

---

# **ROUNDTABLE OF EUROPEAN ENERGY INDUSTRIALISTS**

---

20-21 JUN 2017 | BRUSSELS

**// JOINT MESSAGES**

# JOINT MESSAGES FROM THE ROUNDTABLE OF EUROPEAN ENERGY INDUSTRIALISTS

---

## ENERGY UNION – KEEPING EUROPE TOGETHER

The **European energy landscape is still very fragmented** and far from being a fully integrated Energy Union. Member States **have agreed on common policy objectives** to ensure security of supply, limit the environmental impact of energy production and reduce energy prices for consumers. To reach these objectives, the Roundtable underlines the necessity of **advancing the internal energy market, accelerating infrastructure projects, and further electrifying European society.**

**Cooperation across borders**, good neighbourhood and liberty are key for the future of the people and the countries in Europe. Not only have they enabled 70 years of peace and stability, but they also made the European Union what it is today – a strong economic and political player on the world stage. **Energy has always been the spearhead of European cooperation.** It created interlinkages, increased security of supply, decarbonisation and reduced energy prices. It paved the way for the free movement of goods and people. It even secured close ties with countries that are not part of the European Union. As companies and as European citizens we hereby offer our support for this important task of keeping Europe together.

As members of the Roundtable of European Energy Industrialists, **we want to continue the deepening of energy relations in Europe.** The European Union must provide a framework, which allows for the best possible coordination of different technological approaches and national efforts and which allows for decentralisation and regional cooperation.

## LEGISLATIVE PACKAGE “CLEAN ENERGY FOR ALL EUROPEANS”

The Roundtable welcomes the Clean Energy Package as an instrument to continue guaranteeing security of supply in the context of an increasing share of intermittent renewable energies, to further address climate change and to reaffirm EU’s leadership in this field. We fully share the ambition of the European Commission to further integrate renewables in the power markets and welcome the focus on consumers, which should be at the center of those markets. We are therefore strong supporters of the proposed measures for increasing system flexibility and ensuring free formation of prices and the possibilities for scarcity prices to emerge. We also support the Commission’s approach to include sectors like mobility and buildings into a comprehensive strategy for electricity. The ambitious EU renewable targets, together with the other EU headline targets, have already delivered important benefits and will be essential to drive investments and maintain the EU leadership in the energy sector. Concrete targets will also be essential in the future, considering predictability and reliability are of highest importance. The better industry can prepare for such investments and plan the supply-chain the lower the costs will be. Scale is also an important factor to cut costs. However, it is crucial that the EU focuses on implementing the already approved regulations and market solutions rather than creating excessively detailed regulations. Too strict regulations might hamper innovation.

In view of these, there are a few measures proposed by the European Commission which in our opinion could still be improved:

- **Enhance regional cooperation while respecting the subsidiarity principle.** Regional cooperation should continue to progress since it is essential and beneficial for the security of the system. However, the proposal to establish new Regional Operation Centers (ROCs) to replace the existing Regional Security Coordination (RSCs) raises serious concerns from a system security and liability perspective and in relation to the subsidiarity principle. TSO ability to take the **right operational decisions in real time will be strongly degraded because of the binding powers conferred to ROCs**. Even if safeguards are foreseen in order to allow TSOs to deviate from this binding recommendation for safety reason, this is not really practicable since the planning of operations and real time actions are a continuous process where each decision impacts the following ones. With binding decisions, ROCs may also lead to neglecting local conditions, which are relevant for ensuring operational security. **Besides, responsibility in decision-making would be very difficult to split** between TSOs and ROCs. For example, in the event of an incident, which of them would be held responsible? The current structure of the RSCs acting as service providers for TSOs, with TSOs having the responsibility of performing real-time operations to ensure system security, has proven to be effective, in particular during winter 2017. **The RSCs framework should be further developed and enhanced with new tasks**, operated transparently, but it is not demonstrated that replacing it by the ROCs will bring added value. On this issue, the Commission should rely more on the subsidiarity principle. Binding recommendations from ROCs are not the appropriate answer to improve capacity calculation at the borders, which will rather result from a good application of the CACM code and a proper cooperation of NRAs.
- **European adequacy assessments are complementary to national ones.** We welcome the coordinated European resource adequacy assessment and the new risk-preparedness framework for cooperation between Member States which will enhance security of supply in Europe. **They should complement and challenge the analyses done at national level but not substitute them.** When deciding upon the necessity of capacity markets, Member States should take into account adequacy

assessments at all levels, European, national and regional.

