

Seventh meeting of ECDSO-E and second meeting of ECDSO-G collocated with USAID-USEA SEE DSO SoS WG

Location: Vienna

17 October 2016, hosted by the Energy Community Secretariat, Am Hof 4

18 October 2016, hosted by the USAID – USEA, Hotel Marriott, Parkring 12

1. Tariffs

After the presentation and discussion about the key concerns of DSO's related to applicable tariff methodologies, tariff structure and corresponding concerns on cost recovery, the Forum agreed that DSOs operation is under constant threat resulting from strict obligations and responsibilities which do not correspond with sufficient incentives and rewards reflected in the distribution network tariffs.

The participants also agreed that cost reflectivity as a key instrument to improve cost efficiency is not used to the optimum, partly due to the fact that DSOs views and European best practices are not taken into account.

Decreasing consumption and variable load in combination with local and regional shifts in demand brings stranded costs and tariff deficit to the affected DSOs. The Forum agreed that cost items resulting from performing the tasks imposed on DSOs must be fully acknowledged as justified for tariff setting.

Obligations imposed on DSO to serve any request for access and develop its network in accordance with long term development plans are not supported with equally firm and reliable spatial plans, industrial and urban development plans, resulting in risks of sunk costs for DSOs. An issue of upfront payment for connection has been discussed.

After presentation on network losses in DSOs for gas, the need for consistent and accurate data is underlined, as a prerequisite for managing losses both in electricity and gas DSOs.

Action points

Establish a task force to analyse the current regulatory practices related to cost recognition and cost allocation, to identify and compare key cost drivers for DSO, to compare and evaluate different approaches against their impact to cost recovery, cost reflectivity and long term stability of network operation and predictability for network users.

2. Role of DSO in a competitive market

ECDSOs were updated on the recent development in WB-6 initiative and opportunity for technical assistance to achieve the objectives of this project, namely energy market integration. Some of the project components are related to DSO operation and included therein, such as DSO unbundling, balancing rules and their impact on DSO operation (load profiling, balancing costs of deviation from load profile, facilitating demand response, imbalances of distributed energy etc.)

ECDSO reflected the process in the EU, presented in Athens Forum 2016, the new role of a DSO as market facilitator requiring better data management, data exchange and enhanced cooperation with TSOs, which will enable provision of flexibility services, demand aggregation service, integration of distributed electricity generation and other tasks imposed under the sustainable energy policies.

Action points

DSOs are invited to review the list of projects proposed for technical assistance under WB-6 initiative and propose specific subcomponents of their interest in the respective TA projects (with focus on unbundling, balancing and price regulation). DSOs shall submit their proposals of subcomponents to the Secretariat at latest by 31 October 2016.

It is necessary to convene a joint meeting of DSOs and TSOs to discuss different aspects of the implementation of the network codes, different aspects of applicable balancing rules in the Energy Community, the coordinated approach to data management and TSO-DSO data interface.

3. Unbundling update

DSOs presented an update of their current unbundling status. It was noted that no significant progress was made, save for the legal unbundling of CEDIS from incumbent EPCG in Montenegro. EVN Macedonia presented their model of legal unbundling in the specific legal and administrative environment. After the update, it was found that DSOs operating in electricity in Albania, Bosnia and Herzegovina and Ukraine have not taken yet to unbundling in line with the third energy package. From the other side, most of DSO in gas sector of the Contracting Parties falls within the exemption from unbundling for the companies with less than 100000 customers connected. Only Serbia and Ukraine have more developed gas distribution sectors, i.e. one DSO in Serbia has to be unbundled (and it is not), while all DSOs in Ukraine have this obligation and legal unbundling was done in July 2015. Functional unbundling remains to be monitored by the Regulator/

The Secretariat informed that it would start with the infringement procedure, where relevant, before the end of 2016.

Action points

DSOs are invited to define their needs for technical assistance, if necessary to comply with the obligation, as explained above (Agenda item 2). Guidelines and toolbox developed by Secretariat can serve as a benchmark. If necessary, both ECDSO, gas and electricity, will work to further elaborate these guidelines. They are also encouraged to experiences sharing in the process and the Secretariat will support it.

4. Investment needs in new environment

The participants reflected the findings of 6th CEER Report on quality of supply, in particular Annex dedicated to the Energy Community and agreed that this matter should be treated in a harmonized manner. DSOs emphasized the importance of automated record of events affecting the observed indicators, as well as significance of quality standards for incentive regulation and for comparability of network charges and underlying minimum quality standards.

To that end, regulators should acknowledge the costs / investments required to improve quality of supply, as well the investments required to monitor security of supply.

Recalling that new laws have been adopted or in the process in all Contracting Parties reflecting also the policy objectives on renewable energy and energy efficiency, a coordinated approach will be required now to develop secondary legislation to acknowledge the new role of electricity DSOs to meet the challenges of a resilient, sustainable energy system while incentivizing flexibility, demand response, innovative service, storage and distributed electricity generation. For gas DSOs, an issue of renewable energy, i.e. acceptance of biogas, is more related to national and EU gas quality standards. Production of biogas/biomethane is not very present in the Contracting Parties and there is no experience with acceptance of RES gases by DSOs.

Action points

ECDSO-E shall establish task force to work on harmonized definition of quality of supply standards, monitoring and reporting, thus providing a useful tool for benchmarking of consistent and comparable information.

ECDSO-E shall establish task force to work on harmonized approach defining in their respective secondary legislation the new role of DSOs in the energy system of the competitive market.

5. Wrap up

ECDSO-E acknowledges the work of SEE DSO SoS WG and finds its outputs valuable and complementary to the ECDSO-E. Both initiatives welcome continuing of coordination in the work plans and activities.

DSOs are invited to assign their experts to take part in the task forces for the topics identified in the action points. The Secretariat shall support these activities with its logistics and expertise.

ECDSO-E shall establish three task forces (1) network tariffs, (2) quality of supply indicators and (3) the tasks of DSO as a market facilitator; each task force shall define its work format, with the first deliverables in most critical areas to be presented during 2017.

ECDSO-E shall meet back to back with Athens Forum, tentatively in June 2017.