

**Direct Energie's answer to ACER's Public Consultation "European Energy Regulation:
A Bridge to 2025"**

Direct Energie is an electricity and gas supplier on the French market.

Direct Energie fully supports a number of assertions detailed in ACER's public consultation paper regarding the regulation of DSOs.

- First of all, we share the view of ACER regarding the future role of DSOs as detailed in sections 2.33, 2.34 and 3.32. Direct Energie considers that the influence of DSOs on competitive markets should be minimized and that the supply of new services should be left to other actors such as retailers.
- Moreover, we fully support ACER's statement in section 3.33 stating that "The most effective long-term model to deliver such an outcome is ownership unbundling." The situation in France shows that such an unbundling is necessary to ensure that DSOs do not interfere with competitive markets: although the Third Package has been transposed in French law, the national NRA consistently notes in its annual reports that independence rules are not properly applied by major French DSOs.

Furthermore, Direct Energie would like to give its opinion on capacity remuneration mechanisms (CRMs). We consider that the implementation of CRMs is essential in order to ensure the proper remuneration of generation assets. Such mechanisms are not only necessary when the level of electricity generation capacity is not sufficient to meet demand: they must be designed to remunerate capacity at all times, and their price should not be zero at any time. Otherwise the value of capacity will be very volatile, and capacity markets will encounter the same difficulties as the CO₂ market. We insist that, in our view, a capacity mechanism should not be a subsidy for capacity which would result in the building of unnecessary capacity, or even a capacity "bubble". The profitability of producers would be conditioned to the capture of earnings from marginal prices on the energy market (infra marginal rent). These earnings should drive the adequate sizing of the generation fleet: in case of overcapacity, it is insufficient, and there is no new installation, in case of under capacity, it becomes very strong, and it encourages investment to optimize the fleet in level and in structure.

Finally, we would like to state our opinion on transmission charges paid by electricity producers. In its opinion of 15 April 2014, ACER comes to the conclusion that energy based G-charges should be equal to 0 €/MWh. Direct Energie believes on the contrary that both energy-based and power-based G-charges are necessary to reflect the costs supported by TSOs because of generation units. First of all, we agree that power-based G-charges give long term signals to producers which can be used to give



locational signals to producers. But energy-based G-charges must also be used in order to provide short term incentives to producers so that they will optimize their production plan according to network constraints, for example to limit transmission losses. The modification of the merit order induced by energy-based G-charges is precisely the market mechanism through which producers should be incentivized.