

AIEE

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ROMA
Università LUMSA



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REGULATION FOR ENERGY MARKET

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EXPECTATIONS AND REALITIES

- At the beginning of the process of liberalisation of the energy markets in EU, on last decade of XX century, it was common belief that the role of the Authorities, necessarily very strong in the transition phase (from a monopoly to a competitive market), over time would be gradually reduced.
- As we will see the history of the last twenty-five years has been very different and very different are the possible predictions for the future.
- The energy transition towards decarbonisation will increase the responsibilities and the role of the Authorities.

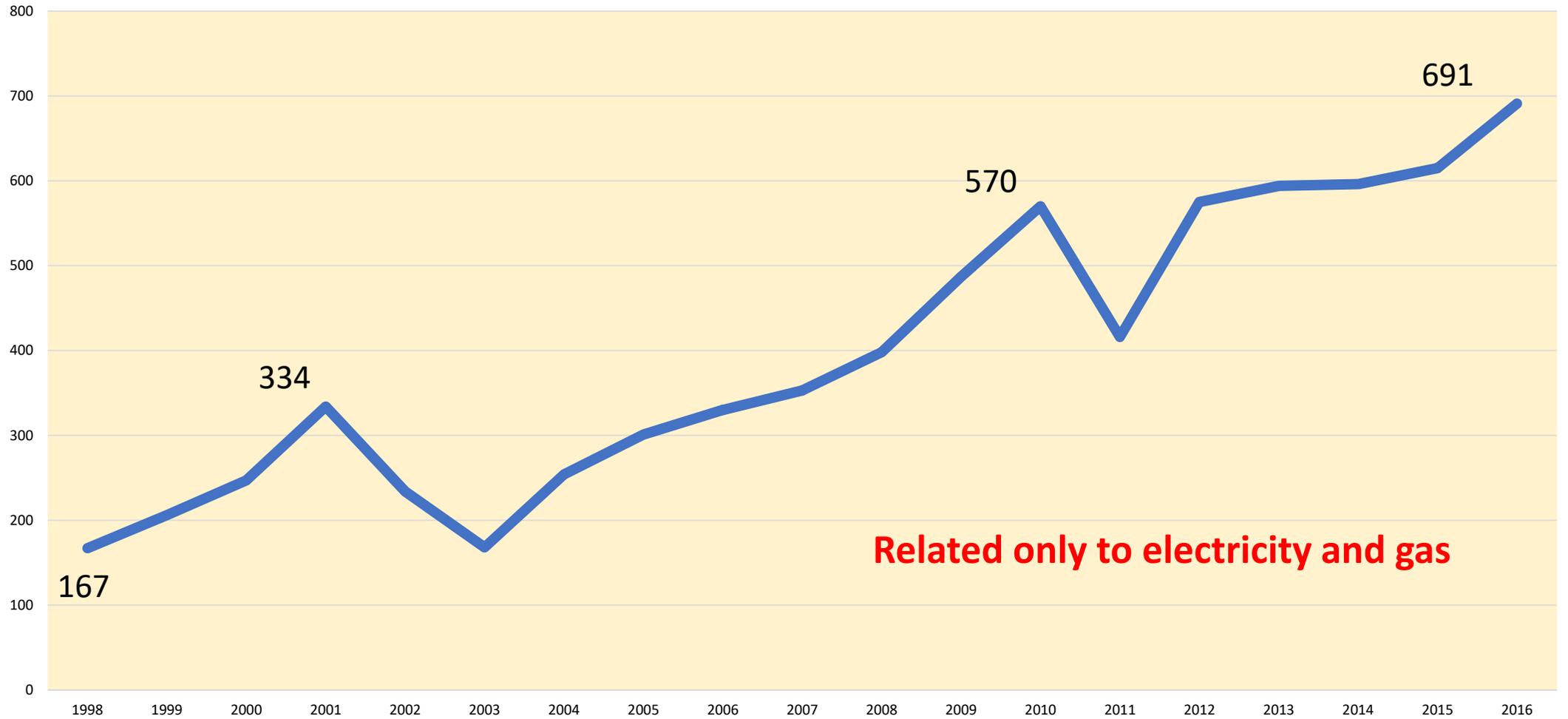
THE GIFT OF LITTLECHILD: A CARTOON BECAME FAMOUS



Expectation:
from a heavy paw of a bear, to a pretty femal shoe

Realities:
Maybe we have to read the cartoon not from left to right, but from right to left

DECISIONS OF AEEGSI (1998-2016)



IS AEEGSI AFFECTED BY REGULATORY BULIMIA ?

There are structural reasons to increase regulatory activity:

- The explosion of renewables, which are not able to compete on the market and therefore need an incentive;
- Always as the effect of renewables, which mainly (wind, photovoltaic and mini-hydro) are not programmable, increases the function of back-up of conventional plants and also increases the demand for ancillary services (dispatching), with a specific regulation;
- The growth of decentralised generation, which impacts the distribution systems, and also this one needs a specific regulation;
- Last, but not least, the introduction of capacity market.

