



# CLEAN ENERGY PACKAGE

## ČEZ PERSPECTIVE

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# PROPOSAL FOR A REGULATION ON THE INTERNAL MARKET FOR ELECTRICITY (RECAST REGULATION 714/2009) – COM(2016)861 (SLIDE 1)



## *Equal level-playing field for all entities both on supply and demand side*

Recital 11 from our point of view correctly points out that **vast exceptions from dispatching rules or balancing responsibility may distort the market and hinder effective decarbonisation**. In contrary to this principle, Article 11 preserves priority dispatch for small RES and CHP, which is not in line with Commission's earlier declarations that priority dispatch should be gradually removed for all sources.

## *Removing price restrictions on the wholesale market*

The CEZ Group deems **removing any price restriction on the wholesale market a step in the right direction**. In this context we believe the provision allowing price floor set at a value of minus 2000 € or less, applicable to bidding and clearing in all timeframes, including balancing energy, should be clarified.

## *Trading*

The CEZ Group welcomes provisions of Article 6, according to which the **market rules shall maximize the ability of market participants to contribute to avoid system imbalances**.

# PROPOSAL FOR A REGULATION ON THE INTERNAL MARKET FOR ELECTRICITY (RECAST REGULATION 714/2009) – COM(2016)861 (SLIDE 2)



## *Capacity remuneration mechanisms*

The CEZ Group welcomes that under the Regulation, **prior to introducing capacity mechanisms (CRM), the Member States shall remove all the regulatory distortions.** The CEZ Group also supports that the introduction of such mechanisms is possible only if there will be an adequacy concern identified in **common European resource adequacy assessment.** Capacity mechanisms should be technology-neutral and opened across borders.

## *Harmonization of tariffs, network codes*

The CEZ Group considers the Commission's attempt to **cover a number of political issues by delegated acts very problematic**, as the procedure of adopting delegated acts **can never ensure for the same transparency and Member States' involvement** in the legislative process as the ordinary legislative procedure.

# PROPOSAL FOR A REGULATION ON THE INTERNAL MARKET FOR ELECTRICITY (RECAST REGULATION 714/2009) – COM(2016)861 (SLIDE 3)



## *European DSO entity*

The CEZ Group **strongly welcomes the establishment of the EU DSO entity**. To ensure its effective operation, the Regulation should **further specify the conditions for participation of DSOs** in the EU DSO as well as **provisions concerning its funding**. The CEZ Group believes that Article 50 shall clearly stipulate that NRAs shall recognize costs related to the participation of DSOs in the entity.

## *Difference between cross-border flows and cross-border transactions*

The CEZ Group thinks it would be appropriate to clearly distinguish between cross-border flows (which may be scheduled or unscheduled) and cross-border transactions both in the Electricity Directive and Electricity Regulation, to avoid any confusion.

# PROPOSAL FOR A REGULATION ON THE INTERNAL MARKET FOR ELECTRICITY (RECAST REGULATION 714/2009) – COM(2016)861 (SLIDE 4)



## *Regional Operational Centers and Balancing*

Recital 35 states that Regional Operational Centers shall carry out functions which exclude real time operation of the electricity system and functions where their realization brings added value compared to functions performed at national level.

We believe that the **energy security aspect shall be taken into account as well. Member States (TSOs) are responsible for securing electricity supplies.**

TSO shall not be forced to **procure certain amount of ancillary services on a cross-border market, which would inevitably lead to allocation of fixed amount of cross-border capacity to balancing market.** This would mean **blocking of available capacities for day-ahead and intraday** and thus **reducing the possibilities of market participants to avoid imbalance.**

# PROPOSAL FOR A DIRECTIVE ON COMMON RULES FOR THE INTERNAL MARKET IN ELECTRICITY (RECAST DIRECTIVE 72/2009) – COM(2016)864 (SLIDE 1)



## *Ensuring equal level-playing field*

The CEZ Group believes that the directive substantially **prefers aggregators to other players on the market**, even if in reality **we cannot separate the role of aggregator from the role of a progressive supplier**, which is subject to much stringent rules. The proposal should ensure that the **same rules apply to all market players, including active consumers, local energy communities or aggregators**.

Article 17 de facto exempts the aggregator from balancing responsibility. **Imbalance caused by the aggregator to the supplier is bore by the supplier – and thus by final customers**. Respective provisions of article 17 should be amended in a way which clearly state that the **aggregator is responsible for imbalances**

# PROPOSAL FOR A DIRECTIVE ON COMMON RULES FOR THE INTERNAL MARKET IN ELECTRICITY (RECAST DIRECTIVE 72/2009) – COM(2016)864 (SLIDE 2)



## *Removing price regulation of electricity supply, energy poverty*

The CEZ Group welcomes provisions of Article 5 removing price regulation of electricity supply.

We believe that the **directive shall not allow for any exemptions**, even in cases of “extreme urgency”. Such cases are not properly defined and there is therefore the risk continuing of unnecessary price regulation.

We also think that the **5-years transitional period is unnecessarily long**

## *Smart meters, smart grids and data management*

Preserving right of Member States to decide on **smart meters deployment on the results of a cost-benefit analysis** is from our point of view a right decision. The directive should also address the status of existing (deployed) smart meters.

