EUROPEAN
ENERGY
FORUM

FORUM
EUROPÉEN
DE L'ENERGIE

ACER
Agency for the Cooperation of Energy Regulators

10 years of achievements after the Third Energy Package

Alberto Pototschnig
Director ad interim

European Energy Forum Dinner Debate
Strasbourg, 17 September 2019

Towards the Single Energy Market

1st Package
"First common rules for the internal market and liberalisation"

Partial liberalisation

2nd Package
"Speeding up liberalisation and market integration"

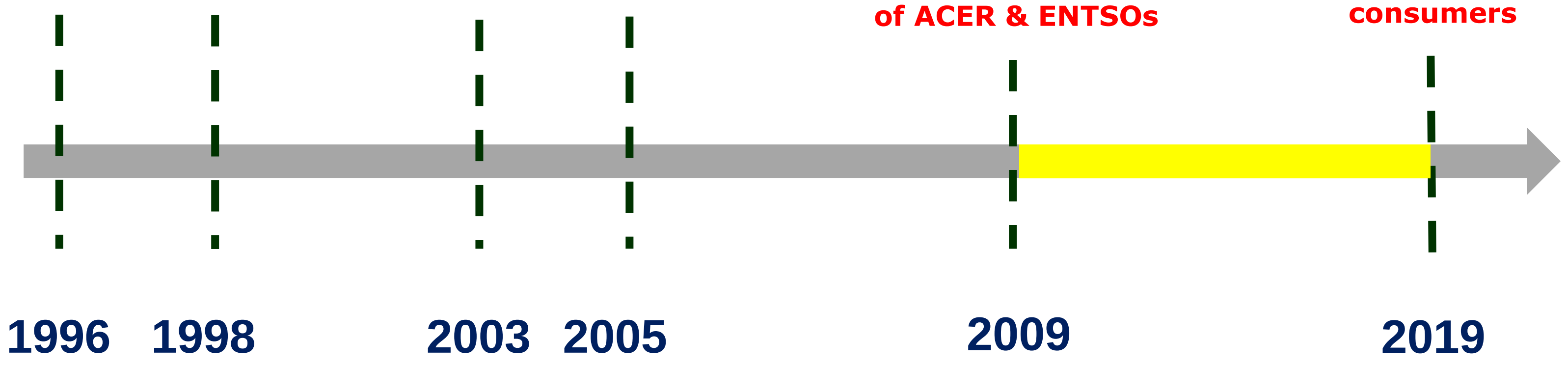
Full market opening; obligation for MSs to establish NRAs independent from industry; legal & functional unbundling

3rd Package
"EU-wide Institutional & Regulatory Framework"

Reinforcing unbundling (including ownership); harmonised cross-border rules; strengthened NRA independence & powers; establishment of ACER & ENTSOs

Clean Energy Package (CEP)
"More robust EU Framework"

New energy market design; reinforcing ACER & ENTSOs' roles; strengthening regulatory oversight; creation of RCCs and of EU DSO Entity; emphasis on consumers



The main actors in the new organisational framework for the energy sector

European level

ACER

EU regulatory Agency established to support cooperation and coordination among NRAs to promote the integration and well-functioning of the IEM (including through market monitoring)

ENTSOs

European Networks of Transmission System Operators for effective cooperation among TSOs (for network rules and planning) for optimal management of the transmission system

EU DSO Entity

EU Entity for distribution system operators to cooperate at Union level to promote the optimal management and a coordinated operation of distribution and transmission systems

Regional level

RCCs

Regional Coordination Centres to support the regional coordination of TSOs in a number of areas, excluding real time operation of the electricity system

National level

National Regulatory Authorities

NRAs contribute to the development of the IEM, ensure a level-playing field and are responsible for protecting and empowering customers

TSOs

Transmission system operators responsible for operating, ensuring the maintenance of, and developing the transmission system.

NEMOs

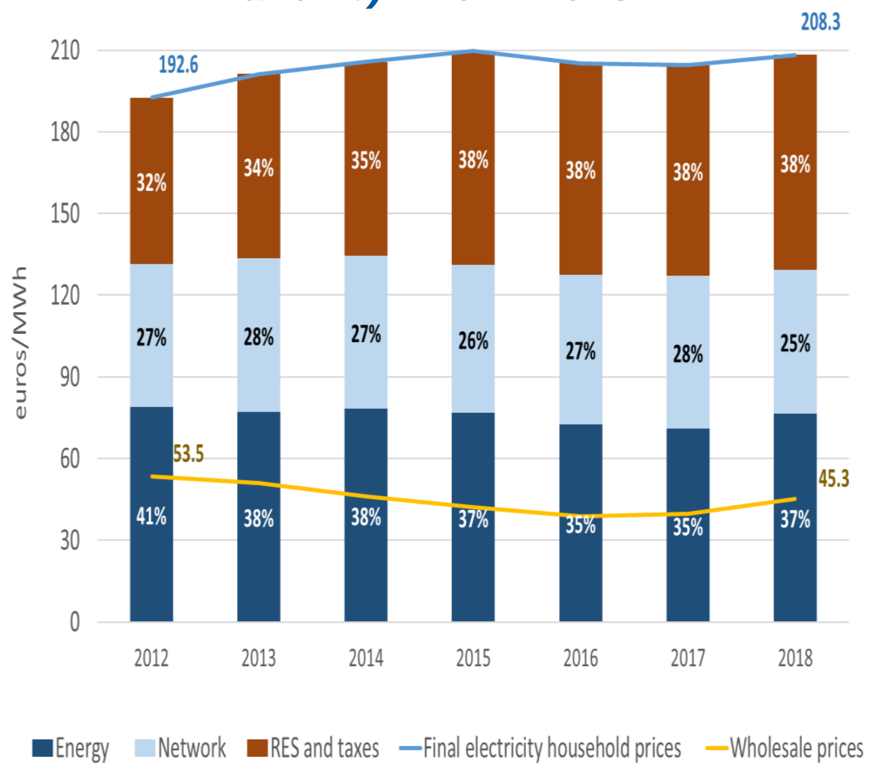
Nominated Electricity Market Operators are designated by Member States to perform the single day-ahead and/or intraday coupling

Outline

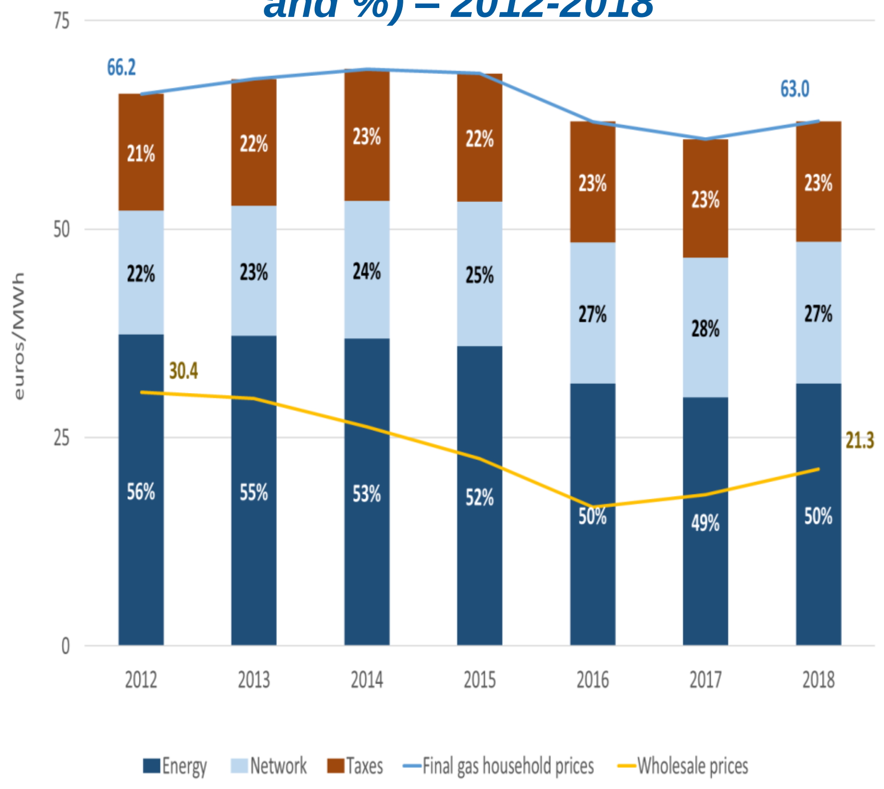
- What has been achieved in these 10 years:
  - delivering benefits to EU energy consumers
- ACER's role so far
- ACER's role under the Clean Energy Package
- ACER's main challenges

Evolution of Retail Prices

Final prices for electricity household consumers in the EU (euros/MWh and %) – 2012-2018

