The Consumer Voice in Europe

BEUC RECOMMENDATIONS ON A NEW ENERGY MARKET DESIGN

BEUC response to the EC public consultation

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INTRODUCTION

BEUC, The European Consumer Organisation, has been supporting the creation of a well-interconnected, competitive, transparent and more efficient energy market across the EU. We believe that a robust regulatory framework needs to be in place to ensure that all European consumers have access to reliable and sustainable energy supply at affordable price and that markets are transparent. Indeed, security of supply and affordable prices constitute the existential basis of people in the modern society as electricity is not a simple commodity but a service of general interest. Therefore, rules are necessary to ensure energy prices become transparent, easily comparable and non-discriminatory.

CONSULTATION QUESTIONS

1. Would prices which reflect actual scarcity (in terms of time and location) be an important ingredient to the future market design? Would this also include the need for prices to reflect scarcity of available transmission capacity?

BEUC response:

Impact on different consumer groups needs to be further analysed

Moving to market structures that more accurately reflect scarcity form a desired part of future energy markets. However, BEUC is concerned that some consumer groups may be negatively affected by the shift to time differentiated tariffs and may end up with significantly higher bills. BEUC therefore believes that EU policy makers and regulators should further analyse the impact of prices reflecting scarcity on household consumers, considering also different types of residential consumers, and identify those consumer groups who are unlikely to be benefitting from being on time differentiated tariffs. A robust regulatory framework needs to be in place so that all European consumers have access to reliable, secure and sustainable energy supply at affordable price. At the same time, such a framework needs to provide for sufficient supervision to ensure energy markets are transparent, competitive and efficient.

Moreover, regional or local pricing may lead to socially unacceptable prices for some consumers. This area needs to be further investigated as measures of averaging over parts of the network may be necessary to avoid such situation. Although implementing a price mechanism that also reflects scarcity of available transmission capacity may once become inevitable due to grid restrictions, this topic is rather complex and therefore requires additional research and discussion with stakeholders.

2. Which challenges and opportunities could arise from prices which reflect actual scarcity? How can the challenges be addressed? Could these prices make capacity mechanisms redundant?

BEUC response:

Energy markets need to be transparent, easily manageable and offer real choice

Fully transparent and competitive energy markets which are thoroughly monitored and ensure that decreased wholesale market prices are passed onto final consumers are the necessary preconditions for delivering benefits to consumers. Simultaneously, markets need to be easily manageable for consumers who should be able to make well-informed and sustainable choices. Although energy markets still differ across the EU, in terms of market functioning and conditions for renewable energy among others, minimum

standards should be defined by EU legislation - e.g. clear and simple conditions and information for consumers who are not energy professionals.

Focus on understanding consumers' behaviour and flexibility

The focus should be put on better understanding of households' energy behaviour and willingness as well as ability to be flexible. Energy consumption of residential households varies largely in nature and size, and households have their specific consumption patterns depending on consumers' needs, skills, motivations, interests, lifestyle, equipment, work patterns and so on. Some (rather engaged) consumers may react to price signals and can therefore contribute to the peak shaving which could reduce the total generation (and network) capacity required and result in a lower overall cost to consumers. However, it needs to be kept in mind that consumers' individual circumstances will affect their ability to shift their energy usage and may mean that flexibility of some households in changing their energy consumption will be very low. We also observe that many consumers still lack information on and understanding of their consumption patterns as they have always been on a flat rate tariff. Consequently, they may find themselves on flexible pricing offers even though they might be better off on a single rate tariff. Consumers should also be provided with support to be able to understand their energy usage and the impact of different tariffs (for instance via projected bills based on actual energy use over a number of seasons). Tools to easily compare different tariffs are also essential as tariff proliferation (not only in terms of number of tariffs but also because of the tariff design) can make the comparison very challenging. Although dynamic tariffs may bring benefits to some consumers, it is important that consumers maintain the opportunity to opt for a fixed tariff.

In the future, flexibility in energy usage may be greatly increased with the roll-out of new technologies such as smart meters and purchase of automated smart appliances and electric vehicles but the costs of such equipment are still rather high and therefore may pose further barriers to participation of certain consumers, especially those on low income.

