

10th EU-US Energy Regulators Roundtable
8-9 April 2013
The Hague & Amsterdam, the Netherlands

FINAL PROGRAMME

Meeting venue: **Carlton Ambassador Hotel - Governor Room**
Sophialaan 2 2514 JP Den Haag, Pays-Bas
+31 70 363 0363
<http://www.carlton.nl/ambassador/default-en.html>

Sunday 7 April 2013, The Hague

17.00 Welcome Reception at the Hotel - Rubens Bar

Monday 8 April 2013, The Hague

09.00 Opening session

Welcome by the host (Chris Fonteijn)
Introductory remarks by the Presidents

09.30 Group photo

09.45 Session I - Longer term perspectives: challenges and opportunities

Moderator: Lord Mogg (CEER)

This theme will enable participants to examine new challenges which regulators are likely to face in the coming 2-3 years. It will set the broader context for the rest of the Round Table discussions

Speakers:

Political outlook

NARUC, Philip Jones

Comments will focus on the implications of the 2012 elections in the United States, at several levels: Presidency, Congress (House and Senate), Governors and state legislatures. At the federal level, the analysis will focus on the second term of the Obama Administration, his identification of policy priorities, and some

key Cabinet choices to date (e.g., Department of Energy, federal EPA). For Congress, comments will focus on the leadership of the key committees with jurisdiction over electricity and natural gas issues. Meanwhile, the analysis will comment that states will still lead the way in energy policies generally since they are implementing RPS and energy efficiency policies, as well as newer policies on pre-approval for certain types of sources (nuclear, FITs, net metering, and distributed generation (DG)). Therefore, the changes in political leadership in the states are important to monitor and follow for policy implications.

FERC, Philip Moeller

Comments will focus on emerging United States regulatory issues that are relevant to the EU: the changing generation mix, challenges to integrating intermittent renewable generation, expansion of the high-voltage transmission grid, Bulk Electric system reliability, coordination of the gas and electric industries, federal energy tax policy, and the tension between regulators of regulating physical and financial energy products.

CEER, Lord Mogg

Comments will focus on political developments in the European Union from increased uncertainty for investors which results the financial crisis and the Euro's problems, as well as changes in technologies and world events. Comments will look at possible changes in political priorities as concerns over rising prices increase. Lord Mogg will discuss the increasing trend for Government intervention in energy markets and will explore the impact of that for regulators.

Cyber security
and the action
regulators need
to take

NARUC, Philip Jones

Comments will focus on the relevant and hotly discussed topic of cybersecurity and critical asset protection for key infrastructure industries such as electricity, natural gas, and water. A growing number of governmental reports in the public domain (as well as several respected private sector experts) indicate that the scope, frequency, and sophistication of cyber intrusions of energy infrastructure and communication networks is growing. Comments will address the pending legislation in the House and Senate of the Congress, and the prospects for reaching a resolution of these matters: the debate is focusing on issues like "information sharing", what constitutes an "imminent threat" to national security, and liability issues for utilities and private companies. The analysis will also include an overview of the recent Executive Order on cybersecurity of the White House announced in late February, and the steps of implementation that various agencies such as DHS, NIST, DOE, and FERC are currently in the process of carrying out. Comments will also address the standards already in place by the North American Reliability Corporation (NERC) called CIP standards, and the timeline for implementation.

Horizon issues

CEER, Lord Mogg

Comments will focus on the need for regulators to collaborate in looking ahead at issues which are likely to impact on regulators in the medium term (5 years). Lord Mogg will identify a series of developing issues which could have significant impacts and will encourage Round Table Participants to suggest other topics which could have significant impacts. Lord Mogg's comments will examine areas where current trends are likely to lead to significant change. These trends include changes in technology, increasing data flows, increasing economic a social dependence on electricity, changing consumption patterns, and increasing consumer involvement in energy markets.

Discussion

11.15 – 11.30 Coffee Break

11.30 Session II - Interconnection of markets

Moderator: Colette Honorable (NARUC)

New interconnection is a growing issue in the US not least because FERC Order 1000 issued in October 2012 requires every public utility provider to participate in a regional transmission planning process and in a regional cross border cost allocation methodology.

As a result of the changes being introduced through the 3rd energy package and the Energy infrastructure Package, interconnection is also a current topic in Europe. This topic could explore investment and usage of interconnection capacity, such as merchant and regulated investments, and capacity allocation for the various markets.

Security of supply has always been a priority for governments and regulators. Recent developments in the financial markets and in the diversification of the energy mix have led to discussion on whether capacity markets are needed to ensure sufficient investment in generation capacity. Measures to safeguard security of supply have been primarily national decisions. However, these decisions may influence the function of neighbouring markets.

This topic could explore the usage of capacity mechanism and the balance between national and European competences compared to State and Federal competences.