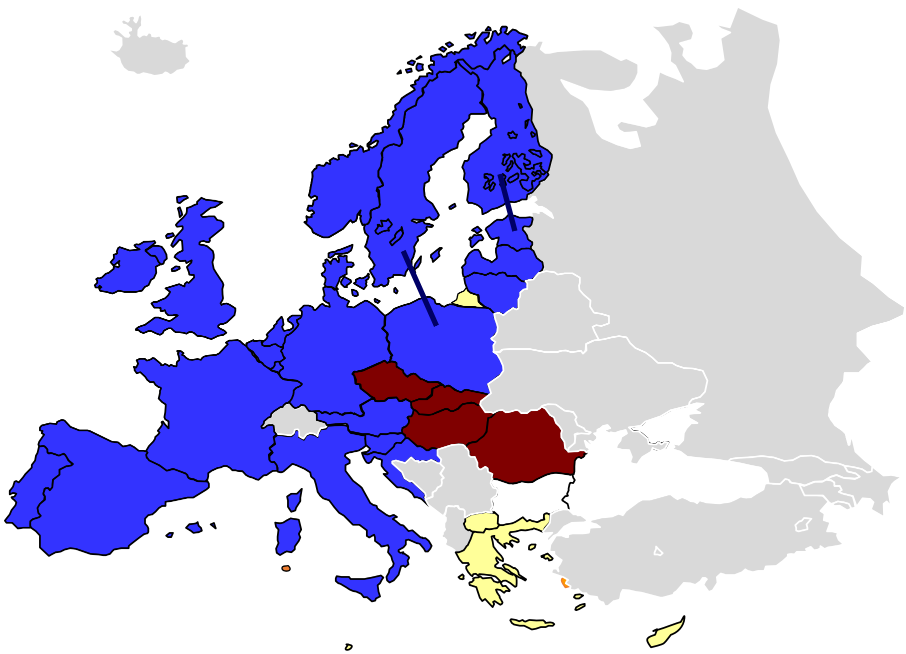


Final prices for gas household consumers in the EU (euros/MWh and %) – 2012-2018



Source: ACER calculations based on Eurostat, Band DC: 2,500–5,000 kWh (household electricity prices), Band D2: 20–200 GJ (household gas prices) European Power exchanges (electricity wholesale prices), Eurostat Comext and ICIS Heren (gas wholesale prices) and ACER Retail database (household prices components). Note: Prices in nominal terms

The EU internal electricity day-ahead market



Today:
80% of borders coupled
46 borders coupled in a single coupling
3 borders coupled separately
12 borders still waiting to be coupled

Final goal:
EU-wide day-ahead market coupling with implicit auctions

PCR = Price Coupling of Regions

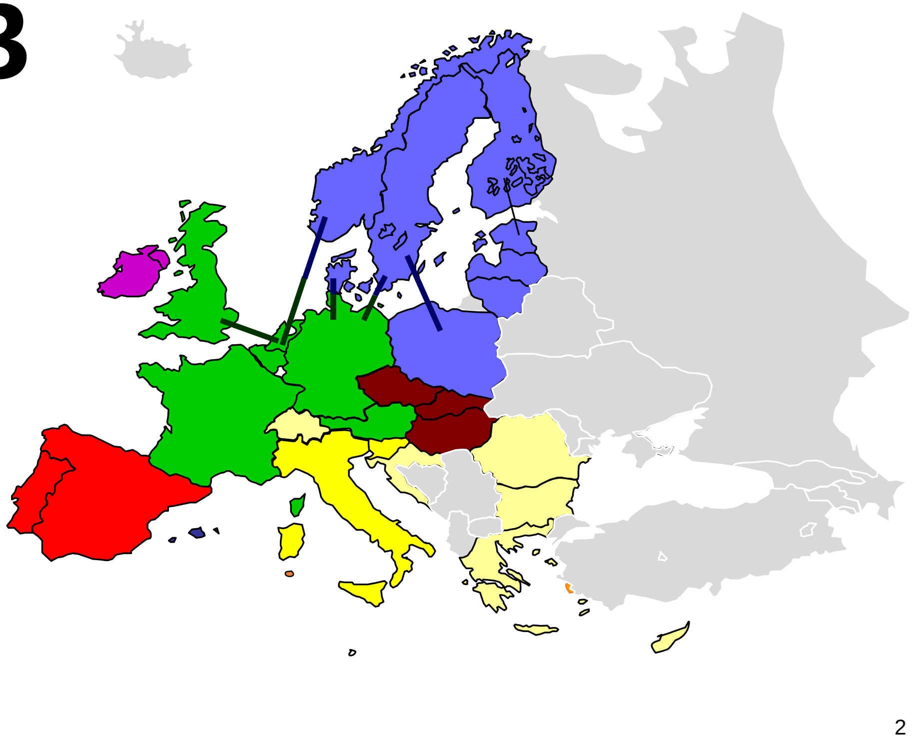
4M MC = 4M Market Coupling

Not coupled yet

ACER
Agency for the Cooperation of Energy Regulators

Day-Ahead Electricity Market Coupling: a Success Story!

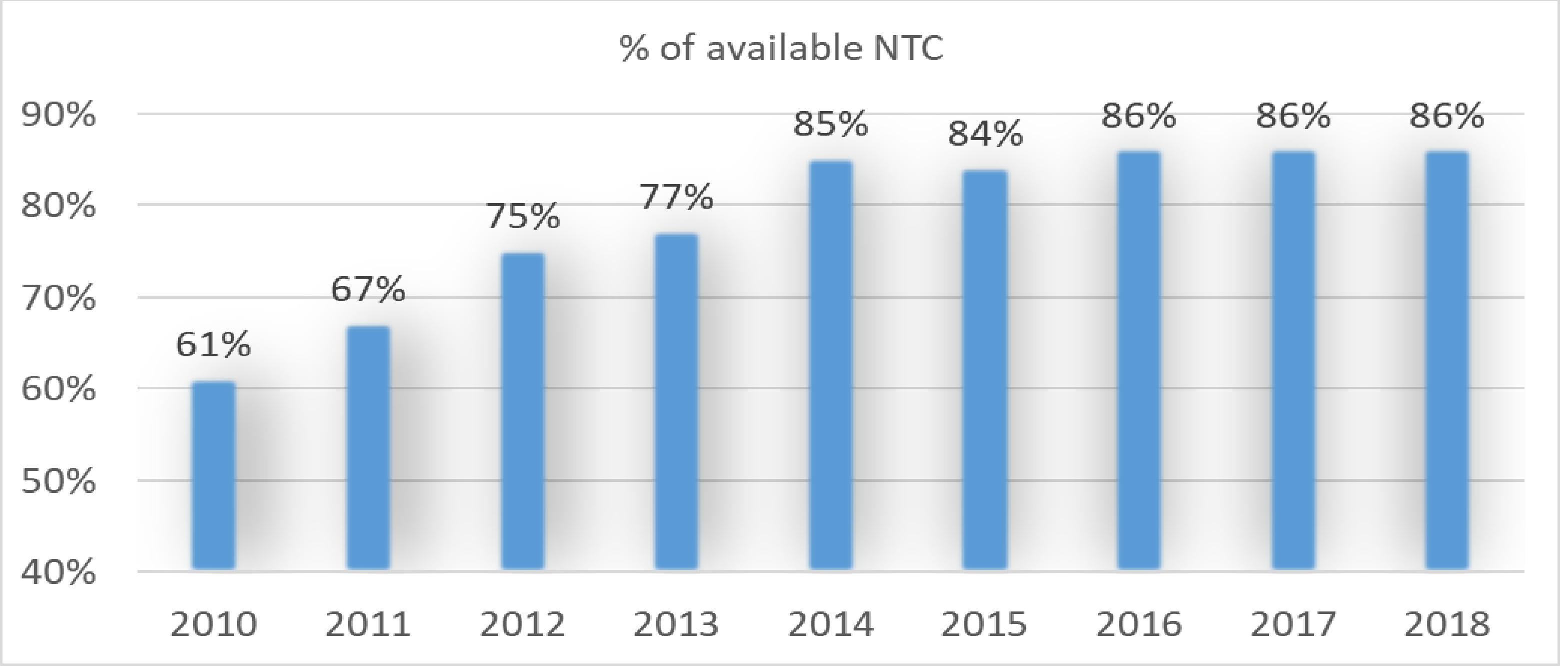
2013



Source: ACER (2019).

