also invited the European Commission to pay more attention to issues related to consumers and more particularly to vulnerable consumers.

In the optic of reinforcing consumer protection, CEDEC suggests that:

- \* Concerning data collection, protection and privacy, only relevant information should be gathered and treated, preferably by a neutral market facilitator such as the DSO;
- \* On a European scale, a common definition of the notion “vulnerable consumer” should be elaborated, taking into account different situations of member states on a social and economic level.

During this Council, communiqués from the European Commission on EU energy strategy for 2011-2020 and leadership development in technology and innovation were broached.

In the optic of developing leadership in technology and innovation CEDEC considers that:

- \* In the context of EU financial perspectives, the different aid programmes of the EU should focus more on defined objectives in EU policies relating to energy and climate change;
- \* Aid programmes dealing with managing funds and allotment of resources should be conceived in a way to enable local energy companies to demonstrate their interest directly without a plethora of bureaucratic red tape, and that payment of funds should be accelerated;
- \* Pilot projects deployed in the energy domain should take into account the decentralisation process of the energy system, of the role played by local energy companies, as well as the central position of the DSO in the environment of smart energy grids.



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## ACER Publications

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Some of the publications of the Agency for the Cooperation of Energy Regulators (ACER), issued in 2011, which were of great interest for CEDEC:

- \* Final version of Framework Guidelines On Electricity Grid Connections (July 2011)
- \* Framework Guidelines on Capacity Allocation and Congestion Management for Electricity (July 2011)
- \* Framework Guidelines on Capacity Allocation Mechanisms for the European Gas Transmission Network (August 2011)
- \* Framework Guidelines on Gas Balancing in Transmission Systems (October 2011)

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## ERGEG Publications and Consultations

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Some of the publications and consultations of the European national Regulators' Group for Electricity and Gas issued in 2011 and which were of great interest to CEDEC. CEDEC has voiced opinions on some of them:

- \* GGP on Regulatory Aspects of Smart Metering for Electricity and Gas (February 2011)
- \* CEER response to the Commission's public consultation on the MiFID Review (February 2011)
- \* CEER response to the Commission's consultation on the external dimension of the EU energy policy (February 2011)
- \* GGP on Regulatory Aspects of Smart Metering for Electricity and Gas (February 2011)
- \* Evaluation of Comments to Call for Evidence on CEER Vision Paper for a conceptual model for the European gas market (March 2011)
- \* Final ERGEG Framework Guideline on Gas Balancing in transmission systems (March 2011)
- \* CEER submission to European Commission Consultation on Alternative Dispute Resolution (ADR) (March 2011)
- \* CEER response to the European Commission's online consultation on the Energy Roadmap 2050 (March 2011)
- \* CEER status review of regulatory approaches to smart electricity grids (July 2011)
- \* Status Review of the Implementation of the GGP on Complaint Handling, Reporting and Classification as of 1 January 2011 (September 2011)
- \* CEER final advice on the regulatory oversight of energy exchanges. A CEER Conclusions Paper (October 2011)
- \* Benchmarking Report on the roles and responsibilities of NRAs in customer empowerment and protection as of 1st January 2011 (October 2011)
- \* CEER Final advice on the Introduction of a Europe-wide Energy Wholesale Trading Passport. A CEER Conclusions Paper (November 2011)
- \* Transparency requirements for natural gas. Summary of responses document (November 2011)
- \* CEER Vision for a European Gas Target Model. Conclusions Paper (December 2011)
- \* Advice on the take-off of a demand response electricity market with smart meters (December 2011)





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