

CEER

**Council of European
Energy Regulators**



**European Economic and Social
Committee**

**Self-consumption of electricity in the
hands of European citizens**

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New consumer engagement models in the CEP

- **CEER welcomes** the formal recognition of Citizen and Renewable Energy Communities, active consumers and collective renewable self-consumption in the Clean Energy Package
 - ▶ New opportunity to **engage consumers** and involve them in the **energy transition**
 - ▶ Creation of a Europe-wide **level playing field** for citizen initiatives
- However, the **transposition** on national level will be **critical**
 - ▶ New models should **not** become a vehicle to **circumvent consumer rights** and supplier obligations
 - ▶ New **entities** should not be equated to their **activity**
 - ▶ New models should **not restrict innovation** in the market
 - ▶ **Quality of service** and quality of supply should not suffer



Self-consumers and communities – new actors in the energy system?

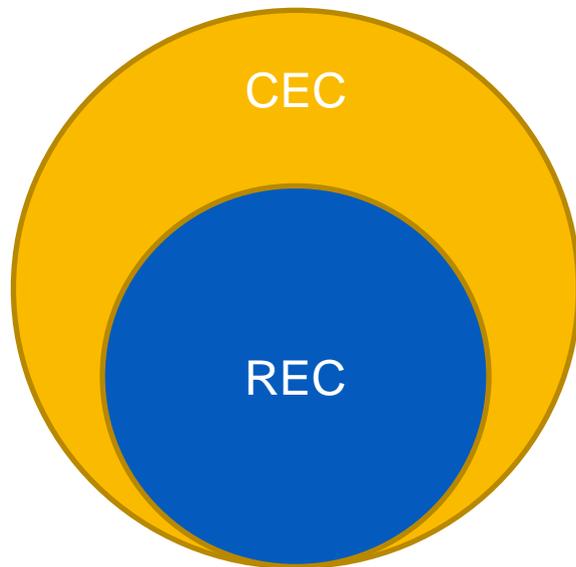
- Individual self-consumption is already prevalent across Europe
 - ▶ Drop of PV cost and increasing end-customer electricity price drives viability of self-consumption
 - ▶ Renewable incentive frameworks determines viability
- Collective self-consumption or energy sharing draw increasing interest
 - ▶ Sharing energy within a building or beyond enables citizens without an own individual roof to take part in the energy transition
 - ▶ Legal framework developed in certain countries (e.g. Austria, France, Wallonia/Belgium)



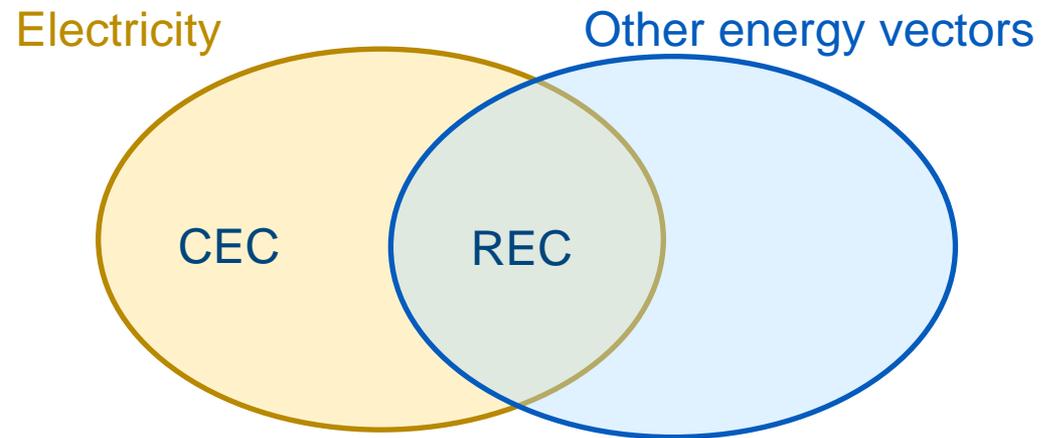
Citizen vs. Renewable Energy communities

- The CEP introduces two types of Energy Communities:
 - ▶ EMD: Citizen Energy Community (CEC)
 - ▶ RED: Renewable Energy Community (REC)