At the same time, the policy framework should include measures especially for those in vulnerable situations so that they can engage in the market, know what opportunities are available to them and what their rights are as such engagement will ensure that these consumer groups are on the most appropriate tariffs.

Regulated prices

In addition, while BEUC agrees that regulated prices set under the costs can cause serious problems, regulated prices set competitively rather than administratively and serving as benchmarks for the free market should be considered as an interim solution, until energy markets are fully competitive.

Finally, prices better reflecting scarcity should also make capacity mechanisms redundant. For more details, please, see BEUC's answer to question 17.

3. Progress in aligning the fragmented balancing markets remains slow; should the EU try to accelerate the process, if need be through legal measures?

BEUC response: N/A

4. What can be done to provide for the smooth implementation of the agreed EU wide intraday platform?

BEUC response: N/A

5. Are long-term contracts between generators and consumers required to provide investment certainty for new generation capacity? What barriers, if any, prevent such long-term hedging products from emerging? Is there any role for the public sector in enabling markets for long term contracts?

BEUC response:

First of all, while there are different types of consumers – households, business and industry – we believe that it should be always explained which type of consumers is addressed by the particular question as it may be misleading and allow for various interpretations. We interpret this question as currently phrased targeting primarily wholesale market relations between power plant operators respectively traders and brokers on the one side and big commercial customers and suppliers on the other side.

Current framework is not fit for renewable sources
Although small-scale renewable self-generation units (in consumers' homes) alone will fail to participate in such offers, grouping generation capacities that use the variable renewable sources wind and solar power together with dispatchable capacities that use biomass or hydropower (so-called "virtual power plants") can provide the necessary safeguard to participate. This would mean that the framework for a renewable futures market has to be set since renewable generation capacities currently are not fully entitled to enter these submarkets.

Long-term contracts between generators of electricity (such as variable and dispatchable renewable) on the one side and suppliers on the other side could also back wholesale price based electricity tariffs for household customers. Consumers could have then an opportunity to opt for a retail electricity offer that is based on an average wholesale market price, formatted by such contracts. Therefore, these contracts do not only provide certainty for generators of electricity, but also for consumers.

In a broad sense, leaving the strict nature of long-term contracts as futures products, such renewable electricity supply could also include the public sector, e.g. municipalities with their building stock. Authorities could enter into contracts with renewable power plant operators and/or virtual power plants, bypassing established wholesale market places and products. Please, see also BEUC's response to question 8.

6. To what extent do you think that the divergence of taxes and charges[1] levied on electricity in different Member States creates distortions in terms of directing investments efficiently or hamper the free flow of energy?

BEUC response:

Ensure energy and climate policies are built on the most cost-effective solutions
Although taxes and levies represent an important part of consumers' energy bills, we note that this area falls primarily under the Member States' remit. However, since all

[1] These may be part of general taxation (VAT, excise duties) or specific levies to support targeted energy and/or climate policies.

these charges are borne by consumers, energy and climate policies should be built on the most cost-effective solutions in the long-term, while keeping energy affordable and avoiding discrimination against vulnerable consumers.

Remove undue burdens related to self-consumption
In many Member States, renewable self-generation for non-commercial purpose is not yet a self-runner. BEUC therefore believes that consumers' small self-generation projects need a stable and specific remuneration scheme for investment security, e.g. well-designed feed-in tariffs (FiTs) or net metering. Undue financial burdens such as taxes or fees imposed on self-consumed electricity, which help maintaining incumbents' business models and market positions, need to be removed.

Keep retail energy prices in check
Retail electricity prices must reflect wholesale prices. In order to ensure consumers have access to fair pricing, price asymmetries, which mainly occur due to high concentration of incumbents and lack of competition, should be prevented. Moreover, many suppliers have longer term hedging strategies for purchasing wholesale gas and electricity while cost reductions to their businesses are not necessarily passed on immediately to their customers.[2] NRAs should further focus on whether wholesale and retail energy price components follow the same patterns. At the same time, NRAs should carefully monitor the grid charges which represent an important part of consumers' bills.

7. What needs to be done to allow investment in renewables to be increasingly driven by market signals?

BEUC response:

Current electricity retail markets in most Member States are characterised by a high level of market concentration. Even after more than two decades of practical experiences with liberalisation, decreasing wholesale market prices are not always passed on to final customers. Consumers suffer from a lack of real competition and see their electricity bills rising which is not solely a result of higher taxes and levies imposed by governments. Besides that, a fundamental market distortion continues to favour non-renewable energy sources unless externalities such as the costs of environmental and health damages are fully priced in.

