

EURELECTRIC calls for efficient retail pricing and non-discriminatory data handling: key elements towards a more decentralised electricity system

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With the “New Deal” to be unveiled at the end of the year, the European Commission exceptionally organised an ad-hoc session of the Florence Forum partially devoted to the future of retail electricity markets. In a decentralised system where new connected devices will give consumers more control over their energy consumption and where DSOs will more actively manage their grids, efficient prices and non-discriminatory data handling are essential. Contributing to the debate, EURELECTRIC presented to the Forum its view on [data management](#) and showcased its most recent [recommendations on retail electricity pricing](#). EURELECTRIC puts in the spotlight the often overlooked mismatch between electricity retail price structures and the underlying cost structures, which, coupled with the heavy weight of taxes and policy support costs on households’ bills hampers consumer empowerment and electrification with obvious negative repercussions on decarbonisation.

EURELECTRIC welcomes some of the announced objectives of the European Commission’s New Deal, especially the need to encourage flexibility and demand response for both residential and industrial customers. EURELECTRIC reiterates key principles to ensure a sound market design for DR aggregation. While DR should participate in the market on a level playing field, balance responsible parties should not be impacted, aggregators should be responsible for their own imbalances and a market based financial adjustment is required. EURELECTRIC adds that both DSOs and TSOs should be involved in the definition of the rules of the game. The association also acknowledges that a framework for third party DR aggregation may not fit all national retail markets given their diverse development stages. EURELECTRIC will keep on actively engaging with SEDC, ENTSOE and other stakeholders to develop common ground and proposals.

Reacting to the Commission’s questions on how to create secure, accessible and non-discriminatory data management, EURELECTRIC first stressed how much digitisation impacts on business strategies and the relations between consumers and utilities. With the help of ICT tools in smart grids and smart meters, DSOs are also able to understand and use real customer consumption data and patterns to actively manage the grid. In this context, the data obtained from the smart meters should be adequately managed and protected. Digitisation will bring about clear benefits to consumers, suppliers and system operators alike but it is also a challenging path[1]. To help the process, and considering that a single approach cannot be applied throughout Europe, EURELECTRIC proposes to define a number of common EU principles to ensure neutrality, non-discrimination, transparency, cost-efficiency, high quality, security and privacy in data handling.

The New Deal Communication highlighted the need for greater transparency around energy prices, as policy support costs account for a growing share of energy bills, placing a disproportionate burden on household consumers. Contributing to the Forum’s debate on retail markets, EURELECTRIC publishes today a major report on electricity [Retail pricing for a cost-effective power system transition](#) to a low-carbon power system. In practice, in the majority of Member States, as per the decision of regulators and/or policymakers, network tariffs and policy support costs are charged to customers proportionally to their consumption (€/kWh) although the underlying costs of the system and the nature of the services recovered through these

charges are largely independent from the volumes consumed. Suppliers are also generally not able to “package” these regulated elements in a way that would convey efficient signals to customers.

EURELECTRIC proposes to bring down the share of policy support costs in the electricity bill and financing decarbonisation in a less distortive way. In addition, a “tiered approach” whereby the responsible bodies could publish tariff structures with different mixes of €/KW and €/KWh based on the use of the connection and consumers’ consumption patterns should ensure efficient cost recovery and avoiding cross-subsidisation between different customer segments. Retailers should then be allowed to choose whether to pass through these regulated charges in a flat or more dynamic way, such as for example time of use or peak pricing. “Decarbonisation through electrification requires consumers to be part of the equation. An effective and inclusive participation of consumers will only be possible if the retail price reflects the structure and the reality of the cost of electricity in the most efficient way”, said Antonio Coutinho, Chair of EURELECTRIC’s Retail Customers Committee.