Speakers:

Developments in Europe (Energy Infrastructure Package and network code developments)

ACER: Alberto Pototschnig

The Council of the European Union in February 2011 set two important objectives for the European energy market: the completion of the internal market by 2014 and the removal of energy islands by 2015. The Third Energy Package of legislative measures, adopted in 2009, provides the main tools for achieving these goals. In particular, the Network Codes currently being developed will, for the first time, introduce binding rules applicable throughout the European Union in the areas of market and network operation. The Third Package has also strengthened the EU dimension in energy network planning, through the EU-wide Ten-Year Network Development Plans. More recently, the new Regulation on guidelines for trans-European energy infrastructure, adopted in March 2013, envisages the identification of Projects of Common Interest which will benefit from streamlined permitting procedures and an enhanced regulatory framework. The presentation will illustrate the Network Code development process and report on progress. It will also describe the current regulatory framework for network planning and how it will be impacted by the new Regulation.

Security of supply:
National
challenges
requiring regional
solutions (RI and
capacity market
developments)

NARUC: David Boyd

This presentation will provide an overview of the electricity sector's shared state and federal jurisdiction in the United States, and various wholesale market models in place. Enactment of federal air regulations has prompted investment decisions that could impact reliability, as could the increased penetration of intermittent renewable resources. These issues lead to questions about the various capacity market constructs in place, and the ability of those markets to respond adequately to external forces.

CEER: Tomás Gómez

As Europe continues in its efforts to build an internal energy market, it is faced with important questions on the implications of this work. Will markets provide resource adequacy and system flexibility in the context of low carbon technologies? What is the European strategy to face this issue in the medium/long term? Europe is taking a variety of actions to address these issues, such as voluntary "regional initiatives" for market integration through day-ahead and intraday trading as well as harmonised long term capacity allocation and capacity calculation. Regulators are also concerned about removing existing barriers to proper functioning of the markets (such as price caps, regulated end-user prices, lack of a level playing field for all types of generation; limited participation of demand response; lack of investment in interconnection capacity). With new technologies and intermittency come other questions, in particular regarding generation (and investment) adequacy. A number of countries have implemented or are considering capacity mechanisms under different approaches. A debate is ongoing on the need for compatibility of such mechanisms with the internal market and their cross-border implications (flows, competition, participation across borders, prices, etc.).

The impact on
markets of
changes to the
energy mix: the
case of shale gas
in the US

NARUC: Colette Honorable

Primarily as the result of unconventional onshore shale gas development, the United States is one of the largest producers of natural gas in the world today. The last ten years in the US natural gas industry have been revolutionary. Shale gas production has dramatically transformed the domestic supply landscape. For first time in history, the U.S. is on a course to export LNG. Will the U.S. export in large quantities to non-free trade countries? How will U.S. industries be affected by natural gas exports? Will the market balance for natural gas demand and supply come closer in balance? What impact will a growing use for natural gas for power generation have on natural gas supplies? But with plentiful supplies come these additional challenges. What infrastructure investments are needed in transmission and distribution to sustain this rapid rate of production? What regulatory issues does the industry face concerning: disclosure of drilling and fracturing fluids, water storage requirements and disposal of wastewater? As a cold winter heating season draws to a close, what impact will shale gas have on future natural gas prices and storage levels? This presentation will consider the opportunities and challenges faced by the U.S. as a result of the awakening of a sleeping giant: the shale gas revolution..

Developments in
the US (FERC
Order 1000)

FERC: Philip Moeller

FERC released Order 1000 in 2011, and 2013 will be the year that the Commission rules on a long list of Order 1000 compliance filings for both intra-regional and inter-regional planning and cost allocation proposals. Comments will focus on the goals of Order 1000, the Commission's experience to date on compliance filings and ongoing issues related to Order 1000 compliance.

Discussion

13.15 – 14.30 Lunch break

14.30 Session III - Market monitoring in practice

Moderator: Valeria Termini (CEER)

Market monitoring is a continuing issue of interest in the US and EU. This theme will include an exchange of experiences (especially in the light of the CEER market monitoring report) on issues such as an update on monitoring by FERC and ACER's role in REMIT.

Speakers:

Implementing
REMIT –
challenges and
opportunities

ACER: Alberto Pototschnig

Regulation (EU) No 1227/2011 on wholesale energy market integrity and transparency (REMIT) has introduced new obligations and prohibitions for wholesale energy market participants and other stakeholders, to improve the transparency of markets, as well as a new monitoring framework to deter and prevent market manipulation. This new framework is based on the reporting on trade and fundamental data and on the cooperation between ACER and NRAs. ACER will be primarily responsible for market monitoring, as it has both a Union-wide view of electricity and gas markets and the necessary expertise in the operation of electricity and gas markets and systems in the Union. NRAs may monitor national markets and they will be responsible for investigation and enforcement. The presentation will illustrate the main features of REMIT and the new challenges for ACER. It will also report on the progress of ACER in implementing REMIT.