Significant improvements in the efficiency of the use of cross-border capacity in the day-ahead timeframe

Share of the available capacity (NTC) used in the 'right direction' in the presence of a significant price differential (>1 €/MWh) on 37 European electricity borders (%)



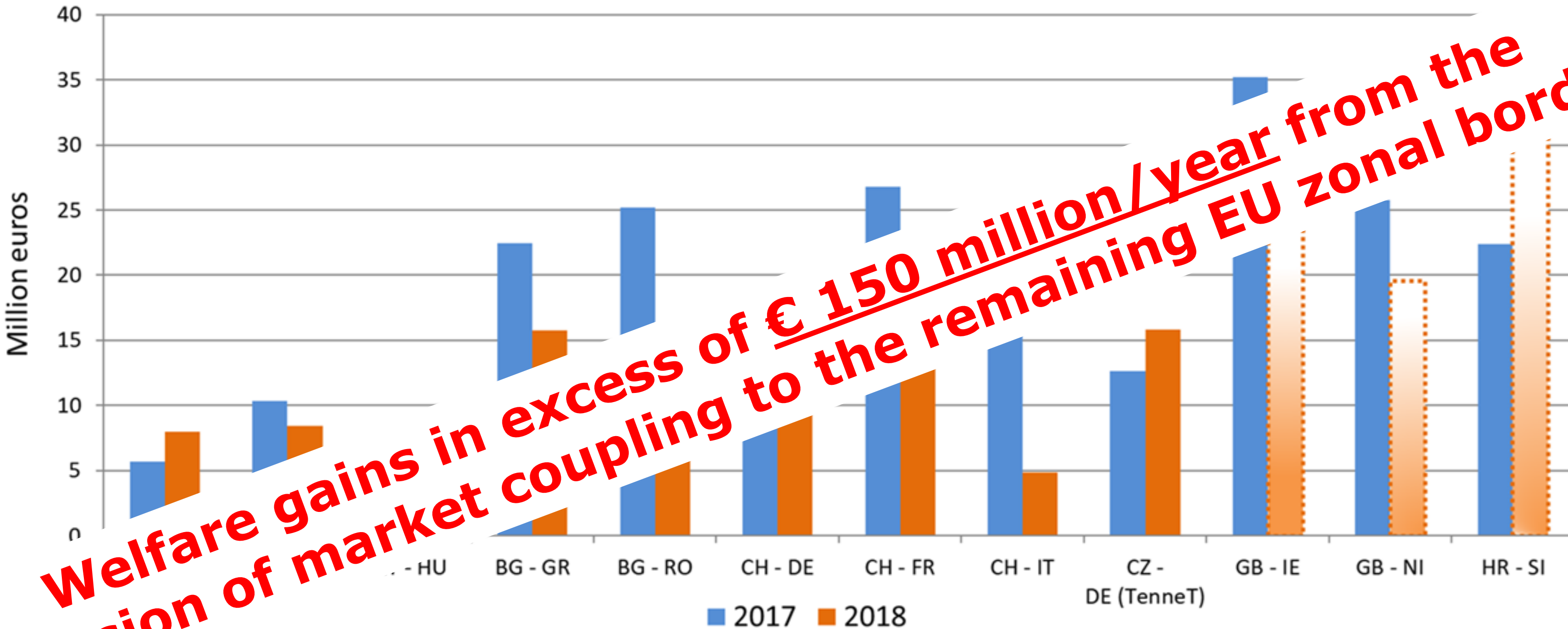
More efficient use of cross-border capacity through "market coupling"

Estimated Annual Benefits
€ 1 billion

Source: ACER (2019).

… but there is scope for further improvement

Estimated social welfare gains still to be obtained from further extending DA market coupling per border – 2017-2018 (million euros)

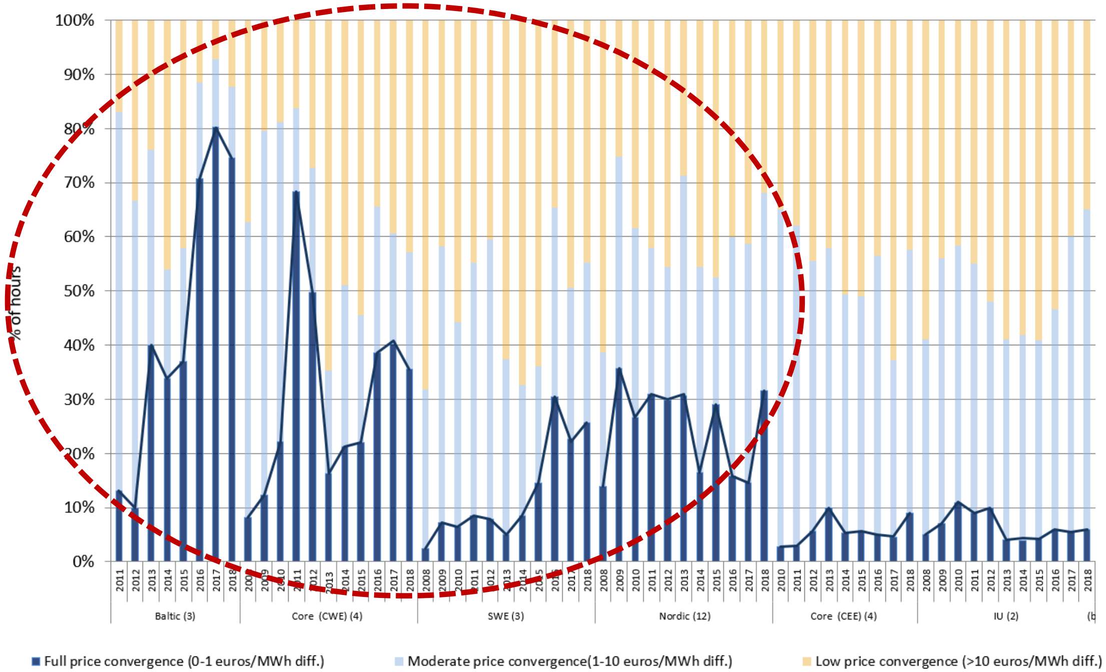


Welfare gains in excess of € 150 million/year from the extension of market coupling to the remaining EU zonal borders

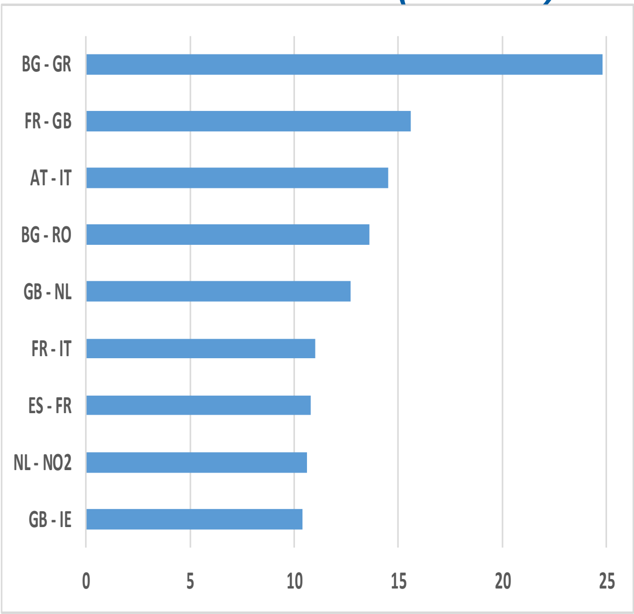
Although full price convergence is not an objective in itself, market coupling contributes to increase price convergence …

… and there are still significant price differences across some borders

Day Ahead Price convergence over the last 8 years



Average absolute price differences across selected borders in 2018 (€/MWh)

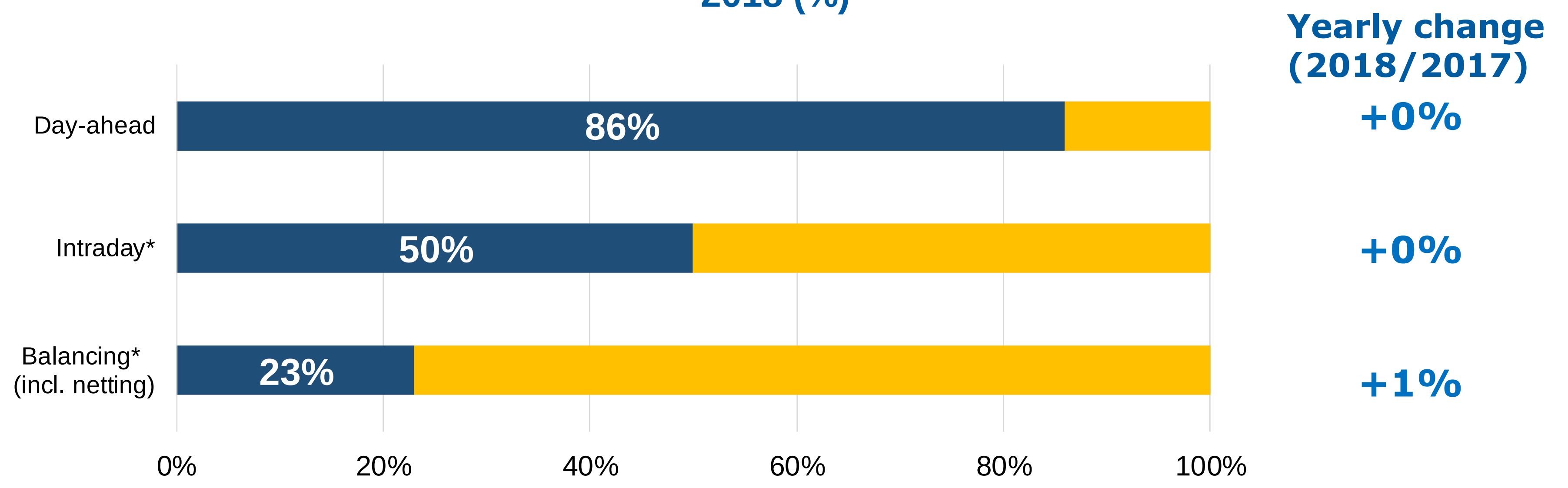


Regions where market coupling is already implemented

*In the Ireland-UK Region it was implemented in Oct 2018

Scope for improvement also exists in the efficiency in the use of cross-border capacity in the intraday and balancing timeframes