Need to facilitate consumers' engagement into self-generation
When analysing specific challenges that consumers experience when they want to invest in small-scale self-generation units in their homes, especially solar PV units, we observed that the economic viability is questioned in those countries where consumers need to sell their excess solar electricity at wholesale market prices. Given the high uncertainty of future wholesale market prices, these self-generation projects could become risky in terms of amortisation. BEUC therefore remains very reluctant towards approaches to expose small-scale self-generation to signals from markets in dysfunction without appropriate remuneration schemes. This stance on the role of wholesale market prices for investments in small-scale self-generation does not interfere with the need to incentivise flexibility of self-generators. For further details, please, see BEUC's response to question 15. Moreover, the simpler and the more reliable the rules, the lower the costs of renewable self-generation and the faster the market uptake. Distribution system operators (DSO) should allow for an efficient and non-discriminatory utilisation of network capacity to enable household prosumers to feed their self-generated electricity into the grid. Consumers' willingness to invest in self-generation should not

[2] For instance, according to our UK member, Which?, the overall cost to consumers of the disconnect that has been developed between wholesale costs and retail prices has been up to £2.9 billion in 2014.

be restricted because of limited network capacities nor blocked by prohibitive regulation or undue charges for the grid access and grid use. It is worth to consider more differentiated schemes for network fees that foster flexibility options of demand and supply, involving all electricity producers and consumers in a fair way. Since households are neither engineers nor electricity traders, asking them to actively enter wholesale markets would discourage them. The question of transaction costs burdened on small-scale self-generators also needs to be taken into account.

Ensure tenants can also participate in self-generation projects
While the debate about the role of 'prosumers' in energy markets mainly focuses on private owners of detached houses, BEUC believes that access to renewable self-generation, going hand in hand with energy efficiency measures in the building sector, should also be provided for tenants. Such an approach could also enable vulnerable households to cut their energy bills. However, in most Member States, tenants do not yet find a favourable framework allowing them to profit from 'in-house' energy generation, e.g. from solar PV electricity produced on the rooftop of their multi-storey dwelling.

8. Which obstacles, if any, would you see to fully integrating renewable energy generators into the market, including into the balancing and intraday markets, as well as regarding dispatch based on the merit order?

BEUC response:

For a general remark on the current dysfunction of the wholesale market, please, see BEUC's response to question 7.

Renewable energy generators need to be integrated
Renewable generators have not a full access to balancing markets yet. Prequalification criteria could be adapted to allow renewable installations, e.g. biogas cogeneration units, to compete with other participants and offer primary reserve. In a future electricity system that will be dominated by the variable renewable energy sources wind and solar energy, renewable generation capacities need to contribute to offsetting volatility by taking over more responsibility, speaking in technical as well as in financial terms. For these reasons, renewable capacities should start today to take over more and more system-related charges, for instance through virtual power plants that offer flexibility on balancing markets.

Concerning intraday markets, BEUC shares the expectation that increased marketing of variable but predictable renewable electricity generation through short-term trading could help to better make use of more precise forecast data, thus better match real supply and demand by avoiding costly balance energy.

Small-scale renewable self-generation needs to be enabled
In general, several prerequisites need to be secured, especially to enable small-scale renewable self-generation units to participate: a sufficient number of aggregators should be active on functioning, transparent markets. Priority grid access and priority grid use for those renewables that are predictable but depending on meteorological conditions will still be indispensable. However, even in case all these prerequisites are met, the conditions of wholesale submarkets may not provide investment security for small-scale self-generation.
Against this backdrop, it is worth considering how to enable the direct sale of renewable electricity beyond existing power exchanges and established market places. For instance, the operator of a solar PV unit on a multi-storey dwelling should be able to directly market renewable electricity to residents and neighbours; a local citizens'

cooperative should be able to supply its members on a regional level with cheaper electricity from their wind turbine without being forced to fully transform into a utility. It is very important to enable such offers to make sure that the economic benefits of renewables really are transferred to consumers. Long-term contracts (see question 5) could function as a useful tool in this regard. This should in the end not serve as a pretext to suspend feed-in priority of renewable energy sources.

