



UNBUNDLING IN NEW ENERGY MARKETS: Concrete Examples and Critical Issues

Testimonials by EER Members
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Founded in 2017 by:

ACIE: Asociación de Comercializadores Independientes de Energía / Association of Independent Retailers – SPAIN
AFIEG: Association Française Indépendante de l'Electricité et du Gaz / French independent association for electricity and gas – France
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Oberoende Elhandlare / Independent Electricity Retailers – SWEDEN



Introduction & Agenda



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Concrete Examples and Critical Issues

Introduction by Antonio COLINO, President, European Energy Retailers

Testimonials from EER members:

- Marc BOUDIER, President AFIEG (France), on **unbundling generation/supply & data access**
- Luis BLANCO, President ACIE (Spain), on **data hubs & regulated tariffs**
- Massimo BELLO, President AIGET (Italy), on **Gas TSO activities & biogas**
- Robert BUSCH, CEO bne (Germany), on **Power-to-Gas & Flexibility**



AFIEG: unbundling in France



- In France **ownership unbundling** seems to be far from being achieved.
- Yet, **management unbundling** is a reality for the TSO (RTE), and in progress for the DSO (ENEDIS).
- The real issue today to promote a **fair competition** may come from the lack of unbundling between EDF's production branch and EDF's commercial branch, due to the monopolistic position of the incumbent for key generation assets, especially nuclear energy production.



AFIEG: data access



- French DSO ENEDIS, in a monopolistic position on 95% of the national territory, has clearly made strong progress, under the control of the regulator, towards a neutral treatment between its 100% shareholder EDF and the other suppliers.
- Yet there might still be a risk of not considering these suppliers as their own customers, with the temptation to use its direct access to the final customers, through its control of metering devices, to collect the data in real time.
- A concrete example: other than in the past, due to a technical evolution, the suppliers do not have any more the capacity to access by themselves the consumption data of their non-households customers. In this case, **the DSO may not play its role of neutral market facilitator.**
- Retailers are **core players of the electricity system as they act on behalf of consumers/producers to deal with their imbalances and match their needs.** To fulfil this too often forgotten task, they need an efficient access to real time metering data.

ACIE: Data Hubs



- Consumer empowerment is key for full decarbonization and balancing between demand and renewable generation. Empowerment is possible only through a data-driven engagement for new services such as demand market participation, flexibility, etc.
- Hardware deployment is pointless if the metering data is not available in a homogeneous, timely and efficient way to all the stakeholders around a supply point.
- Articles 23 and 24 of Directive 2019/944 define the data management framework for the Member States establishing interoperability and data access protocols as a must.
- Integrated data hubs managed by an independent party are the most efficient way to ensure a level playing field for all the different stakeholders. The main issues are not only about hub development, protocols & rules but about ownership and hub location.

In Spain, before this directive has been transposed and the rules have been clearly defined at national level, the DSOs have already created a data hub based on their own vision for a solution and without proper prior consultation.





ACIE: Regulated Prices



- Directive 2019/944 establishes that there should be no regulated prices except only for domestic customers in situation of energy poverty or vulnerability (Article 5.3).
- The Directive also establishes that before the end of 2021 Member States will present a first report to the European Commission on the necessity and proportionality of public intervention in prices, as well as the progress made to achieve effective competition between suppliers and the transition at market-based prices (Article 5.9).
- The Commission shall present by the end of 2025 a report on the application of the provisions of the Directive in order to achieve market-based pricing of electricity together with a legislative proposal, which may include a deadline for regulated prices.

The current regulated prices in Spain (PVPC) do not reflect the real cost of energy supply, therefore the number of switching from the regulated market is decreasing at a worrying pace and even increasing the switching from the liberalized market to regulated prices.