Share of the available capacity (NTC) used in the 'right direction' in the presence of a significant price differential (>1 €/MWh) on 37 European electricity borders in different timeframes 2018 (%)

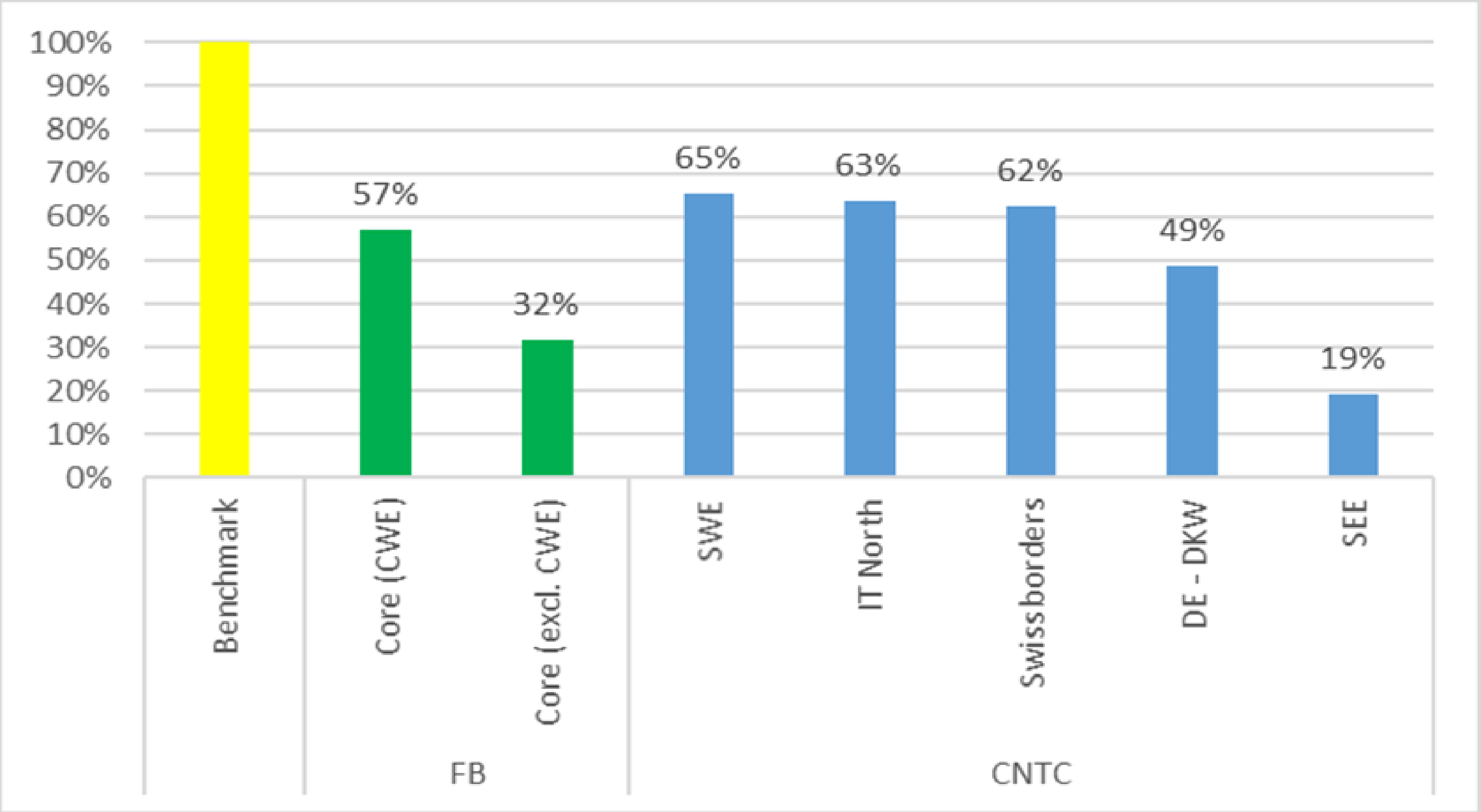


Note: * ID and balancing values are based on a selection of EU borders.

Source: ACER calculations based on ENTSO-E, NRAs and Vulcanus (2017).

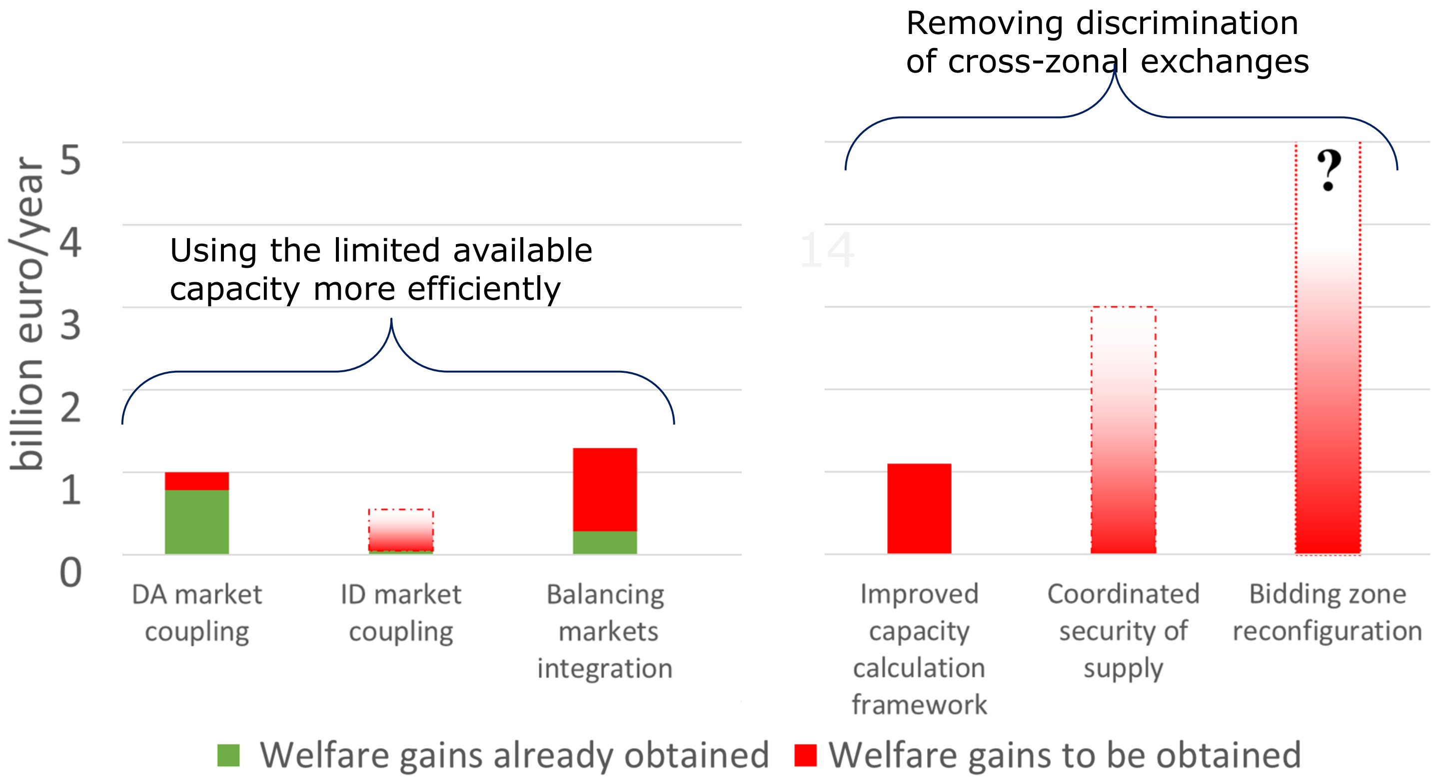
... and in the amount of cross-border capacity made available to the market

Ratio of available tradable capacity to benchmark capacity on HVAC borders per CCR 2017 (%)



EU energy consumers have gained a lot from the integration of the internal electricity market, but could gain even more!