Finally, additional costs for market integration of renewable electricity installations have to be distributed in a fair manner to all stakeholders without overcharging household consumers.

9. Should there be a more coordinated approach across Member States for renewables support schemes? What are the main barriers to regional support schemes and how could these barriers be removed (e.g. through legislation)?

BEUC response:

Ensure national best practices are shared and existing barriers removed
Renewable energy sources as distributed energy sources need to be harvested and used on the local level. Depending on the regional geographical and meteorological conditions, renewable resources may vary a lot. Besides that, Member States' progress in tapping their specific renewable energy potentials differs widely, depending on national policies and the state of energy market liberalisation.

While assessing the effectiveness and consumer-friendliness of Member State's provisions for small-scale self-generation, we observe that throughout many Member States consumers interested in investing into renewable electricity generation such as solar PV units are confronted with a lack of adequate remuneration schemes for their electricity, with inappropriate charges and with administrative barriers. At the same time, renewable self-generation markets are marked by different levels of maturity. Against this backdrop, we cannot see a "silver bullet" applying to all challenges that consumers face in different Member States. While BEUC welcomes the need to highlight national best practices and disseminate those amongst Member States, we fear that a prescriptive approach on support schemes for renewables fails to tackle the most urgent problems that consumers are struggling with when they want to become renewable "prosumers". First of all, it belongs to the national level to remove these very specific hurdles that have been caused by national governments. They have been clearly identified (see, for instance, findings of the EU-funded PV GRID project and the "2020 Keep on track" project). Secondly, EU legislation should respect the diversity of regional renewable resources and Member State's specific approaches to mobilise their potentials in the most effective way. The European Commission should therefore continue to monitor and coordinate Member States' regulatory competition of best policies in the run for the 2020 and 2030 targets. Forerunners in renewables should not be moderated artificially. Regional cross-border cooperation involving renewable energy supply projects and local authorities could improve the exchange of best practice and help to reduce administrative barriers. The current relevance of such regionally integrated schemes for consumers' actual problems with their small-scale renewable self-generation investment is, however, relatively limited.

10. Where do you see the main obstacles that should be tackled to kick-start demand-response (e.g. insufficient flexible prices, (regulatory) barriers for aggregators / customers, lack of access to smart home technologies, no obligation to offer the possibility for end customers to participate in the balancing market through a demand response scheme, etc.)?

BEUC response:

First of all, as there are different types of consumers – households, business and industry, it should be always explained which type of consumers is addressed by the particular question as it may be misleading and allow for various interpretations.

Demand response policies need to focus on consumers' needs

Demand-side response together with the implementation of new technologies such as smart meters is being considered as an important tool to balance the future electricity grid. While some big energy consumers already have certain experience with demand response, this is rather a new topic for household energy consumers who may achieve only limited benefits depending on their consumption, needs and access to new technologies among others. Extending demand response programmes to the residential sector in the future will require much more attention of policy makers, regulators as well as market participants. It is important to bear in mind that without simplicity, consumer confidence and appropriate protections in place, consumers may a) be unwilling to adopt the dynamic tariffs that would maximize the use of Smart Grids and b) be unable or unwilling to change their behaviour. Getting it right may make demand side response a valuable resource and a helpful tool for consumers to optimise their electricity costs, but getting it wrong could result in chronic confusion, poor service and unfair costs for consumers. In any case, participation in dynamic tariffs and demand side response should be voluntary and may not be obligatory for household consumers.

In addition, when assessing the opportunity for consumers to engage with dynamic tariffs, it is equally important to assess the degree to which they will likely rely on home automation to deliver the expected benefits, and therefore what 'smart' services would be expected from appliances in the future, and how such services accommodate consumers' lifestyles. If we want to develop a market with high consumer confidence, the market must be transparent and policies covering smart grid, ecodesign and renewable technologies need to ensure that the promised consumer outcomes are delivered. Therefore, the European Commission should assess the degree to which consumers will likely rely on automation to deliver the expected benefits while ensuring their rights are protected. Also impact assessments for the future market design should differentiate between the various consumer segments in order to ensure the regulatory and policy framework fits these different categories of users and consumers. At the same time, future energy market needs to be designed in a way it does not shift the market risks to household consumers and does not cause energy divide. In this respect, the potential of demand-side response programmes for household consumers still need more systematic testing, including the influence of demographics, price signals parameters and use of household automation.

