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**Council of European
Energy Regulators**



Energy Regulation – A Bridge to 2025
The Future Role Of DSOs

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Aeegsi Commissioner
CEER “*Future role of DSOs*” WG - Co-Chair

Fostering energy markets,
empowering **consumers**.

Brussels, 29 April 2014

The 2025 Bridge and its pillars

Green Paper: “Energy Regulation: A bridge to 2025”

Encompasses a broad range of issues

Gas
Wholesale
Markets

Electricity
Wholesale
Markets

Infra-
structure
Investment

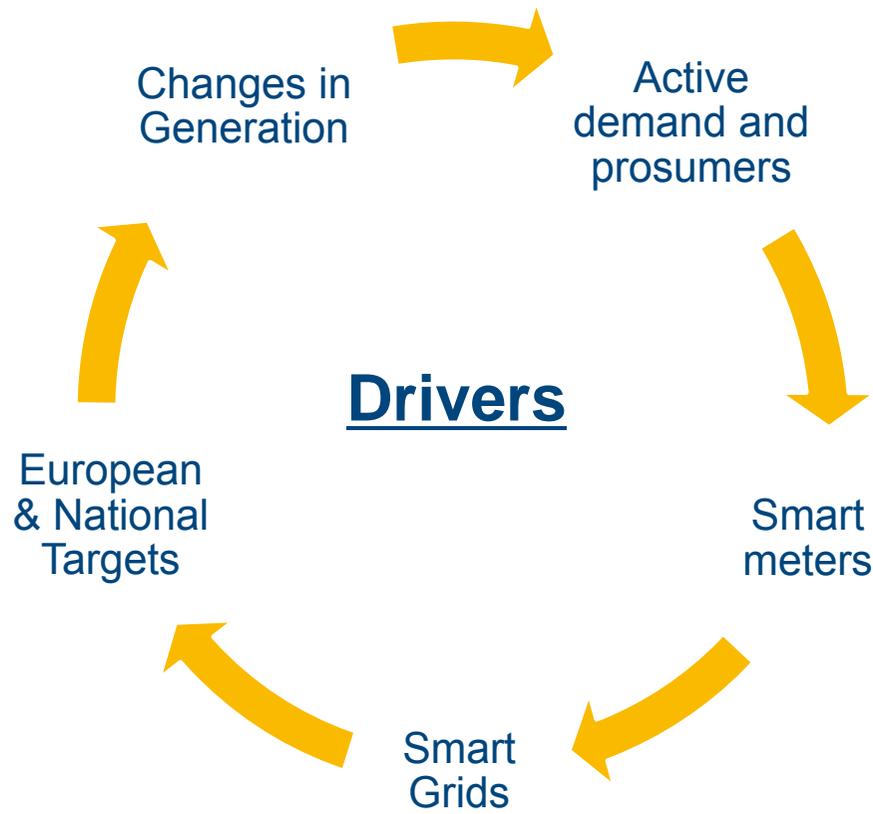
Demand
Side &
DSOs

Retail
Markets

Launch on 29 April; Responses by 16 June; Conclusions September



Drivers of Change in DSO Regulation and Challenges



Developments and Challenges

1. List of DSO activities
2. DSO perimeter (unbundling)
3. Data Management
4. TSO-DSO coordination
5. Role for flexibility
6. Distribution Tariffs
7. Incentives for investments



Trends and Technological Innovation



- To meet new demand and generation patterns, DSOs will be required to implement more active and intelligent management, monitoring and control of their networks
- To allow for well functioning customer-centric retail markets, commercial data management will increase in weight as well as in relevance and the role of DSOs in this respect will have to be clarified
- The TSO-DSO interface must be designed to ensure efficient information exchange for security of supply, coordinated congestion management and integrated planning
- DSOs shall remain neutral facilitator for competitive market. It has to be investigated which services could be better provided within competitive markets and which additional safeguards (or boundaries) are required to ensure that competitive market can develop.



Impacts on Regulatory framework

Although DSOs will continue to pursue their traditional mission, ensuring system security while operating, maintaining and developing efficient distribution networks, they will be asked to perform this series of new activities



Impacts on Regulatory framework

- ▶ The regulatory framework must adapt to this new role of DSOs in order to:
 - Enable DSOs to take on the role of a neutral market facilitator;
 - Accompany the development of new markets to the benefit of consumers, including load control and energy usage monitoring;
 - Review distribution network tariff structure in order to ensure cost recovery and focused incentives for smarter networks;
 - Assist DSOs and TSOs in clearly defining their roles, allowing the respect of coordination requirements.



Regulatory actions concerning the future role of DSOs

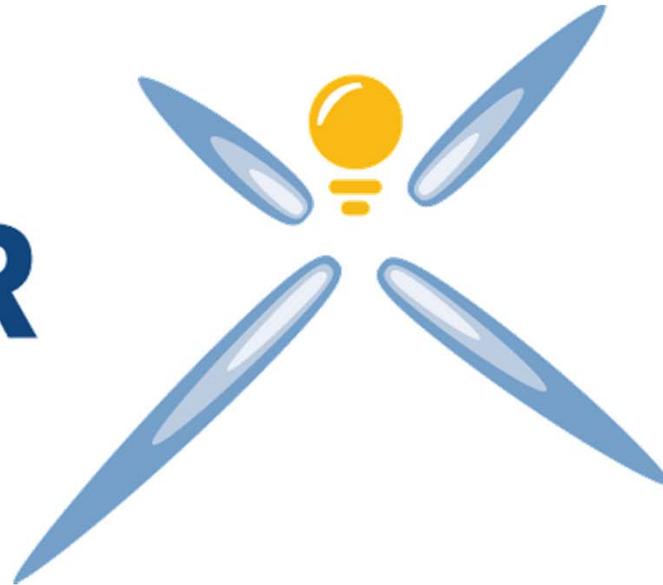
- ▶ Consult on the future role of DSOs
- ▶ Work with DSOs and TSOs in order to more clearly define their respective roles and responsibilities
- ▶ Consider whether the current *de minimis* threshold applying to small DSO networks (100,000 consumers) should be revised.
- ▶ Assess innovative regulatory mechanisms to promote necessary but higher risk investments with significant social benefits.
- ▶ Consider output-based incentive mechanisms to encourage efficient operations and investments by DSOs in order to have smarter networks (more IT-based control, less copper).



Thank you for your attention!

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