Social welfare* benefits already obtained and to be obtained from various actions intended to increase EU markets integration

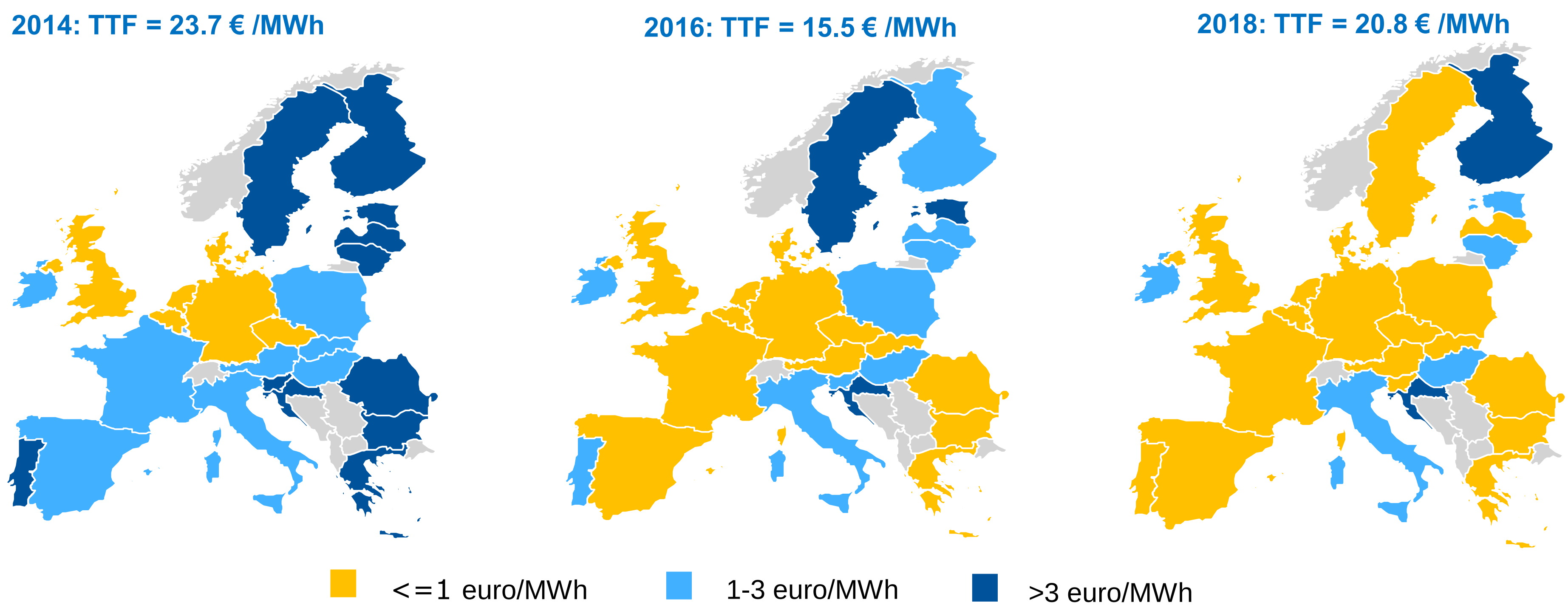


Note: *Gross benefits. The fading colour for some categories indicates that the welfare gains are based on third-party estimations and/or subject to considerable uncertainty.

Source: ENTSO-E, NRAs, NEMOs, Vulcanus and ACER calculations.

High levels of supply price convergence have been reached across most parts of the EU

Estimated gas supply sourcing cost* compared to the TTF hub

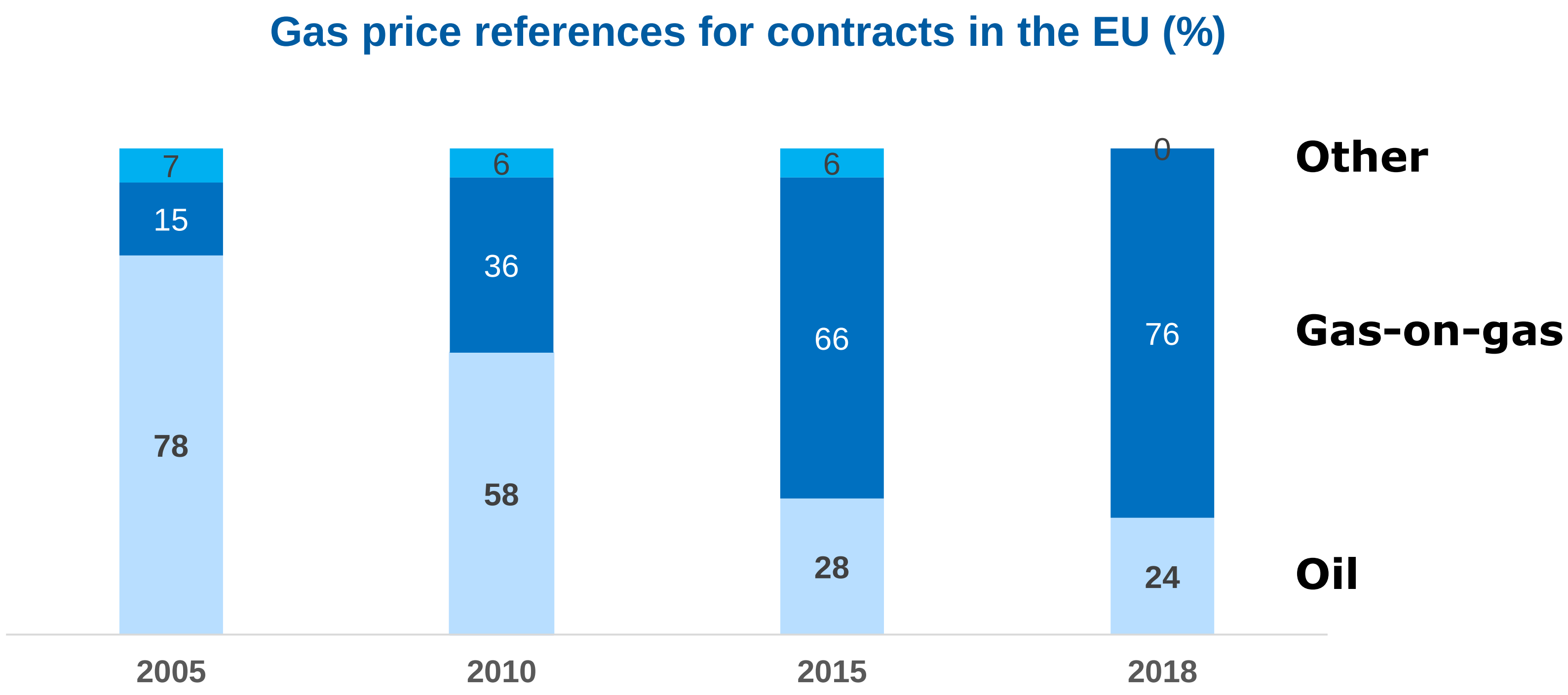


Greater market integration leading to sourcing cost convergence (2014-18)