Simultaneously, consumers who might not be able to shift their load or reduce consumption at peak times might end up paying more with the introduction of these tariffs. BEUC thus calls on the European Commission to coordinate with Member States and energy regulators a distributional analysis on the impact of time-of-use tariffs on different social groups and if/how these groups can access the benefits of new deals as well as new technologies such as smart meters. Apart from the level of income, this analysis should take into consideration vulnerability, heating type, dwelling and location among other factors. All of these issues will influence the degree of flexibility the household has to shift their load and help assess benefits and risks. At the same time,

BEUC is concerned that the potential savings of flexibility at household level may not always compensate for the additional costs of smart meters or smart appliances. Consumers deserve real benefits and attractive financial incentives which pay off their investments.

Moreover, energy services market must be open to competition and there must be interoperability between smart meters, smart appliances and energy service companies' information systems. Regulators need to ensure that consumers are not locked into demand-side response schemes by bundled appliance offers and stronger protections must be in place for vulnerable consumers. It should always be kept in mind that energy is a commodity which should be at the service for the households and should not bring about a full-time management task for private consumers. In the end, consumers' homes should be a comfortable energy efficient living space in which consumers can benefit from self-generation, smart and interoperable appliances which have been designed to last long as well as to control consumption through consumer friendly smart metering systems if they choose so.

Transparency and comparability are key

Future energy market should be fair, inclusive and provide consumers with tools and necessary protections allowing them to engage in the market if they wish so. Transparency and simplicity are the key requirements for the implementation of dynamic tariffs otherwise households will be overwhelmed by information without being able to find out the option best designed for their consumption behaviour. BEUC thus considers clear information and adequate reward for consumer participation as prerequisites for consumer engagement. At the same time, we have been advocating for energy offers to contain key elements and be presented in a clear and easily comparable way. Therefore, we believe that the European Commission should develop a standard information form, similar to the one already used in the financial sector, to facilitate comparability of energy offers. In addition, BEUC members continue raising issues related to unclear and confusing bills, often caused by unclear price structure. Therefore, we call on the European Commission to review the content of energy bills and annual statements and assess how or if the information provided on the bill is useful to consumers.

Ensure bundled offers provide real added value for consumers

Bundling electricity service with other products and services may lead to further problems especially in terms of comparability and switching. Energy services provided within bundled offers can often be unfavourable to consumers as they may not be suitable or provide the best deal reflecting the particular needs of the consumer. In many cases, additional products or services are not provided by the energy retailer, but by other service providers. At the same time, these offers raise a number of questions regarding their scope and the role of different actors, for instance the implication of these services on the energy price (not only in terms of comparison of these products with the price of energy but also how these products are being presented in the consumer's bill) or in terms of enforcement which involves regulators from different sectors. BEUC believes that all products and services within bundled offers should be carefully monitored so that they provide real added value for consumers in terms of economic, social and environmental sustainability. BEUC also finds it important that the whole system is ready for a shift from what is currently the remit of one single regulator (or a sectoral Alternative Dispute Resolution (ADR) body) to the system which is able to address possible overlap of competences between regulators or other bodies dealing with products and services.

New tariffs need to be simple and clear

It is critical that new tariffs are explained to consumers in a simple and clear way using a set of common terms, so that they can weigh up the costs and benefits and compare

offers. Precision is critical, given the outcomes for consumers can vary hugely. For instance, in Norway where consumers can opt for spot price products (ie. price following the fluctuations in the wholesale market), our member reported that due to the confusing price structures and directly misleading marketing practices, it is very difficult for the majority of households to verify their electricity invoices. While most consumers think they pay the so-called spot price, our member discovered that most contracts are in fact only partly based on the spot price. Even the most informed consumers, who enter into the most favourable contracts, experience that their prices and conditions are being changed without being properly informed.