- **Allow ownership and operation of ancillary services by TSOs.** We support the Commission's proposals to introduce flexible and competitive markets, including for **ancillary services**. However, it is essential that TSOs continue to be allowed to own and operate assets that are part of the transmission system and that already provide ancillary services in a cost-efficient way (such as HVDC cables, capacitors, phase-shifting transformers, etc.). The current restriction on ownership and control introduced by the Electricity Directive is not only inefficient and puts the system at risk but is also incongruous as grid operators today own or operate such assets without any negative impact on the market. The surveillance of those models via national regulators is sufficient to ensure grid operators make the best use of them without any market distortion.
- **Ensure diversity of business models for Demand Side Response.** The diversity of business models that have been proved efficient in the different Member States should be preserved and the preferential treatment of specific business models be avoided. Demand side models should keep system balance as a priority and should not lead to any negative effects on involved parties.
- **Allow interconnection congestions income in order to lower the tariff.** While grid debottlenecking is an important objective, prohibiting TSOs to use interconnections congestion income to lower transmission tariffs to consumers is not in line with economic rationale. It will hamper investments and the Member States' support for interconnectors, with detrimental effects for the overall social welfare.
- **Governance regulation should ensure coherence** between the different policies and the EU Emissions Trading Scheme, which is a key tool for reducing greenhouse gas emissions cost-effectively.

## DIGITALISATION OF THE ENERGY SECTOR

Digitalisation of the power grids bears **large opportunities**. It has already contributed a **lot to building the Energy Union** via cross-border market platforms where all exchange orders are digitalised and interconnections where digitalisation plays a key role in the calculation of transit flows.

**With an increased usage of digital technologies, power grids can be operated even more efficiently.** Digitalisation:

- Enhances the reliability of the networks with **predictive maintenance**;
- **Optimises grid exploitation** based on a more precise knowledge of the network maintenance status and;
- **Maximises transit capacities** with dynamic line rating (through accurate local weather data) and the flow-based method to evaluate transit capacity between coupled markets.

**Digital technologies also increase the security of the whole electricity system** by better integrating renewables. They provide a **better view of all the flexibilities**, which are available to compensate for their intermittency and **contribute to lowering the costs**, thanks to the pooling of flexibilities made possible by digitalisation. However, digitalisation also creates **challenges** for all actors of the electricity system, particularly in terms of data access and management.

The member companies of the Roundtable are actively engaged in trying to understand better how the new digital technologies create value for the community and to integrate them more into their activities. Against this background, they consider that actions at European level should focus on:

- **Use digital technologies for trans-sectorial integration to enhance the flexibility of the electrical system.** The main challenge for the system operators in the future will be to manage a more complex power system, characterised by a greater volatility and a higher number and dispersion of production sources and actors interacting with the system, particularly consumers. In this context, an enlarged and more dynamic management of flexibilities is an absolute necessity for system operators to ensure security of supply at all times. All the sectors of the economy, and not only the power sector, can provide flexibilities as long as they consume or produce electricity (e.g. through load reduction or the use of batteries). Digital technologies will allow to see, operate and control these flexibilities and communicate in much more advanced ways than in the past. What is needed also is a digitalised grid architecture that enables communication, roaming and coordination between system operators and all sectors. In order for this to happen, **an appropriate framework should be set that incentivises the provision of flexibility by all sectors.**
- **Boost data flow.** The Roundtable welcomes the “principle of free movement of data within the EU” supported by the Commission and its focus on facilitating its cross-border dimension. Easy access to data will ensure the system’s overall balance between supply and demand at all times and the management of congestions. Moreover, it will facilitate the emergence of new players capable of offering new products and services, and ultimately bring more value to the community. **The European Commission is invited to contribute to removing the existing barriers to the free flow of non-persona data when needed.**
- **Foster and widen the discussion to the benefit of all stakeholders.** In the energy

sector, the flow of data should be organised in a way that each actor, TSOs, DSOs, consumers and all other players benefits from it, with the least possible governance costs. In an increasingly decentralised system, access for all should be organised when needed. Thus, discussions should not be limited to the DSO-TSO perimeter, but rather include all market players. An open system, bringing together all actors, will maximise value creation for all. For this reason, **TSOs, technology providers and all other stakeholders should be invited to work jointly with DSOs on the drafting of new network codes, should some be allocated** to the future 'EU DSO entity'. Such codes, if they are required, should be discussed holistically and not only at the local level.