Estimated Annual Benefits
€ 750 million*

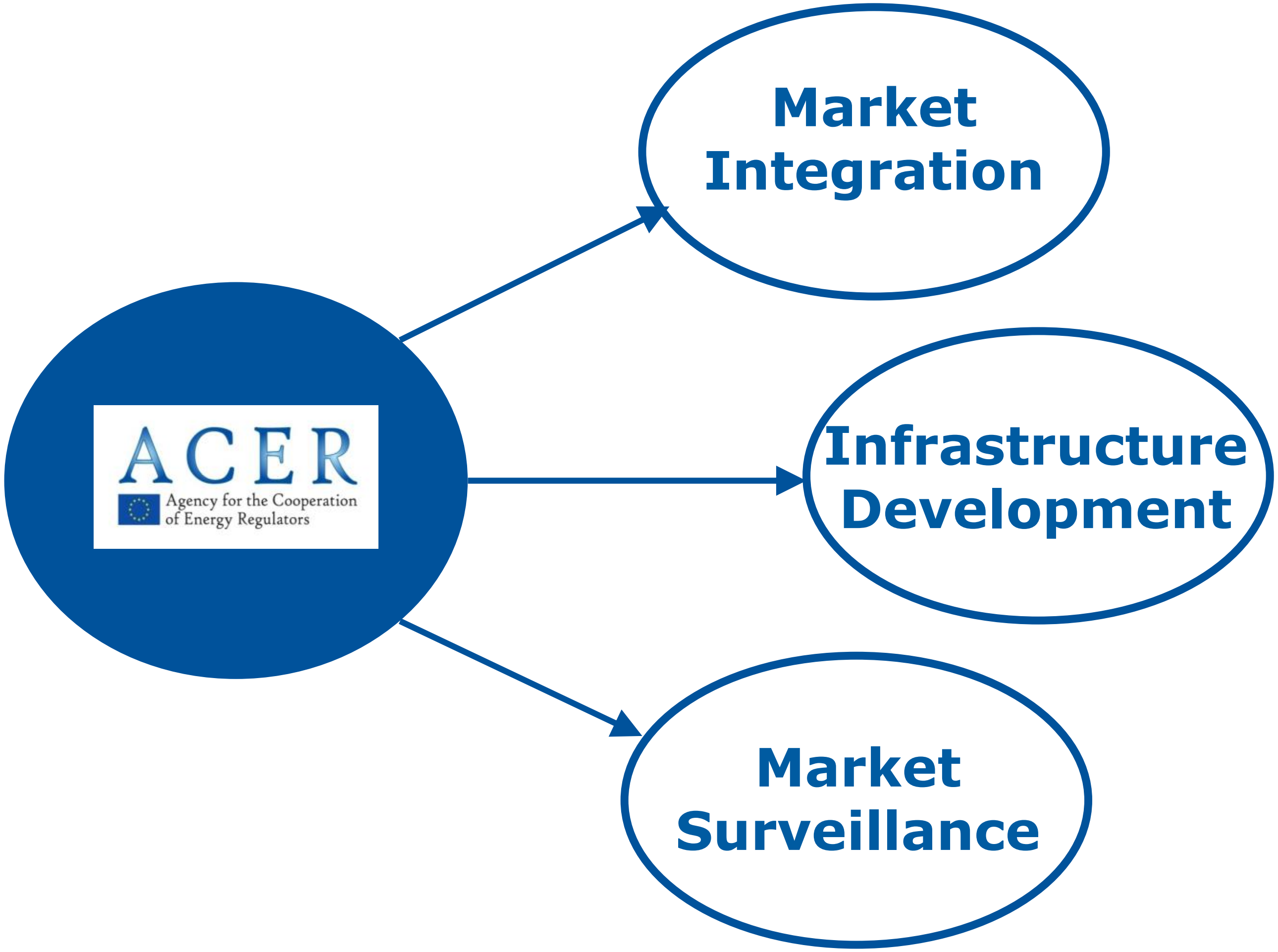
* Note: Net welfare gains (i.e. sourcing cost differential vs TTF discounted by transportation tariffs) of ~900 million in 2014, ~400 in 2016 and ~150 in 2018.
Source: ACER estimates based on NRA input, Eurostat Comext, BAFA, ICIS.

Gas price formation in Europe is increasingly driven by gas-on-gas fundamentals



Source: IGU wholes price survey 2019.

ACER main areas of activities to deliver the Energy Union



ACER mandate: main legal basis

Third Energy Package

Directives 2009/72/EC and 2009/73/EC

Regulations (EC) No 713/2009, 714/2009 and 715/2009

Network Codes and Guidelines

Regulation No 1227/2011 on Wholesale Energy Market Integrity and Transparency (REMIT)

Regulation No 347/2013 on guidelines for trans-European energy infrastructure

Regulation No 2017/1938 concerning measures to safeguard the security of gas supply - repealing Regulation No 994/2010

ACER mandate: main legal basis

Third Energy Package
Directives 2009/73/EC and (EU) 2019/944
Regulations (EC) No 715/2009, (EU) 2019/942 and 2019/943
Network Codes and Guidelines

Clean Energy Package

Regulation No 1227/2011 on Wholesale Energy Market Integrity and Transparency (REMIT)

Regulation No 347/2013 on guidelines for trans-European energy infrastructure

Regulation No 2017/1938 concerning measures to safeguard the security of gas supply - repealing Regulation No 994/2010

ACER
Agency for the Cooperation of Energy Regulators

ACER's types of activities

Types of acts which ACER can adopt

Opinions and Recommendations
but many opinions are no longer mandatory

- **ENTSOs, EU DSO Entity, TSOs, RCCs, NEMOs**
- **NRAs**
- **European Parliament**
- **EU Council**
- **European Commission**

Individual decisions in specific cases
(including to obtain information from NRAs, ENTSOs, EU DSO Entity, RCCs, TSOs, NEMOS, needed to carry out its tasks)

ACER
Agency for the Cooperation of Energy Regulators

ACER mandate under the Third Package: main tasks

Market Integration	**Framework Guidelines and Network Codes** **Decisions on:** **- "Terms and conditions or Methodologies"** **- Terms and Conditions for Access to/Operational Security of Cross-border Infrastructure** **- Cross-Border Cost Allocation** **Market Monitoring** **Access (incl. RES), Retail Prices and Consumers' Rights**
Infrastructure Development	**Opinions on:** **- Ten-Year Network Development Plans (TYNDPs)** **- Lists of Projects of Common Interest (PCIs)** **- Proposals to enable permanent bi-directional physical capacity or on the exemption requests**
Market Surveillance	**Monitoring of Wholesale Energy Trading and of compliance with transparency obligations**

Recent Individual Decisions

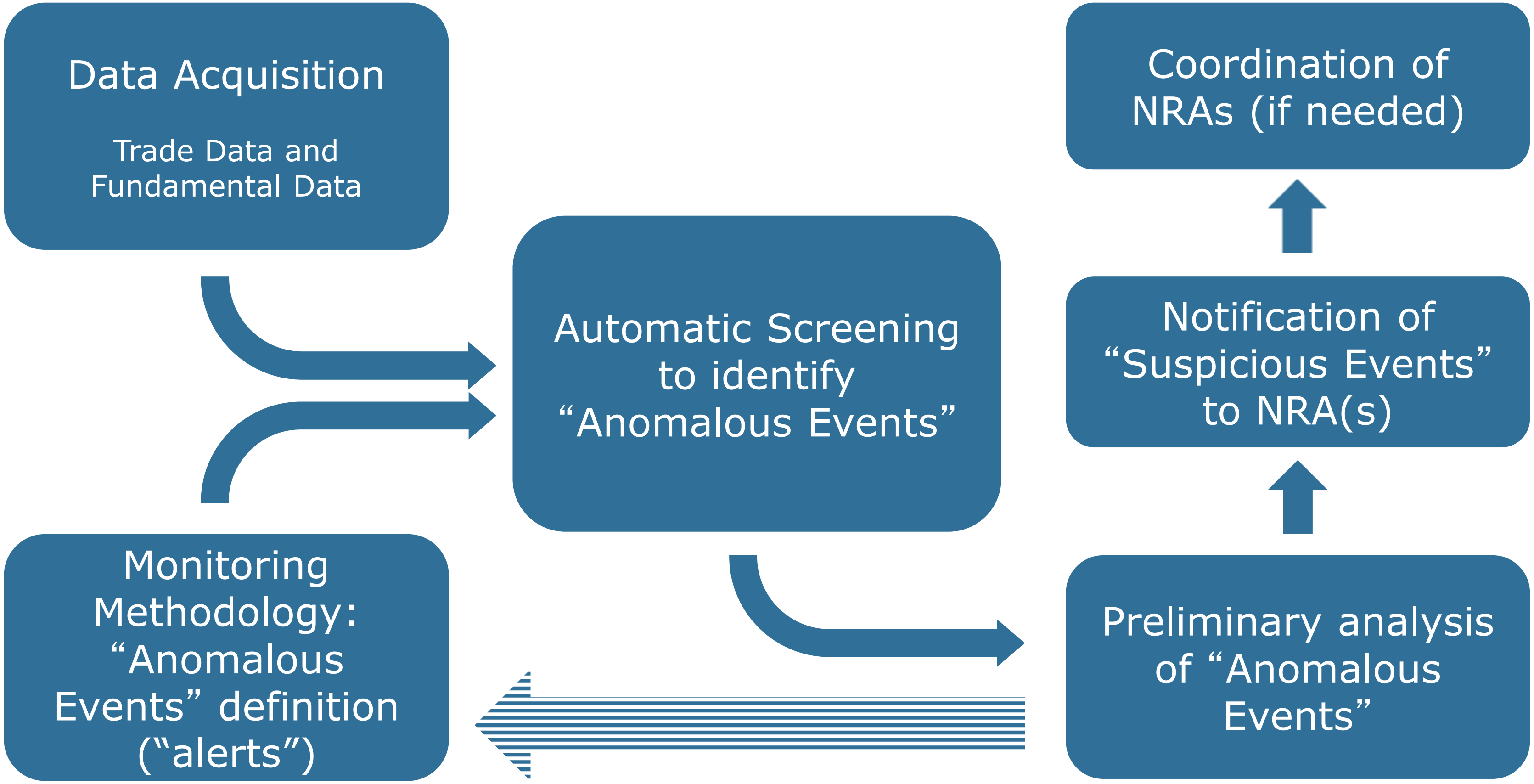
- On ***terms and conditions or methodologies*** for the implementation of the electricity Guidelines:
  - 1 in 2016 (on Capacity Calculation Regions)
  - 5 in 2017
  - 3 in 2018
  - 8 in 2019
  - ~ 20 expected in 2020
- On ***Cross-border Cost Allocation:***
  - GIPL
  - Lithuanian section of LitPol
- On the parameters for the gas ***incremental capacity*** process:
  - HUAT
- On the choice of ***Booking Platform*** for the allocation of gas interconnection capacity:
  - German-Polish border

