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Position paper on the ACER Consultation „European Energy Regulation: A Bridge to 2025“

Hannover, June 16, 2014

The enercity Netzgesellschaft GmbH (eNG) is a local distribution system operator (DSO) for electricity, gas, heat and water in Hannover, Germany. We cover an area of over 300 km² and approximately 650,000 customers.

We appreciate the opportunity to comment on ACER's public consultation paper "European Energy Regulation: A Bridge to 2025" dated 29 April 2014. In general, we share the positions of the German Association of Energy and Water Industries (BDEW) in their position paper dated 16 June 2014. Nevertheless, we would like to place emphasis on several issues that are of paramount importance for local DSO's in Germany.

General comments

We generally agree with ACER's position on the future role of DSO's. The integration of distributed non-programmable renewable energy sources is an ambitious challenge as their share in the power generation market is continually growing. This evolution will require a more active role for DSO's in the electricity market and will require smart grids and flexibilities to balance power generation and power consumption. We agree that some services in this context can be provided within competitive markets. However, there are elements in the discussion that are more important than others, some are even counterparties. For example, the competitive markets need a reliable data base and clear responsibilities for this data whereas the liberalization of metering services could be a risk for the quality of the relevant data. Therefore, we argue for an elaborate step-by-step process that identifies and prioritizes the relevant tasks (e.g. place more emphasis on common national market rules concerning data exchange processes, data formats and data content) against the background of ensuring system stability.

Comment on 3.21

We generally agree with ACER's opinion on the relevance of investments in transmission infrastructure to foster efficient cross-border flows of energy. It is very important to mention that cross-border flows of (real) energy have to be associated with the local supply of reactive power. Therefore, it is - for the sake of system stability - necessary to offer incentives for local providers of reactive power. In addition, the relationship between cross border flows of energy and the local prospective short circuit current (PSCC) seems to be underinvestigated.

Comment on 3.26 - bullet point number 3

The envisaged shortening of the supplier switching period from its present maximum of three weeks to within 24 hours seems very ambitious and costly compared to the benefits for the customers. Moreover, we don't see a customer demand for a shorter supplier switching period and we haven't received any enquiries in this context yet. In addition, there are some other facts that have to be taken into account. On the one hand we have cancellation clauses for online business in our

jurisdiction which entitles the purchaser to withdraw from sales contracts within 14 days. On the other hand the contracts for delivering a consumer with electricity or gas usually have a term of one year and a 30 days' notice.

Comment on 3.26 - bullet point number 8

We would like to firmly point out that there is no need to harmonise the rules concerning service quality of distribution system operation. There is no reason why each member state should not continue to set its own rules in this respect. Neither the internal European market for energy nor the cross-border operation of electric systems demands such a harmonisation.

Comment on 3.33

We disagree with ACER's opinion that the most effective long-term model to establish DSO's as a neutral market facilitator is ownership unbundling. We believe that the present regulatory framework already ensures neutrality and non-discrimination. In Germany consumers presently can make a choice between a large number of suppliers and tariffs thanks to a successful opening and liberalization of the electricity and gas markets. There are nearly 250 electricity suppliers and nearly 150 gas suppliers operating in our network area. This is an indicator for the very high level of competition in Germany and we therefore see no need for further unbundling on DSO level.

It is worth mentioning that we have an efficient national conciliation committee (Schlichtungsstelle Energie e.V., Berlin) for problems in the relationship between customers and energy providers. In 2013 only 9.600 requests have been processed whereof three-fourths could be cleared mutually.

Contact:

Carsten Attig

enercity Netzgesellschaft mbH
Auf der Papenburg 18
30459 Hannover
Germany

phone: +49 511 / 430-5159

e-mail: regulierungsmanagement@enercity-netz.de
www.enercity-netz.de



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