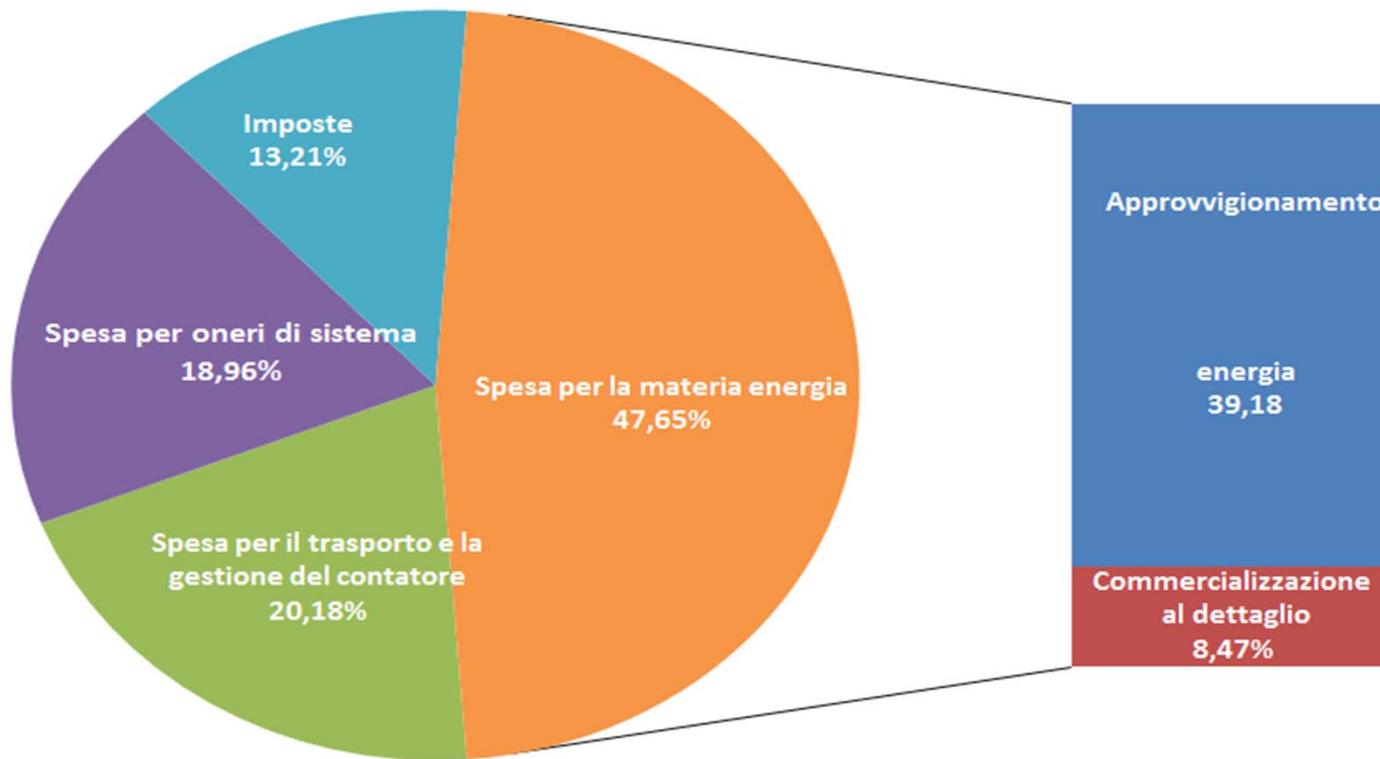
The costs of power for SME (Italy)

	OCTOBER 2012	OCTOBER 2014	OCTOBER 2017
GRID SERVICES	34%	44%	50%
ENERGY	60%	50%	44%
TAXES	6%	6%	6%

The market area is reducing, while grows the weight of regulated activities

The cost of power for families (3 kW- 2.700 KWh/y)

IV trimestre 2017
Prezzo lordo = 19,589 c€/K



THE BORDER BETWEEN TECHNIQUE AND POLITICS

The expansion of the regulated area makes more difficult to define the boundaries between technical decisions and policy choices.

Just a few examples:

- How much should be incentivized the renewables ?
- Who has to pay these incentives?
- Who have to define the adequacy of capacity to ensure the security of supply ?
- What is the level of control over the TSO and DOS of the Government and/or of the Authorities ?

WINTER PACKAGE AND THE RISKS FOR THE INDEPENDENCE OF ACER

- The expansion of regulated activities at detriment of market, risks to increase the weight of political decisions on those techniques, reducing the degree of autonomy and the independence of the authorities.
- This risk is made clear by the proposal to amend the founding regulation of the ACER (the Agency for the Cooperation of Energy Regulators) that the European Commission has included in the Winter Package.
- This proposal indeed seems moving in the direction of a strengthening of the influence that the European institution and firstly the Commission can exercise on ACER's choices (in contradiction to European norms for the structural and functional independence of the national regulatory authorities) .

THE VALUE OF INDEPENDENCE

- The experience of the last twenty years has confirmed the advantages of the independent regulation with respect to a regulation directly subject to the political address:
 - ❖ Greater attention to parameters of technical-economic efficiency;
 - ❖ Stability of regulation (or better predictability of its evolution);
 - ❖ Impartiality with respect the different interests at stake.

No doubt that the role and the governance of ACER have to change, but in the sense of a full transformation into an independent European authority, on the model of the set-up in 2010 for the regulation and supervision of financial markets (Eba, Esma, Eiopa).

MARKET RELAUNCH AND INDIPENDENCE OF THE AUTHORITIES

- Two goals are fundamental today:
- the first (most difficult) is to integrate in the market regulated activities, such as renewables and distributed generation.
- the second is to ensure and strengthen the independence of regulators, which is essential to the growth of the market.