Electricity sector view



Energy sector view



REC and CEC – key differences

	Activities	Geographic scope	Governance	Regulatory treatment	Grid
Citizen Energy Community	Supply, consumption, storage, aggregation and distribution of electricity , other energy services	No explicit geographical limitation	Citizens, SME, public authorities - Effectively controlled by members or shareholders	Aim to create a level playing field for communities	Member State may allow CEC to have DSO status Possibility to give them the advantages of “closed networks”
Renewable Energy Community	Production, consumption, storage and selling of renewable energy	Members to be located “in proximity” of community renewable energy projects	Exclusively citizens, SMEs or local authorities. - Effectively controlled by local members or shareholders	Instrument to promote and facilitate the development of RE - Elimination of barriers	Grids excluded from RECs

Self-consumers and communities – new actors in the energy system?

- Energy communities: the next step in citizen cooperation?
 - ▶ Energy communities as “citizens coming together for an energy project” have existed since the beginning of electrification:
 - Local grids for electrification
 - Cooperative energy companies
 - ▶ Technical development and drive for “going local” has led to a surge of citizen energy projects in some Member States
 - Cooperatives for investment in RE projects
 - Peer-to-peer sharing (e.g. using blockchain)
 - Local microgrids
 - ▶ Many innovative projects run as “pilot projects” or in “regulatory sandboxes” outside of general regulation



Consumer rights and sharing – voluntary participation

- What is voluntary participation?
 - ▶ Consumers cannot be forced into a sharing scheme or community:
 - Tenants cannot be forced to adhere to a collective self-consumption scheme
 - Owners within a building cannot be forced either
 - ▶ Consumers cannot be prevented from joining a sharing scheme or community
 - Tenants must be allowed to engage in a sharing scheme if they so wish
 - Parts of the owners' association should not be able to block a sharing project



Consumer rights and sharing – supplier obligations

- Universal service rights and obligations should apply to consumers regardless of the source of their supply
 - ▶ Pre-contractual information (Art. 10 EMD)
 - ▶ Consumers have a right to obtain information on:
 - Service provided and service quality level
 - Tariffs, charges and bundled products and services
 - Duration of contract and termination conditions
 - Transparent and easy to understand terms and conditions
 - ▶ Out of court settlement
 - ▶ Consumers need to be able to choose their supplier freely, and free to change without undue barriers



Sharing vs. supplying

- Where is the limit between «sharing energy» and supply?
- CEP: right to use shared energy *on top of* traditional supply from the supplier
 - ▶ Impact on customer load profile?
 - Less energy sold by supplier
 - Reduced predictability of customer consumption
 - Higher balancing risk & cost
 - ▶ Impact on supplier obligations?
 - KWh based public service obligations
 - Energy efficiency obligations
 - ▶ Impact on grid tariffs?
 - Correct fees should apply if public grid is used
 - Any savings for customers must reflect a benefit for the grid
- National transposition will define many of the answers



Individual and collective self-consumption

Electricity Market Directive (2019/944)

‘active customer’ means a final customer, or a **group of jointly acting final customers**, who consumes or stores electricity generated within its premises located within confined boundaries or, where permitted by a Member State, within other premises, or who sells self-generated electricity or **participates in flexibility or energy efficiency schemes**, provided that those activities do not constitute its primary commercial or professional activity;

Renewable Energy Directive (2018/2001):

‘renewables self-consumer’ means a final customer operating within its premises located within confined boundaries or, where permitted by a Member State, within other premises, who generates **renewable electricity** for its own consumption, and who may store or sell self-generated renewable electricity, provided that, for a non-household renewables self-consumer, **those activities do not constitute its primary commercial or professional activity**;

‘jointly acting renewables self-consumers’ means a group of **at least two jointly acting renewables self-consumers** in accordance with point (14) who are located in the same building or multi-apartment block;



CEER'S VIEWS



Simple participation and clear frameworks

- Consumer engagement models need to be **accessible to all consumers**
 - ▶ Ensure participation in new models is **truly voluntary and open to all**
 - ▶ **Avoid unnecessary administrative barriers**, but not at the expense of transparency and responsibility/accountability towards the market
 - ▶ Ensure **adequate consumer information**, including about financial risks
 - ▶ Avoid hampering consumer access to the market (e.g. **free choice of supplier**)
- Ensure roles and responsibilities are clear
 - ▶ New actors taking on a particular market role need to have the **same rights, responsibilities and obligations** as an equivalent conventional market actor
 - ▶ Where **several actors** interact with the **same connection point** (e.g. sharing community, aggregator, etc.), responsibilities need to be clearly assigned
 - Balancing
 - Public service obligations
 - Grid fee payment
 - Consumer information