CEER: José Braz

Prior to REMIT, NRA practice in terms of wholesale market monitoring was very diverse, depending in large part on the specific characteristics of the national markets. Thus, NRAs in markets dominated by incumbents or otherwise with conditions that do not facilitate competition have tended to have more developed systems for monitoring transactions and for reporting of inside information, while NRAs in more competitive markets naturally have tended to be less concerned with such matters. REMIT establishes uniform obligations for all NRAs, in terms of registration of market participants and investigation of suspected market abuse and subsequent sanctioning; this will present different challenges for each NRA, depending on its current practices. The presentation will focus briefly on the main challenges and on steps being taken to coordinate NRA preparations in preparation for on-time implementation.

Market monitoring
developments and
experience

FERC: Philip Moeller

Comments will focus on the reality that the role of market monitoring—and enforcement—has changed significantly at FERC after the passage of the 2005 Energy Policy Act. Market monitoring has evolved and become more complex. In addition to several high-profile enforcement cases, FERC has undertaken several recent initiatives to enhance market monitoring and oversight.

Discussion

15.30 – 15.45 Coffee Break

15.45 Session IV - Incentivisation of infrastructure operators

Moderator: Philip Moeller (FERC)

Technology is changing in relation to new types of generation driven in part by climate change concerns, and new network technologies (such as smart grids, renewable and distributed generation) makes it increasingly difficult to forecast where new generation will be located and in what sizes, and on the likely level of demand side response. Consequently decisions on the operation and development of regulated networks are becoming more complex.

One regulatory mechanism for improving the quality of decision making is to introduce incentive arrangements. One recent innovation is a radical new approach introduced by the British regulator Ofgem, The approach, called RIIO, is a major innovation by a regulator and a theme on incentivisation would enable discussion of RIIO, and also to explore other incentive arrangements.

Speakers:

Ofgem's RIIO
incentive
framework

CEER: Hannah Nixon

The presentation will focus on RIIO, Ofgem's new framework for regulating GB's gas and electricity pipes and wires.

Significant expenditure is needed in Britain's gas and electricity networks over the next decade. This investment is needed to ensure consumers continue to receive safe, reliable network services and to meet environmental challenges. It is therefore more important than ever that network companies can show consumers that they are getting value for money and that charges are contained. RIIO is designed to drive real benefits for consumers. It will provide the companies with strong incentives to step up and meet the challenges of delivering a low carbon, sustainable energy sector at value for money.

Ofgem has recently implemented RIIO for gas and electricity transmission and for gas distribution. It also recently published its strategy for implementing RIIO for electricity distribution.

Smart grid
investments –
regulatory
treatment

NARUC: John Betkoski

U.S. utility experts and investors anticipate the cost of modernizing the nation's utility infrastructure at more than \$4.2 trillion. A significant portion of these investments are targeted for necessary safety upgrades, but also for new technologies to make the grid more efficient and resilient. State utility regulators are facing difficult decisions as utilities and policymakers at the State and federal level adopt and/or encourage commissioners to pursue innovative ratemaking methodologies to spur faster deployment of certain technologies. This presentation will explore how U.S. regulators are facing these challenges and general perspectives on how some view smart-meter deployments.

Discussion

Evening, Monday 8 April 2013, Restaurant SAUR

- 18.30 Reception
19.30 Dinner for all participants - **Restaurant Saur**
Lange Voorhout 51
2514 EC Den Haag
T: +31 (0)70 361 7070

Morning, Tuesday 9 April 2013, the Hague

09.00 Session V - Unbundling of network operators

Moderator: David Boyd (NARUC)

The European model of unbundled network companies made compulsory by the 3rd Energy Package is very different to the US model of competing vertically integrated companies (or voluntarily unbundled). The US side has suggested that this could be an interesting theme to explore. The session could discuss the theoretical advantages of one model over the other and then look at the practical outcomes, and compare the situation at transmission and distribution levels. CEER has recently prepared a situation report on DSO unbundling.

Speakers:

The unbundling models and the certification process in Germany

CEER: Annegret Groebel

Since the entry into force of the new German Energy Law (EnWG) in August 2011 implementing the European unbundling requirements the TSOs are re-shaping their structure and organisation. In Germany most of the TSOs in Electricity and Gas are unbundled following the rules laid down in the EnWG and are either Ownership unbundled or set up an Independent Transmission Operator, Independent System Operator is not playing a role so far. The regulator is monitoring the proper implementation of the Unbundling by the TSOs through the certification process. This process is very well advanced and near to completion. Most of the TSOs have already been certified or will be certified during this year. The new structural organisation of TSOs is of importance for the development of the Transmission lines seen as a high priority to integrate Renewables and achieve the "German Energy Turnaround".