- **Make cybersecurity a European priority.** Electric grids are the backbone of all economic activities and a critical European infrastructure. Evolving cyber threats can make them more vulnerable. This is even more true in view of the increasing numbers of distributed resources and connected devices that can interact with the system. In this regard, the Roundtable welcomes the steps taken by the Commission towards a common cybersecurity framework: the NIS Directive, the proposed Regulation on risk-preparedness in the electricity sector and the intention to update the EU Cybersecurity Strategy. As highlighted by experts in the [EECSP report](#), **the Commission should facilitate common actions** in terms of risk management, cyber response in case of a cyber-attack, continuous improvement of cyber resilience and build-up of required capacities and competences for the energy sector in order to achieve harmonisation of cybersecurity requirements across European countries. The roundtable considers as important **to promote cyber security certifications that are system-oriented and focused on processes. Moreover, the cooperation ability of grid operators and technology providers should be improved through continued standardisation and an efficient information exchange about security incidents.**
- **Support the uptake of standards, which ensure interoperability.** Key driver for the digitalisation of the Energy Sector in Europe is **the establishment of an effective and trustworthy policy framework that contributes to high standards for interoperability, and also at the same time for privacy, security and liability.** We need to bear in mind that the standards, which will be set now, will mark the direction of Europe's digital future, including the future of the European energy industry. **The European Commission should facilitate a harmonised and effective deployment of standards across Member States. Those standards should not be too restrictive in a period of rapid technological change in order to allow for innovation.** Considering the rising share of Information Technologies in the global electricity consumption, attention should also be paid to energy efficiency when developing them. **The European Commission is invited to support R&D and innovation projects aiming at developing 'green' standards in this field.**
- **Support investments in the digitalisation of the energy system.** As the Commission lastly highlighted in its Digital Strategy Mid review published on 10 May, **significant investment is needed** to thrive in a digital economy. **For the energy sector, this requires energy regulators to incentivise grid operators to deploy investments in new digital technologies, rather than only into traditional physical assets and copper lines.** In this rapidly evolving field, it is important to foster more flexible solutions than the construction of new power lines or power plants, especially since both are more expensive and poorly accepted by the population. This could be investment in fiber-optic interconnectors as well as intelligent substations, dynamic line rating and innovative storage solutions with no impact on the market. Also, **European funding programmes should look at the possibility to further enhance synergies between the energy and the digital sector and to finance pilot projects.**

## ELECTROMOBILITY / ELECTRIFICATION

In order to achieve the Paris climate objective – limiting global warming to well below 2°C – we will also need to accelerate the electrification of heat and transport. The almost total decarbonisation of power generation and the electrification of a wider set of activities could deliver half of the necessary emission cuts by 2040. The collapsing cost of renewables and batteries makes this more easily achievable and at a faster pace than usually assumed. Governments must reinforce the progress already underway. Against that background we welcome the European Commission’s “Europe on the move” package.

- **Prepare for electrification opportunities in all modes of transport:** Electrification of cars, but also buses, lorries, ships, etc. will require the identification of new business models and the entry of new players in the electricity market, such as ports and municipal transport companies. Legal requirements (e.g. for energy taxation) must not discriminate against the entry of such players.
- **Coordinate grid planning:** as charging stations will get more numerous and more powerful, grid infrastructure needs to be prepared. To make the initial investment in charging infrastructure more efficient, the EU and its Member States should pool resources and coordinate their infrastructure deployment. In line with the ‘Europe on the Move’ package, the Roundtable calls for an integrated approach to grid planning **through a cross-sector approach**, which includes battery manufacturers, e-car producers, and digital energy service companies, which provide aggregation, etc. This could be supported through the establishment of a High-Level Group, which the Roundtable would be pleased to initiate together with the European Commission.
- **Electrification beyond transport:** the electrification of additional sectors, especially heating and cooling, can be done in a cost-effective way and will help achieve decarbonisation of the economy. In that respect, we are concerned that the default coefficient for electricity (Primary Energy Factor, PEF) in European legislation will continue to have a profound impact on Europe’s future fuel mix. We believe it is of great importance to lower the default primary energy factor, and take into account the increasing share of RES in the European electricity mix.

## THE EXIT OF THE UNITED KINGDOM FROM THE EUROPEAN UNION

- Following the formal launch of the negotiations on the UK's departure from the EU, the **Roundtable would like to re-affirm its commitment to build an interconnected European internal energy market** that delivers key benefits to citizens. Europe's energy cooperation has delivered important achievements, such as market coupling or interconnection investments across Europe. These milestones allow EU and UK citizens to benefit from a more secure, affordable and low carbon energy supply. We recall that **electricity and climate change emissions transcend borders**, and therefore **call for preserving the current level of cooperation**.
- The uncertainties caused by Brexit might put at risk key European energy projects. EU and UK **policy-makers should provide certainty and stability to energy investors**. At the moment, the UK industry continues to work hard with its European partners to further integrate itself into the IEM. This is a strong signal that it wishes to work well and collaboratively with the EU; even after Brexit. **Early clarity** in the Brexit negotiations on the future role of the UK and its access to the IEM should be sought. Furthermore, special attention should be paid to the **transitional arrangements**. Ensuring there is a smooth period of transition in which current rules continue to apply, while developing future arrangements, would allow a stable post-Brexit energy regulatory framework to develop, which is vital for our sector.
- For the benefit of European consumers, the **Brexit agreement should feature a specific chapter on energy** that prevents negative impacts on the mutually beneficial energy cooperation by ensuring:
  - **Continued and efficient energy trade** between the EU and the UK.
  - **Continued joint work on the harmonisation of the European regulatory framework** (security of supply arrangements, market design and interconnectors, common network codes and guidelines).