Ensure consumers' flexibility is properly rewarded

A level-playing field needs to be ensured while treating demand and supply side equally and enabling consumers to opt for the supplier or service provider of their choice. Regulators should ensure consumers' flexibility is properly rewarded and that there are price safeguards when consumers are fully exposed to wholesale market developments. Consumers may participate in and provide demand-side flexibility (DSF) if they see clear benefits. In order to be able to understand the implications for their energy consumption, they should be provided with concrete projections on the impact of changing their behaviour and energy use as well as with the value of these changes.

Furthermore, gains by network operators from smart meters (savings and optimisations in network management, customer service, repair, and planning) and load shifting should be fairly shared with consumers. There is no evidence that this takes place today.

Improve transparency of energy contract terms and conditions

Consumers often encounter difficulties to understand the contract terms and conditions. Therefore, contracts with new intermediaries and DSF service providers must be fair and with necessary protections against discriminating consumers. For instance, in the design of contracts, profiles (or preferences) are assumed to be stable throughout the time. This is however not always the case (as individual situations can change quickly due to illness or family situation and consumers must be able to change their contract accordingly) and consumers will move between customer segments so they need to be able to change to more suitable demand response products without barriers or penalties. On a similar note, consumers often encounter difficulties to access and understand the terms and conditions in energy contracts. Therefore, a summary of the key contractual conditions (such as main features of the service, detailed information on prices, conditions for switching or price increase) should be provided to consumers in concise and simple language alongside with the contract.

Need for greater co-ordination of demand response and energy efficiency policies

BEUC strongly believes the European Commission and energy regulators need to refocus demand response policies to give consumers greater control and choice according to their specific needs and interests. It is very likely that greater co-ordination between demand response and energy efficiency policies could open new opportunities for consumer to manage and reduce their consumption if this is supported by a greater understanding of the potential of the respective consumer groups to engage.

Allow new service providers into the market

Moreover, new market players will enter the market. While still limited in case of household consumers, for instance, the 'aggregator' managing loads of a number of consumers may play an important role for those consumers who will not be able or willing to play the game alone. Nevertheless, in order to enable consumers to harvest the advantages of liberalisation and effectively exercise their choice of service provider or product, the market needs to allow new service providers to enter the market.

Consumer representative bodies as partners in policy development processes
From the governance point of view, consumer representative bodies should be recognised as partners in policy development processes both at national and European level, helping out policy makers to protect and strengthen consumer interests in the energy market as well as when designing future retail markets where consumers are expected to be active players. Policy makers and regulators should closely collaborate with consumer representative bodies to promote consumer engagement in the development of future energy policies.

11. While electricity markets are coupled within the EU and linked to its neighbours, system operation is still carried out by national Transmission System Operators (TSOs). Regional Security Coordination Initiatives ("RSCIs") such as CORESO or TSC have a purely advisory role today. Should the RSCIs be gradually strengthened also including decision making responsibilities when necessary? Is the current national responsibility for system security an obstacle to cross-border cooperation? Would a regional responsibility for system security be better suited to the realities of the integrated market?

BEUC response: N/A

12. Fragmented national regulatory oversight seems to be inefficient for harmonised parts of the electricity system (e.g. market coupling). Would you see benefits in strengthening ACER's role?

BEUC response:

Roles and responsibilities of ACER need to be updated and reinforced
The Agency for the Cooperation of Energy Regulators (ACER) has been established mainly to support the National Regulatory Authorities (NRAs) in performing their regulatory functions at the EU level, coordinating their actions where necessary and acting through recommendations and opinions. However, in order to achieve effective implementation of the internal energy market, the roles and responsibilities of ACER need to be updated and reinforced, for instance with regard to monitoring functions, decision making powers and implementation of its decisions which should aim at creating consumer-friendly energy markets.

Therefore, BEUC calls on EU policy makers to ensure that roles and responsibilities of ACER are updated and reinforced, for instance with regards its monitoring functions, decision making powers and implementation of its decisions.

13. Would you see benefits in strengthening the role of the ENTSOs? How could this best be achieved? What regulatory oversight is needed?

BEUC response:

Regulatory oversight of ENTSOs is necessary
Although ENTSOs play an important role for instance in the preparation of network codes, the technical nature of this area such as different network codes impede more active consumer participation and makes it difficult for consumers and their representatives to engage in these processes. Therefore, there is a risk that consumer realities will not be taken on board, consumer rights will not be safeguarded and

appropriate protections will not be put in place. This may further water down democratic legitimacy. Therefore, regulatory oversight is important in this area to safeguard consumer rights and protections.

