



FOSG Position on ACER Overarching paper Energy Regulation: A Bridge to 2025

Brussels, 17 December 2013

Context

We understand that ACER tries with this paper to focus on new issues that from now to 2025 will influence mostly the development of the energy sector and market. It gives for granted that by 2025 there should certainly be a single energy market in the EU and therefore subjects such as a RES integrated market, ETS, network codes, etc, will be in place.

ACER also gives for granted that since there is a new Regulation on infrastructure and the implementation of the third package is still on going, there is no need for a 4th package and the necessary infrastructure will now be built.

Friends of the Supergrid - FOSG could share this overall approach and especially that the infrastructure regulation can create a climate in favour of investments, provided nevertheless that the remuneration allowed to investors is correctly adjusted. ACER should seriously take into account that by 2030 investments in cross-border infrastructure should at least double the existing capacity across the EU.¹

We agree with ACER that the emphasis should be put on the consumers (big and small) and therefore on the reduction of energy prices. FOSG is convinced that such reduction in energy prices, at least for electricity, can be reached with a single market and therefore with a stronger European energy policy that at the same time:

- ***Gets rid of 28 competing and nationally driven security of supplies and works towards the security of supply of the EU thereby reducing external dependence;***
- ***Works towards building a European project such as a pan-European electricity (and probably also gas) network (FOSG calls it Supergrid). As the share of RES supply grows, demand response and cross-border transmission infrastructure planned at EU level are the most cost-effective levers to balance the power system;***

¹ <http://www.friendsofthesupergrid.eu/european-climate-foundation-from-roadmaps-to-reality/>
<https://www.entsoe.eu/major-projects/ten-year-network-development-plan/tyndp-2012/>
<http://www.friendsofthesupergrid.eu/fosg-written-evidence-to-uk-house-of-commons-energy-and-climate-change-committee-parliamentary-inquiry-on-low-carbon-innovation/>

- *Uses the powers of ACER to advise Member States on least cost alternatives between building new generation capacity or new infrastructure, thereby optimising existing capacity mixes from the Member States and future best generation locations in the EU overall. Various scenario analyses have already demonstrated considerable cost savings from cross-border resource sharing across the EU.²*

Policy makers should take further action to drive adequate infrastructure, activate the demand side, Europeanise system operation, and steer investment to low carbon assets. The timeframe between now and 2015 is the opportunity to establish a more integrated and strengthened common EU energy strategy. Beyond the European level and considering the present regulatory differences, it is important to encourage NRAs and Governments in fostering interconnection investments and reducing the timespan needed to build new lines.

The Foundations of the Policy to bridge to 2025

We agree with ACER that a key driver for the future will be the integration of RES in the networks and in the single market.

And it is precisely for this reason that our points made above are so relevant. Full optimisation of all RES capacity (and indeed of conventional power) needs to be made as a basis for developing the pan-European network with no incidence of political borders. Moreover, a new single market design is necessary that allows trading electricity from whatever resource, from whatever generation location towards any consumption centre in Europe.

The EC might need to start thinking in view of the 2030 discussions, to also propose infrastructure targets while ACER should establish for the pan-European network a European cost-recovery mechanism as well as financial incentives to TSOs and other investors including appropriate and in many cases higher rates of return.

System balancing should be done at EU level or at least at regional level based on physical constraints but not at national level based on political borders. The social economic welfare remains of course the main priority to attain when defining the right level of investments in interconnections.

Without a pan-European network the integration of all RES potential of the EU, the optimisation of European generation (RES and conventional) and balancing will not be possible.

A bridge to 2025

FOSG agrees with ACER that flexibility response mechanisms will be crucial and again this can only be achieved with much greater investments in the grids and this grid should now be a European one.

“Greater interconnection between Member States” as ACER mentions is a statement valid 18 years ago when the first package was adopted but obsolete nowadays. ACER needs to go much further than this and be more concrete on what “greater interconnection” means.

² <http://www.friendsofthesupergrid.eu/european-climate-foundation-from-roadmaps-to-reality/>
<http://www.friendsofthesupergrid.eu/report-offshore-grid-offshore-electricity-infrastructure-in-europe>

In our understanding of the ACER paper it seems that national grid developments with some new point to point connections is the way forward, whereas in our opinion such an approach will never deliver the single market, neither the integration of all new RES, lower energy prices, incentivise investors, nor increase the security of supply by reducing external dependence.

The present formula by which grid investments follow individual generation requirements needs to be overturned towards a new approach where anticipatory network investment enables the coordination of future generation connections to deliver efficient network developments. As mentioned above the transmission assets will require costs sharing at pan-European level (as regulation 347/2013 states).

Consumers in our opinion, should be better informed of investment decisions on generation vs transmission in the different Member States so that they can easily compare costs and the impact these will have in the markets today/ the single market tomorrow.

FOSG takes good note of the results of the meeting between CEER and MEDREG by which “the requirement for attracting infrastructural investments in the energy sector of the Euro-Mediterranean region is a priority” and reminds ACER that the same priority should be the case for the EU.