

FERC: Reliability Technical Conference

Panel II: International Perspectives

Washington DC, 22 June, 11h15 – 12h30

I. INTRODUCTION

- Honoured to be reporting on Europe's experience. I believe we share fundamental challenges in managing today's power systems as they undergo rapid technological changes.
- The biggest challenge of all is the rise in variable renewable generation which is calling for further market and grid integration. The EU decarbonisation targets mean renewables shall in fact take as much as 50% share of power generation by 2030.
- In order to get our system fit for the future, a far-sweeping legislative energy package is now under discussion, including updated European rules on power markets and renewables.
- Let me give you an overview of our approach.

II. A MARKET FIT FOR RENEWABLES

- As a guiding principle, we are making the market fit for renewables whilst renewables are made fit for the market.
- In practice, this means we are relaxing price caps to allow for price peaks and encouraging shorter-term trading to allow adequate remuneration for more variable sources.
- On the other hand, we are making sure all technologies gradually shoulder market responsibilities.
- This means renewables will need to follow standard dispatching rules and balancing responsibilities. Exceptions are still being made for smaller scale generation facilities and for existing facilities in order to ensure business continuity.
- At root, however, our approach is firmly market-based. We want to bring as many actors as possible into the market.
- This includes consumers, whom we are placing at the centre of the energy transition. We trust consumer participation can be a driver for both market efficiency and grid stability.

- With a more volatile grid, we need in fact to mobilize all the flexibility we can on the demand side. For this to work on a large scale, however, flexibility must be rightly remunerated.
- That is why we are giving consumers a right to self-generate, store and sell electricity either individually or as member of energy communities.
- Market entry barriers for new market actors - such as aggregators – are also being removed in order to help consumers take up their new role.
- Lastly, encouraging consumers to become active market participants shall further increase public acceptance as well as help raise private capital for the energy transition.

III. DISTRIBUTION LEVEL

- Now, the rise in renewables and in consumers' participation is of course shifting the balance of the grid to the distribution level.
- More efforts will thus need to be made in the future to:
 - i. Come up with common technical rules at distribution level; all whilst recognising we find there more variety in business models and operation.
 - ii. Better integrate stakeholder from the distribution level, but who have no proper voice in our institutional framework today.
- The two challenges are intertwined. Our adoption process for grid rules relies heavily on stakeholders' inputs and technical expertise at different institutional levels.
- We see as key areas for harmonization to include data-management and digitalisation aspects as well as common frameworks for decentralised generation, demand side management and TSO-DSO cooperation. We also foresee the creation of a European entity grouping European Distribution System Operators.

IV. PLANNING GRID DEVELOPMENT

- Last but not least, a word on grid development.
- We trust that by making markets more responsive to price signals, we are helping make the case for investment where these are really needed – including on transmission.
- Cross-border infrastructure building has however at times suffered from delays, thus slowing down the pace of market integration.

- Since 2013 we have however adopted guidelines on trans-European energy networks (TEN-E) to provide a legal framework for planning and implementation of such projects.
- TEN-E introduced a new approach to strategic grid planning based on regional cooperation and the identification of so-called "Projects of Common Interest" (PCI)
- Qualifying project developers enjoy a number of advantages, including accelerated permit granting; improved regulatory treatment and financial aid under certain conditions.
- More than 5 bn EUR in financial aid have been made available until 2020 and on the current project list we have a total of almost 200 projects both in gas and electricity.
- What I would stress here is that our success is due largely to our unique selection process, which relies on a mix of accurate forecasting and bottom-up involvement.
- Each project is in fact accompanied by a thorough cost-benefit analysis and carried in cooperation with transmission system operators. This ensures money go where there is both an economic case and willingness to move forward.

V. STANDING CHALLENGES

- But of course it's not all rosy and there are standing challenges.
- Despite rapid technological changes, the sector is still ridden by path dependencies and long held traditions. It is not easy to reconcile both the old and the new world in regulatory terms.
- Secondly, market integration can sometimes be opposed in the name of maintaining security of supply.
- This offers opportunities for frictions, despite having shown that an integrated grid – if properly managed - is also the best way to shoulder each other in case of emergencies.
- Overall, system complexity is increasing and so is our need to come together in a coordinated fashion – all whilst letting the market do its job freely. We recognize these are tricky balances to strike.