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**Electricity network tariffs regulation:
between the need for new investments
and a fair energy transition**

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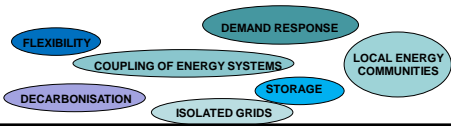
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**On the need to review the design of
electricity network tariffs.**

Eldering **infrastructures**, new production / consumption patterns relying increasingly on distributed and alternative sources. Economic investments by grid operators.




Electricity consumers (households, large consumers) will face increase of grid costs associated with their consumption and the need for investments in grid infrastructures



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1 Components of network tariffs

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Tariff structures between one or a combination of the following basic alternatives:

- 1) **Capacity tariffs (MW)**
 - They depend on the **peak load**. Consumers with high peak loads pay the highest network costs.
 - Flat
 - Variable
 - Time of use.
- 2) **Volume tariffs (production/consumption) (commodity)**
Charged for each kWh of electricity consumed from the grid. Easier to implement with conventional meters. They can be:
 - Proportionate
 - Progressive
 - Degressive
- 3) Multiple component tariffs = a hybrid solution

Most EU MSs currently charge grid costs through volumetric grid tariffs. However, increasing interest in charging part, of all, of such costs through the capacity component of the tariff.

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Network tariffs variables:

- **Tariff classes:** customer segment or category, defined by voltage level as a measure of capacity, customer types (household, industrial), metering, geographic zone, etc.
- **Tariff components:** fixed (EUR/point of delivery) (standing service charges), capacity (EUR/kW), volume (EUR/kWh)
- **Charging bases:** flat rate (same unit price) and non-linear rates varying with volume or time of use.

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2 Competent authorities and approval of tariffs

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Revised Electricity Directive, as adopted by EP 26 March 2019:

- Recital (82) Regulatory authorities **should fix or approve individual grid tariffs for transmission and distribution networks or a methodology, or both**. In either case, the **independence of the regulatory authorities in setting network tariffs** pursuant to point (b)(ii) of Article 57(4) **should be preserved**.
- Article 59 - Duties and powers of the regulatory authorities
 - The regulatory authority shall have the following duties:
 - fixing or approving, in accordance with transparent criteria, transmission or distribution tariffs **or their methodologies, or both** ;

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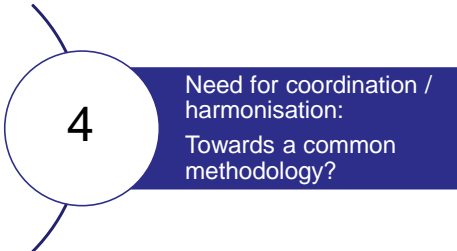
3 Re-designing electricity network structure

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**CEER Guidelines of Good Practice –
Electricity Distribution Network tariffs (2017)**

1. Cost reflectivity
2. Non-distortionary
3. Cost- recovery
4. Non-discriminatory
5. Transparency
6. Predictability
7. Simplicity

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4 Need for coordination /
harmonisation:
Towards a common
methodology?

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- **Arguments put forward by the European Commission:**
 - may distort the internal market;
 - different incentives to participate in the market;
 - new technologies and energy services are increasingly traded across borders;
- **Subsidiarity principle.**
- Differing national circumstances.

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5 Content of the the Energy Package for All Europeans

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From the proposal

- **Proposed Electricity Directive:**
 - “Member States should put in place appropriate measures such as national network codes and market rules, and **incentivise DSOs through network tariffs which do not create obstacles to flexibility or to the improvement of energy efficiency in the grid.**”
- **Reform Electricity Regulation:**
 - Chapter VII of the proposed Regulation sets out pre-existing powers and rules for the Commission to adopt **delegated acts in the form of network codes or guidelines.**
 - Clarifications as to the legal nature and the adoption of network codes and guidelines and enlarges their possible content to areas such as **distribution tariff structures;**
 - **Amendments to pre-existing principles** for transmission and distribution network tariffs;
 - Sets a **procedure for fostering the progressive convergence** of transmission and distribution tariff methodologies.
- **CEER:**
 - No need for an EU-wide tariffs network code;
 - Disagrees with the proposed “one-size-fits-all” prescriptive approach to network tariffs in all EU MSs through a network code.
 - Would remove the ability of energy regulators to design/facilitate network and connection tariffs on the differing network circumstances and the needs of local consumers.

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The vision promoted in the revised Electricity Regulation (26 March 2019)

- Recital (39) To provide for a level playing field between all market participants, **network tariffs should be applied in a way which does not positively or negatively discriminate between production connected at the distribution level and production connected at the transmission level.**
- (39) Network tariffs should **not discriminate against energy storage,** and should not create disincentives for participation in **demand response** or represent an obstacle to improving **energy efficiency.**
- (40) In order to increase **transparency** and **comparability in tariff-setting** where binding harmonisation is not seen as adequate, a **best practices report** on tariff methodologies should be issued by ACER.

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Thank you for your attention!