TSO new services – examples in Italy

- Snam4Mobility (TSO Snam's new subsidiary): mission to promote improvements in the natural gas for transport distribution network in Italy (CNG, LNG, Biomethane)
- Snam is active in all developments of hydrogen technology, not only networks
- CUBOGAS offers "plug &fill" integrated solutions complete with all accessories necessary for a compressor and filling station installation
- IES Biogas: General contractor to realize waste-to-energy and biogas production sites
- Enersi Sicilia: Production plan to produce biomethane from organic waste (3,6 mln Sm³/y) + compost
- TEP Energy Solutions: Energy efficiency services to PA, companies, properties/condominiums



AIGET: unbundling in the gas sector



Examples: 1) The Italian Gas TSO will invest 100 million Euros in the construction of approximately 150 natural gas and biomethane refuelling stations (incl. renewable gas from organic waste and agricultural and agro-industrial waste) for cars, trucks and buses. 2) Direct advertisement to building administrators for energy efficiency.

Risks from activities of regulated companies in these fields: 1) risk of cross-subsidization; 2) hindering competition in the market to the detriment of consumers and innovation.





Power-to-Gas: **No exemptions to the strict unbundling**

- Various German electricity and gas TSOs are planning to build 100 MW electrolyzers to produce green hydrogen with renewable energies:
 - “Hybridge” by Amprion and Open Grid Europe
 - “Element Eins” by Tennet, Gasunie Deutschland and Thyssengas
 - They have asked the regulator to be allowed to finance this project through the consumers' grid fees. In that case, they would be supported with regulated risk-free money from the regulated monopoly sector and destroy/distort competition in several markets at once:
 - The TSO would become a dominant flexibility provider in the electricity market, the market for demand response is getting smaller
 - The gas TSO would become a dominant producer of green hydrogen and could also use his information about the gas system situation for acting on the gas balancing market in his own advantage.
 - For the development of a fair and consumer-friendly hydrogen market, the EU Decarbonization Package should make a clear statement that strict unbundling will be continued.
- > **Risk of cross-subsidies and higher grid fees for consumers**



Flexibility: **Using sensitive information by TSOs + DSOs distorts competition**

- **Congestion Management and Flexibility Procedures in Electricity Networks:** scheduling does not provide enough information for congestion management, so the TSOs and DSOs need more precise information about demand and supply. Therefore the market participants have to provide sensitive data about their generation and their demand to the TSOs and DSOs (obligation according to SOGL).

As most suppliers in Germany are only separated from the DSO for information and/or accounting purposes, a potential information leak is obvious. For affiliated trading departments, for example, information on increase/decrease in feed-in from other market participants is worth cash money.

- **Grid Owner/Grid Operator as Energy Trader:** This also applies to DSO because they trade the quantities of the difference and loss balancing group. The grid operators own energy trading is very interested in this information. In the case of the distribution networks, the operators are able to retain higher revenues through an information advantage because the affiliated trading departments profits are not taken into account in the regulation.

-> **Competitive advantages of TSOs and DSOs stifle the flexibility market even before it has the chance to develop**



Key questions (1)



- **Access to metering data** remains and issue in various Member States. The development of smart metering devices deployed for non-household customers has come with new restrictions to access in the case of France. What are the reasons for that?
- Electricity DSOs have developed their own **B2C data portals**, as is the case in Spain and Italy: how can these portals be consistent with the DSO's role of service providers to the retailers aimed at empowering the development new services including those based on innovative and personalized data mining?
- A larger share of renewable and decarbonized gases will enter the market, together with hydrogen. **TSOs have interests in developing activities** in this field, as we've seen in the examples from Germany and Italy. What is the rationale for TSOs to develop such businesses, other than possibly exploiting synergies with their regulated activity? But synergies between regulated and market businesses are not healthy for the market and by definition anti-competitive.



Key questions (2)



- **Regulated tariffs** in some Member States are extremely low, not reflecting the real cost of energy supply and hampering market development, as shown in the Spanish example. In Italy, too, the update of the regulated tariff was decided in certain cases based on political issues. Isn't this confusing and is this in line with European policy?
- Is **effective unbundling** without ownership unbundling wishful thinking? If not, what is needed?
- A **market for flexibility services** is promising but slow in being developed. Which are the elements that are necessary to fully develop this market and ensure it is competitive, innovative and benefits consumer? What role should regulated companies play in this regard and how do you assess the risks in this context, as shown in the German example?



THANK YOU FOR YOUR ATTENTION

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