14. What should be the future role and governance rules for distribution system operators? How should access to metering data be adapted (data handling and ensuring data privacy etc.) in light of market and technological developments? Are additional provisions on management of and access by the relevant parties (end-customers, distribution system operators, transmission system operators, suppliers, third party service providers and regulators) to the metering data required?

BEUC response:

Need for welcoming culture for 'prosumers'
Although suppliers should continue being the main point of contact for consumers, their relationship with distribution system operators (DSOs) will need to be strengthened mainly for those consumers who become self-generators. We expect a true "welcome culture" for small-scale renewable self-generation amongst DSOs. This is not yet the case in many Member States where consumers struggle with complex permit procedures and undue charges. Households who are self-generators require an appropriate, simplified access to the grid in order to enable a hassle-free export and sale of their excess electricity. At the same time, DSOs and the implementation of more dynamic components in network fees may be crucial for incentivising more flexibility, as well on the generation side as on the demand side (see BEUC's response to question 15).

Consumers need access to their data and guarantees their data is well-protected
Where smart meters are rolled out, consumers should have access to real time information as well as historical information, accurate bill, advice and easy switch. Moreover, new technologies such as smart meters make it technically possible to process much more granular data than is currently processed in the retail energy market sector, which could give a unique insight into the activities of households. If compliance with the data protection framework and effective enforcement is not ensured, this information may be used not only for analysing the consumption patterns of particular households but also for other purposes that are not compatible with the one for which the data has been collected. In order to address all concerns and prevent the misuse of consumers' personal data, the EU legal framework has established a number of fundamental principles every data processing operation must comply with. The customer has a fundamental right to access and control all the data generated by the smart meter (whether the consumer owns (or has the property rights to) the smart meter is irrelevant). In addition to the right to access the data, consumers must be also able to exercise their rights to correct, erase and delete information held about them. This should always remain free of charge so that consumers can fully exercise their fundamental rights in accordance with the principle that they have the ownership and the control over their data. Moreover, when consumers wish to switch their energy supplier they need to be able to carry their data with them, and proper procedures for the complete and effective erasure of their personal customer data by the previous suppliers need to be guaranteed.

At the same time, we believe each party requesting the data should provide justification why the data is needed, ie. the burden of proof should also be extended to DSOs/metering operators. It should always be tested if there are alternatives open to

the other party that are less intrusive to the fundamental right to privacy of European consumers. We therefore believe that further guidance will be needed in this respect.

15. Shall there be a European approach to distribution tariffs? If yes, what aspects should be covered; for example tariff structure and/or, tariff components (fixed, capacity vs. energy, timely or locational differentiation) and treatment of self-generation?

BEUC response:

Distribution tariffs could encourage flexibility

While there is a limited experience with demand-side response at the household level, demand side flexibility (e.g. peak load shifting) may be incentivised through a differentiated set of price signals. From the point of view of small-scale renewable self-generation run by consumers, DSOs are even more important because they have to secure a simplified and reliable grid integration of consumers' self-generation capacities. In this context, a more dynamic design of distribution grid tariffs (as a part of all "network fees") may be a key for triggering behavioural shifts of all grid users towards more flexibility. However, there is further research needed with regard to what should be the future design. Since highly diverse actors are expected to contribute to future demand side response schemes (e.g. ranging from industrial production sites to households running their solar PV unit), there cannot be a one size fits all solution for dynamic components of network fees. They will need to reflect the specific role, the consumption profile and the ability of each grid user to fully participate.

Looking at current practices in some Member States, neither generous exemptions for large industrial consumers nor overcharging households for using their self-consumed renewable electricity correspond to our understanding of smart distribution grid tariffs that trigger flexibility. Even worse, in a number of Member States small-scale self-generators (prosumers) are blamed to undermine the solidarity of the electricity supply system. These reproaches even lead to prohibitive grid payment schemes against renewable self-generation, partly introduced in a retroactive way.