ACER Decisions on Terms and Conditions or Methodologies

		2016	2017	2018	2019	2020	2021	2022	2023
CACM GL	All NRAs	1	8	7	0	0	0	0	0
	Regional NRAs	0	6	39	0	0	0	0	0
FCA GL	All NRAs	0	3	2	2	1	0	0	0
	Regional NRAs	0	15	8+26	18	6	0	0	0
SO GL	All NRAs	0	0	2	1	0	0	0	0
	Regional NRAs	0	0	4	25	0	0	0	0
EB GL	All NRAs	0	0	0	7	2	0	0	1
	Regional NRAs	0	0	2	16	0	0	0	10
Total by year		**1**	**32**	**90**	**69**	**9**	**0**	**0**	**11**
Grand Total		**212**							
Referred to the Agency		**1**	**5**	**3**	**8**	**>20***	**0**	**0**	**?**

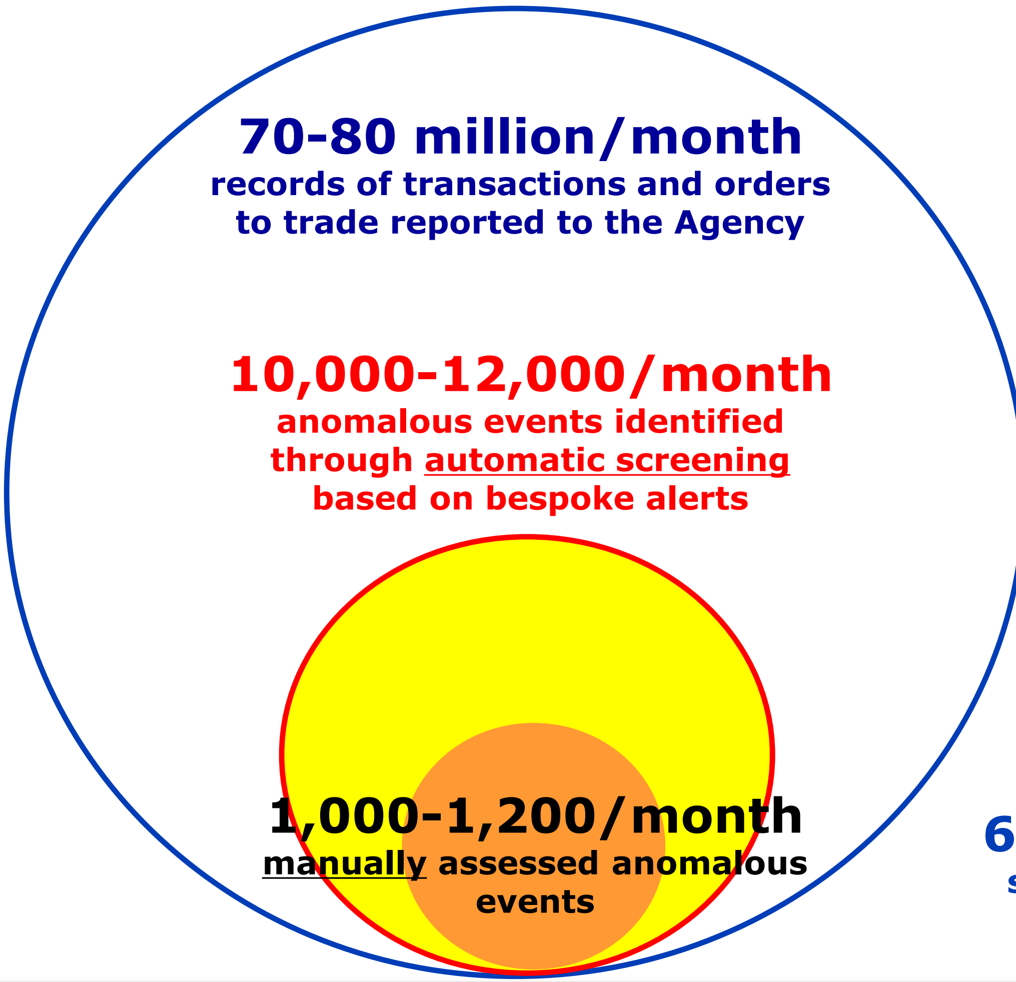
* These TCMs will be referred to the Agency in 2019 but the related Decisions will be issued in 2020.

ACER`s approach to market monitoring under REMIT



ACER
Agency for the Cooperation of Energy Regulators

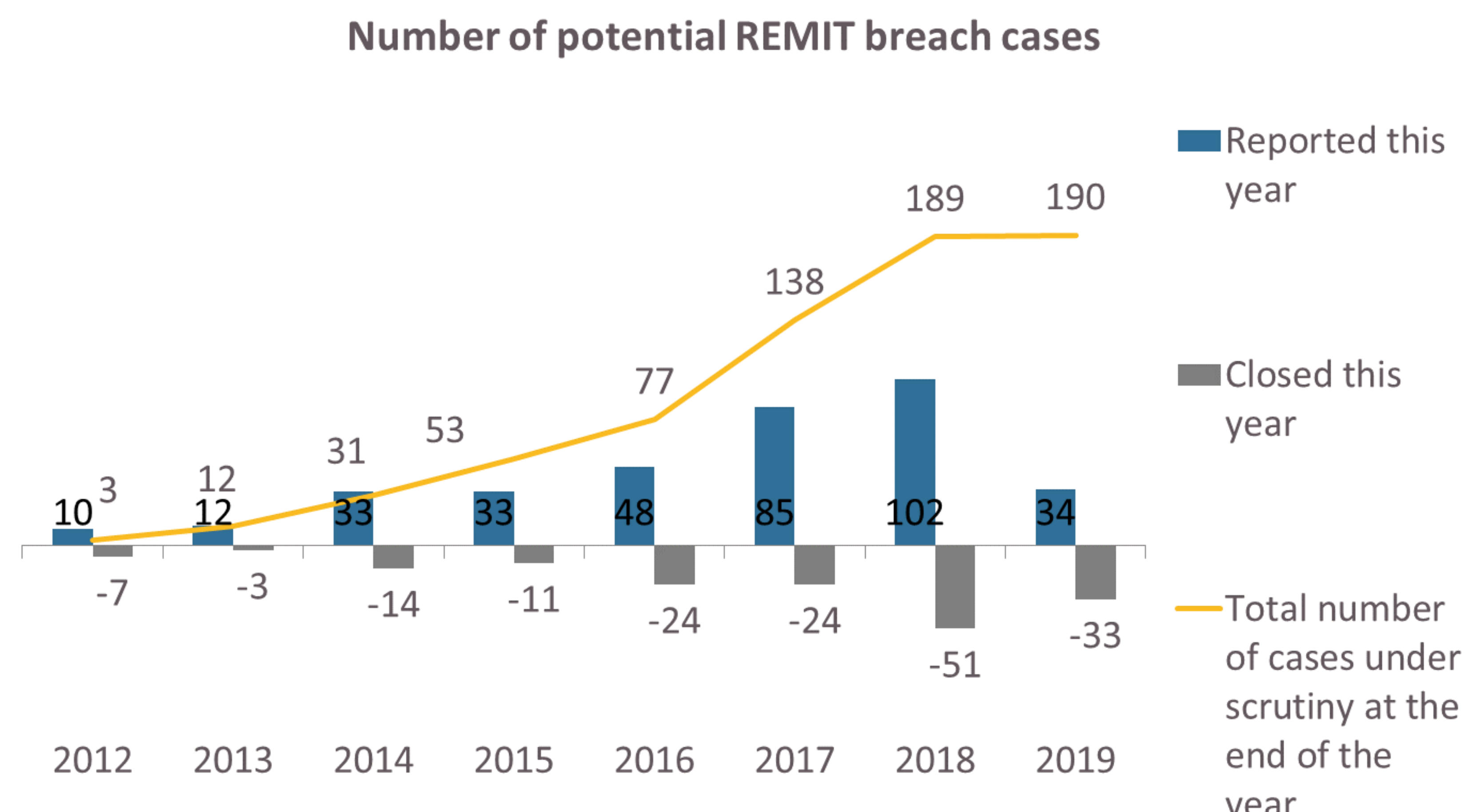
Wholesale Energy Market Surveillance at ACER (I)



60-80/month
suspicious events notified to NRAs

Source: ACER (2019).