US network industry structure – theory and practice

NARUC: Philip Jones

Comments will address first the background and economic theory behind the impetus to develop more competitive electricity markets in the United States by policies adopted in the last two decades on separating generation from transmission and distribution at the local (retail level). The analysis will examine the recent trends in competitive markets, centered on states that have RTO/ISO's, such as the debate around energy (only) imbalance markets (EIM), as well as regions like PJM that have experience with capacity markets. Comments will address some of the following questions: are the price signals sufficiently robust and transport to incentivize generations to build? Are there other incentives that are necessary to build new capacity and energy in those regions that face capacity shortfalls in the near to medium term? How has the market monitor function worked to date to ensure that anti-competitive behavior

is not tolerated and that the rules are observed fairly? Markets in the United States are diverse, and many regions still have vertically integrated electricity structures with the incumbents still controlling generation, transmission and distribution at the retail level. Moreover, certain regions of the United States still have federally-owned generation and transmission corporations in place. Therefore, the movement toward competitive markets and relying on independent power producers (or merchants) to develop new capacity and energy is not uniform across the country. The comments will therefore address recent trends in such markets as well as criticism of the value proposition of moving toward RTO's and competitive markets. The comments will also address recent important decisions and rulemakings by FERC, such as transmission planning and cost allocation, and how state PUCs are engaging in such federal processes.

Discussion

10.10 – 10.30 Coffee Break

10.30 Session VI - Consumer protection and empowerment

Moderator: Henk Don (CEER)

Consumer empowerment is an important issue for CEER, not in the least for retail markets can only function on the merit of active consumers. Furthermore the increase in intermittent renewable energy request flexibility from the system. This can be met both through investment on flexible production capacity, but also and possibly more efficient through demand response. The US has significant experience on engaging consumers and demand response. Consumer protection may also provide a interesting topic for discussion, although this is not in all cases the competence of energy regulators. The US has interesting experience in reaching out to consumers through mechanisms such as the inclusion of a functionally separate consumer advocate role within state regulators' offices.

These topics are relevant for CEER's current strategic priorities.

Speakers:

Engaging
consumers in
energy regulation

NARUC: David Coen

Consumer engagement is an integral element of public service. In the U.S., most end-use consumers are represented before their Public Service Commission by a taxpayer or ratepayer-funded consumer advocate. This has worked well throughout the 100-year history of utility regulation, but the advent of new technologies, environmental policies and restrictions, and other forces is bringing a new level of consumer interaction. This presentation will review the longstanding consumer engagement practices, speak of personal experience about some high-profile cases in Vermont, and share a few thoughts about how new dynamics may change these relationships.

CEER Consumer strategy

CEER: Tomás Gómez

CEER has developed during 2012 a consumer strategy based on the paper “A 2020 Vision for Europe’s Energy Customers “ and has committed itself to improving the European retail markets through concrete actions towards the key principles of reliability, affordability, simplicity, and protection and empowerment of consumers. This consumer strategy was finally materialised in a Joint Statement with the Europeans’ Consumer Organization (BEUC) and endorsed by ten relevant stakeholders who committed to take concrete actions to make the vision a reality.

In this presentation, this CEER initiative is introduced by describing first the EU institutions and organizations involved in the process: the European Commission, CEER Working groups, and European consumer organizations, and other stakeholders. Then an analysis of the current situation regarding customer empowerment and retail markets design and supervision in Europe is made. The CEER 3-year rolling action plan is described that includes specific actions involving consumer organizations and concrete deliverables on data management under smart meters and retail competition, green offers, and costs of energy and efficiency schemes.

Finally, past work and future perspectives on issues resulting from increasingly active involvement of consumers in energy efficiency and demand response schemes with the roll-out of smart meter systems, smart grids and increased distributed generation at household level are introduced for discussion.

Discussion

12.00 Session VII – Updates

WFER VI preparations	ERRA: Gülefsan Demirbas
ICER	CEER: Lord Mogg
Any other business	

12.30 – 12.45 Closing session - Conclusions and closing remarks

Afternoon, Tuesday 9 April 2013, Amsterdam

13.30 Departure by bus - Visit to Amsterdam for all participants.
(A take away lunch for the bus journey will be provided.)

The Amsterdam visit will include a short walk through Amsterdam followed by a canal cruise. There is no specific clothing advice but we recommend you wear comfortable shoes and bring (warm) coats as the weather in the Netherlands can be unpredictable. The social programme will end approximately at 17:00 -17:30. The bus will return to The Hague via Schiphol Airport.