

# **ACER pre-consultation on “Energy Regulation: A bridge to 2025” : Overarching Paper**

## **Contribution by Enel**

### **1. Do you agree with this overall approach? Would your emphasis be any different?**

We agree on the approach and time horizon chosen by ACER. 2025 is an appropriate timeframe to address the challenges identified and to provide possible solutions to overcome the difficulties encountered by operators and regulators due to the impacts of recent developments, such as the increasing penetration of intermittent generation, the nuclear abandon in several countries, etc.

We are in the middle of an energy transition whose impacts are arising faster and in larger dimensions than expected, therefore we agree with ACER views on the need of a dynamic and flexible framework able to be adjusted rapidly to the ever-changing context in order to address unexpected externalities. However, we consider that network codes do not constitute a dynamic framework. The network codes development process is quite lengthy and complex, and a potential substantial change of one or several network codes could take months or even years before its completion and implementation. Network codes are technical and operative rules employed to achieve the target models for electricity and gas which have been endorsed respectively in 2009 and 2011, and which are already proving to be inadequate to address the generation adequacy and flexibility issues. Indeed, we are risking to set up a target model in 2020 with rules and principles meant for a completely different world and power systems we have today and we will have. Therefore, we welcome a sound review of the EU target models and it is crucial that policymakers and regulators thoroughly consider the possibility to complement the current electricity model with capacity market mechanisms.

### **2. Do you agree with this broad analysis and/or do you have further suggestions?**

We fully agree with ACER analysis on the substantial changes that market dynamics is experiencing and we welcome ACER objective to identify robust regulatory policies able to accommodate unforeseen events and shifting trends. We also agree with a number of assumptions considered in this paper, such as the key role of low carbon policies or the further interrelations between electricity and gas markets. Although we acknowledge the challenge of balancing the energy “trilemma”, we deem that policy makers and regulators attention should be focused on the competitiveness issue rather than affordability. The key components of the EU energy strategy are: competitiveness, sustainability and security of

supply. In our view energy prices should be fully cost reflective and we support ACER position to urge Member States to phase out market distorting regulations in both wholesale and retail markets, such as price caps. Therefore, it is crucial that no misunderstanding messages are addressed to policy makers and EU citizens. Energy customers should be able to participate actively in the market and choose competitive offers at fair prices.

Additionally, it is important to point out that policy makers and regulatory authorities should set up clear goals and establish the corresponding actions and initiatives based on economic efficiency. We have already experienced that the implementation of multiple objectives in the framework of climate policies contributed to jeopardize the ETS functioning which did not deliver a strong CO<sub>2</sub> price signal to steer investments in low-carbon generation and resulted in inefficient CO<sub>2</sub> emissions reductions.

**3. Do you think the list of suggested measures is complete or do you have further suggestions?**

- **Do you think that the requirements for infrastructure investment in gas are the same as in electricity?**
- **What further ideas do you have on the future role of consumers?**

As correctly pointed out in the overarching paper, flexibility will be more and more needed to enable electricity supply-demand balance with high levels of renewable generation. However, among the list of actions suggested in this document to properly value the flexibility needs, ACER should explicitly state that, as a first step, renewable energies should be given full balancing responsibility. The higher is the share of intermittent energy, the less bearable is for the system not to allocate balancing costs to responsible parties.

Furthermore, additional actions to improve consumer awareness will be needed. Consumers are bearing the overall costs of national and EU energy and climate policies. In order to make their own decisions in an efficient way, they should be able to see coherent price signals in energy markets and clear final prices in energy bills. In this respect, energy bills should reflect only the cost of producing (wholesale prices), transporting, distributing and commercializing electricity. All other costs should be left out.

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