Reported and closed REMIT cases



Note: Includes all potential breaches of Articles 3, 4, 5, 8, 9 and 15 of REMIT.
2019 up to 24 April 2019

Source: ACER (2019).

Recent market abuse enforcement cases by NRAs

Article 3 and 5 breaches

Decision date	NRA, Member State	Market Participant	Type of REMIT breach	Fine	Status	Source
24 November 2015	CNMC (ES)	Iberdrola Generación S.A.U.	Article 5	EUR 25,000,000	Under appeal	Link
05 October 2018	CRE (FR)	VITOL S.A.	Article 5	EUR 5,000,000	Under appeal	Link
30 October 2018	Prosecutor/DUR (DK)	Energi Danmark A/S	Article 5	DKK 1,104,000 (approx. EUR 147,000)*	Final	Link
28 November 2018	CNMC (ES)	Galp Gas Natural, S.A.	Article 5	EUR 80,000	Under appeal	Link
28 November 2018	CNMC (ES)	Multienergía Verde, S.L.U.	Article 5	EUR 120,000	Under appeal	Link
21 December 2018	Prosecutor/DUR (DK)	Neas Energy A/S	Article 5	153,000 DKK (approx. EUR 20,400)*	Final	Link
20 February 2019	BNetzA (DE)	Uniper Global Commodities SE + Two traders	Article 5	EUR 150,000 and fines of EUR 1,500 and EUR 2,000 for each trader.	Final	Link

Source: ACER (2019). Note: Please consult the sources for the status of the proceedings and more information on the Decisions.

The Clean Energy Package: ACER’s new tasks at a glance (I)

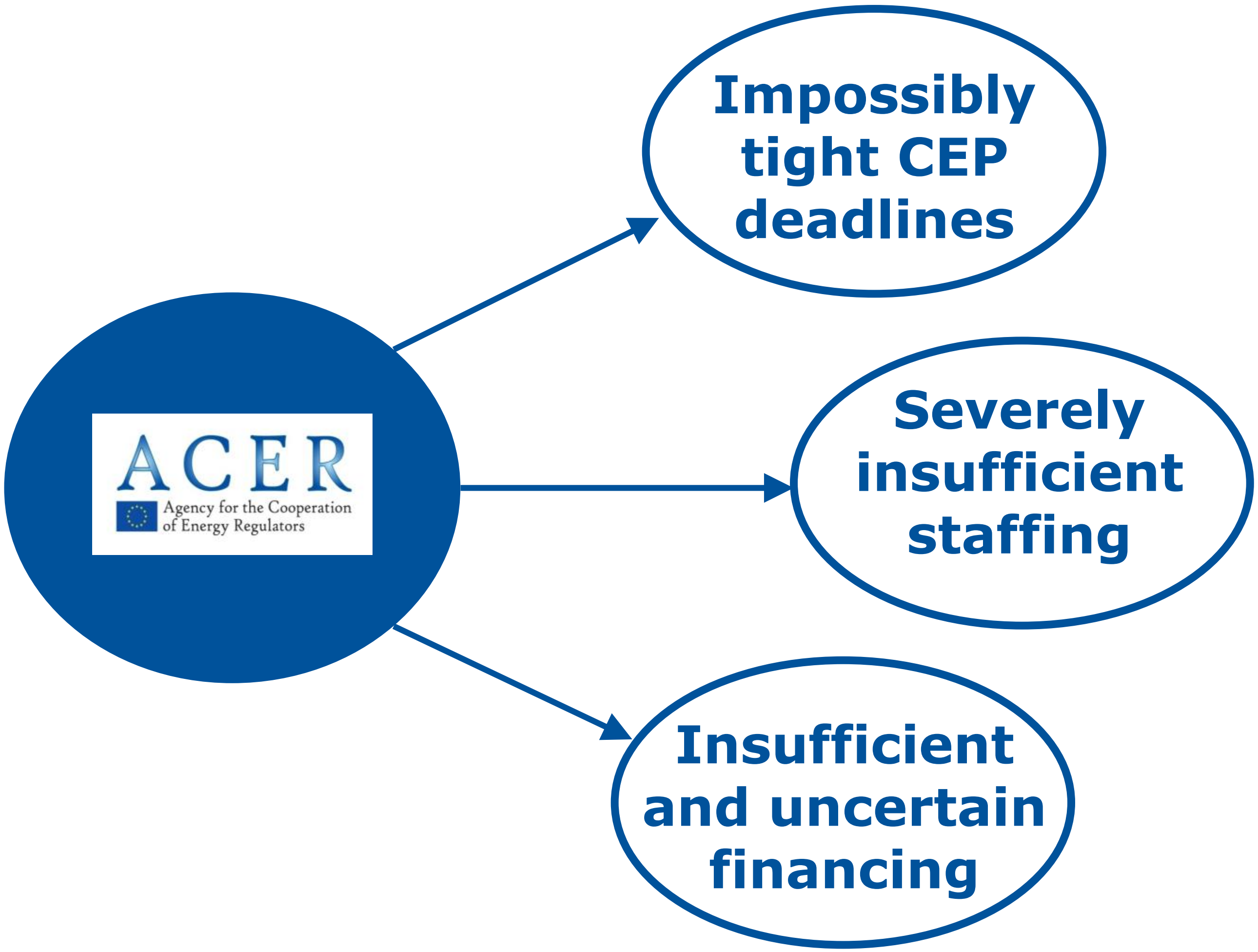
- Directly reviewing and finalising ***Network Code proposals*** for submission to the Commission
- Directly deciding on ***terms and conditions or methodologies*** for Network Code implementation (see separate slide)
- Deciding on the methodology and assumptions for the ***bidding-zone review***
- Defining methodologies for a coordinated ***European Adequacy Assessment***
- Defining technical parameters for the ***cross-border participation in capacity mechanisms***
- Opinion on technical guidance for the calculation of ***CO2 emission limits***
- Coordinating national actions related to ***risk preparedness***

The Clean Energy Package: ACER’s new tasks at a glance (II)

- Overseeing ***Regional Coordination Centres***
- Overseeing ***Nominated Electricity Market Operators***
- Supporting the creation of a ***EU DSO Entity***
- Providing ***operational assistance to NRAs***, upon their request, regarding ***REMIT investigations***
- Possibility of issuing recommendations to NRAs and market players, ***on its own initiative***

- Possibility of ***requiring any necessary information*** from:
  - NRAs
  - ENTSO-E, ENTSOG and the EU DSO Entity
  - Regional Coordination Centres
  - TSOs and NEMOs

Main challenges facing the Agency



ACER
Agency for the Cooperation of Energy Regulators

The Clean Energy Package Implementation Timing

Timeline of the most imminent new tasks assigned to the Agency by the CEP legislation		
Deliverable	**Deadline for the Agency's decision**	
	From entry into force*	**Date**
Best practice report on transmission and distribution tariffs	3 months	4 Oct 2019
Opinion on technical guidance for the calculation of CO2 emission limits	6 months	4 Jan 2020
Approval of the geographical scope of RCCs	3+3 months	4 Jan 2020
Methodology for identifying the most relevant electricity regional crisis scenarios	6+2 months	4 Mar 2020
Methodology for assessing seasonal and short-term adequacy	6+2 months	4 Mar 2020
Methodology for the EU resource adequacy assessment	6+3 months	4 Apr 2020
Methodology for the calculation of VoLL and cost of new entry	6+3 months	4 Apr 2020

*** When two numbers are indicated, the first one refers to the proposal to be submitted to the Agency, the second one to the Agency's decision**

ACER 2020 staffing requests and Commission's proposal in the Draft 2020 Budget

	Activity area	ADs	ASTs	TAs	CAs	Total
Agency's request for additional staffing	REMIT information management	*4*	*3*	7		7
	REMIT surveillance	*11*	*1*	12		12
	Network Code and Guidelines implementation	*1*		1		1
	Energy infrastructure	*2*		2		2
	Clean Energy Package	*14*	*2*	16		16
	Horizontal support	*4*	*1*	5		5
	Total	***36***	***7***	**43**	**6**	**49**
Commission's proposal in the Draft 2020 Budget				**4**	**6**	**10**
Staffing Gap				**39**		**39**

ACER resources: 2020 financing

- Every year there is ***uncertainty regarding the financial resources for REMIT operations***
- The Agency currently estimates ***annual REMIT IT operational costs (including costs for licences) of € 3.5 million***
- The Commission still considers REMIT IT costs at € 2.8 million as estimated by the Agency and validated by DG ENER in 2016 (however the number of reported records has tripled since then)

Budget 2020	Agency request*	EU Draft Budget	Resource Gap
EU subsidy (€m)	**20.648**	**16.470**	**4.178**

*** excludes new tasks added during the Clean Energy Package legislative process**

Thank you
for your attention

www.acer.europa.eu

European Energy Forum

Forum Européen de l'Energie