Households that consume their own solar PV electricity will indeed reduce their electricity consumption from the grid and will consequently contribute less to the coverage of total costs for maintenance and extension of the electricity networks since these costs are mainly paid by network fees charged on every kilowatt-hour consumed ("consumption-based fee"). Revision of consumption-based network fees towards more capacity-based fees could be designed to address this problem and to incentivise flexibility of electricity generation. However, capacity-based network fees might increase the burden for all small consumers and lack incentives for the take up of energy efficiency measures so such a revision would require additional compensating mechanisms for vulnerable households. Therefore more analysis is needed on how to design those fees and fairly share the grid costs.

Finally, the effect of prosumers' diminishing contribution to network fees described above should not be overestimated. Even in far developed solar PV self-generation markets (e.g. Germany, Italy), prosumers' self-consumption represents currently a very limited share of final electricity consumption (<0.5% in Germany). Although the number of prosumers will increase, self-consumption will not diminish grid operators' revenue from network fees substantially. It would be neither appropriate nor fair to burden in-house electricity generation and consumption which spares the electricity networks. Nevertheless, it is worth considering more differentiated schemes for network fees that foster flexibility options of demand and supply, involving all electricity producers and

consumers. In this respect, BEUC would welcome further steps to set minimum criteria for distribution grid tariffs in the light of the aforementioned recommendations.

16. As power exchanges are an integral part of market coupling – should governance rules for power exchanges be considered?

BEUC response:

Governance rules need to apply for power exchanges
A well-functioning electricity market entails all the fundamental mechanisms which promote transparency in terms of trading, market regulation, third party access, and preventing market distortion. Therefore, necessary control mechanisms and governance systems which is highly transparent and based on a robust monitoring process need to be in place in order to avoid market manipulation.

In order to ensure a high level of transparency and the rules are respected, the European Commission should ensure that solid governance rules apply for power exchanges. Regulators should control the exchange markets and have the possibility to reject market participants if they detect abuses.

Moreover, we observed that some energy exchanges have made some effort to provide more detailed information (such as EEX or NordPool).On the contrary, in a number of Member States (for instance in Greece, Bulgaria, Romania, and Poland), we have seen that the access to basic market data is still limited. After all, recent cases when several exchanges were investigated and some fined by the European Commission clearly demonstrate that strong rules for power exchanges need to be in place. In addition, we believe that regulators should oblige all power exchanges to make market data publically available.

17. Is there a need for a harmonised methodology to assess power system adequacy?

BEUC response:

Need for harmonised procedures to asses system adequacy
Advanced interconnectivity across Europe and market coupling should ensure consumers can reap the benefits of truly competitive energy markets. This will also increase the need for harmonised procedures when assessing system adequacy.

Moreover, while cost-efficient infrastructure including the fair cost sharing by all consumers (not only households) can contribute to system adequacy especially in the transition towards more renewables being integrated into the grid, increasing generation adequacy via capacity mechanisms remains questionable.

In order to match electricity supply and demand, several Member States already put in place capacity mechanisms. However, in a period when existing power plants cannot run profitably and are being shut down, subsidising installations may create yet another subsidy dependent market. Instead, the focus should be on establishing more interconnectors across borders and making sure their functioning is not hindered by national considerations. At the same time, wholesale markets need to be further developed so that prices are unbiased. This will not only lead to an efficient match between supply and demand but also provide incentives for the necessary investments in flexibility. This should in the end lead to lower energy prices.

18. What would be the appropriate geographic scope of a harmonised adequacy methodology and assessment (e.g. EU-wide, regional or national as well as neighbouring countries)?

BEUC response: N/A

19. Would an alignment of the currently different system adequacy standards across the EU be useful to build an efficient single market?

BEUC response: N/A

20. Would there be a benefit in a common European framework for cross-border participation in capacity mechanisms? If yes, what should be the elements of such a framework? Would there be benefit in providing reference models for capacity mechanisms? If so, what should they look like?

BEUC response:

Need to coordinate at the EU level

BEUC questions the real need for additional capacity mechanisms as there is a high risk that the mechanism will not be adequately designed due to its complexity. This may create unfair competitive advantages for involved companies, leading to inefficient market outcomes and additional costs for consumers. BEUC therefore calls for further analysis on the need of capacity mechanisms and an EU-wide overview, including mechanisms coordinated at the EU level.

21. Should the decision to introduce capacity mechanisms be based on a harmonised methodology to assess power system adequacy?

BEUC response:

Please, see BEUC's answer to question 17.

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