An optimal market integration

- Consumer engagement can be facilitated by **innovative services**
 - ▶ The «active consumer» concept will only thrive if it **improves rather than reduces the user experience** and comfort
 - ▶ The framework for new models needs to **leave space for innovative technology** to facilitate market activity
- Many consumer engagement initiatives aim at **unleashing the consumer's flexibility potential**
 - ▶ The framework needs to ensure flexibility is used where it brings **most value** for the system
 - ▶ Local consumption and production matching is one option, but not necessarily ideal from the system perspective
 - ▶ «Communities» and «Active consumers» are **part of flexibility markets** and raise the same opportunities and challenges as aggregators



Conclusions

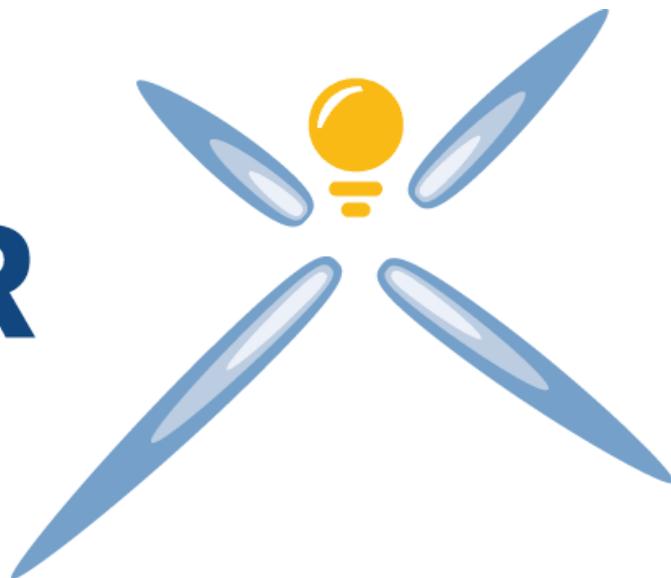
- The Clean Energy package introduces a more formal framework for active consumers and citizen energy projects
- The Directives leave a lot of flexibility to MS to adapt to the national specificities and existing situations
- From a regulatory perspective, the priorities are:
 - ▶ Avoiding that communities are used to circumvent existing regulation (supplier/DSO obligations, network charges etc.)
 - ▶ Ensuring market participants operate on a level playing field and unleash their potential for the energy transition
 - ▶ Safeguard consumer rights



Thank you for your attention!

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Individual and collective self-consumption

Electricity Market Directive (2019/944)

‘citizen energy community’ means a legal entity that:

- (a) is based on voluntary and open participation and is effectively controlled by members or shareholders that are natural persons, local authorities, including municipalities, or small enterprises;
- (b) has for its primary purpose to provide environmental, economic or social community benefits to its members or shareholders or to the local areas where it operates rather than to generate financial profits; and
- (c) may engage in generation, including from renewable sources, distribution, supply, consumption, aggregation, energy storage, energy efficiency services or charging services for electric vehicles or provide other energy services to its members or shareholders;

Renewable Energy Directive (2018/2001):

‘renewable energy community’ means a legal entity:

- (a) which, in accordance with the applicable national law, is based on open and voluntary participation, is autonomous, and is effectively controlled by shareholders or members that are located in the proximity of the renewable energy projects that are owned and developed by that legal entity;
- (b) the shareholders or members of which are natural persons, SMEs or local authorities, including municipalities;
- (c) the primary purpose of which is to provide environmental, economic or social community benefits for its shareholders or members or for the local areas where it operates, rather than financial profits;

Supplier licensing requirements and obligations

- Licensing requirements vary strongly between MS
 - ▶ Financial guarantees
 - ▶ Technical capabilities
- Many of the obligations of suppliers are set in the Electricity Market Directive
 - ▶ Contractual information
 - ▶ Billing information
 - ▶ Labelling
 - ▶ etc.
- Other obligations are MS specific
 - ▶ Public service obligations
 - ▶ Energy efficiency measures