# PROPOSAL FOR A DIRECTIVE ON COMMON RULES FOR THE INTERNAL MARKET IN ELECTRICITY (RECAST DIRECTIVE 72/2009) – COM(2016)864 (SLIDE 3)



## *Active operation of the distribution grid*

Under Article 32, the Member States shall create a regulatory framework, which motivates DSOs to actively operate their grid. On the other hand, Article 36 stipulates that electricity storage systems shall be primarily owned by other subjects than DSOs.

We believe that DSOs shall have the **possibility to own storage systems as a technical mean needed for voltage control**. They should also have right to own storage in **case there is no functioning market with non-frequency ancillary services** in place. **Pilot projects and operation of storage in isolated areas** shall be permitted as well.

## *Rights of customers*

The **CEZ Group welcomes strengthening of the consumer's rights**. Nevertheless, the CEZ Group also believes that relevant provisions shall be further clarified.

Under Article 10, suppliers shall inform customers on any change in the price of supply at least one billing period before the change materialize. We would like to note that this may be problematic to put into practice for customers, which opted for one-year billing period (i.e. the supplier would have to announce the change one year in advance).



# PROPOSAL FOR A REVISION OF THE DIRECTIVE ON ENERGY EFFICIENCY (SLIDE 1)



## *Level of ambitions and bindingness of the target*

**The Commission presents binding 30% target (Art. 1).** Increase of the target by 3 percentage points may seem for the Czech economy as insignificant, but it is not. 30% target implies an obligation for the country to achieve an additional 58 PJ (16 TWh) Additional costs for the Czech Republic for the period up to 2030 would reach approximately 550-600 billion CZK.

## *Obligation of new annual savings achievement of 1,5 %*

**One of the most important parts of the Directive is Article 7** that is from our point of view the most serious problem for the Czech Republic. It proposes **a prolongation of the obligation to achieve new annual savings of 1.5% beyond 2020**

***The directive should therefore fully reflect national conditions and characteristics and should not require a "one-fits-all" obligation of all MS without taking into account their individual potential and cost reduction measures consumption.***

# PROPOSAL FOR A REVISION OF THE DIRECTIVE ON ENERGY EFFICIENCY (SLIDE 2)

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## *Overlaps with other EU targets and tools*

The proposal of the directive has also some other negative impacts. The most serious of them is the overlap of the proposed Directive is **negative impact on the functioning of the EU ETS.**

***For this reason, it would be appropriate under the reform of the EU ETS to reduce the amount of allowances in the system by the CO<sub>2</sub> emissions saved as a result of energy efficiency measures, in order to avoid cannibalization between targets for energy efficiency and decarbonisation.***

# PROPOSAL FOR A REGULATION ON THE GOVERNANCE OF THE ENERGY UNION

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## *Linear trajectory*

Linearity of trajectories has been proposed. For renewables and energy efficiency should be allowed **also other than linear trajectories**. It is not clear whether new objectives will build on the old set objectives, or on actually achieved values

## *Regional cooperation*

It is necessary to **define clear rules for the regional cooperation**.

## *Renewables*

By the shortfall of the RES target, the Article 27 requires as an alternative the introduction of a financial platform but does not set conditions for its functioning and contributions by the Member States. Their release will depend on the delegated acts by the Commission. **The rules should be specified directly in the Regulation**

# CEZ GROUP IS AN INTERNATIONAL UTILITY WITH A STRONG POSITION IN CEE



## CEZ Group in Poland (100% stake in Skawina, 100% in Chorzow)

Installed capacity (MW)	681
Electricity generation, gross (TWh)	2.9
<b>Generation market share</b>	<b>1.9%</b>
Number of employees	412
Sales (EUR million)	251

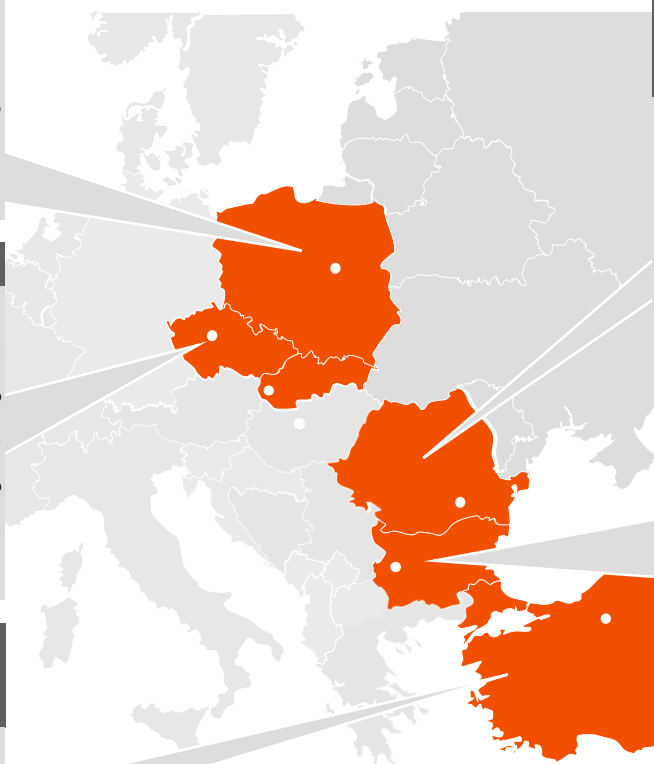
## CEZ Group in the Czech Republic

Installed capacity (MW)	13,351
Electricity generation, gross (TWh)	56.6
<b>Generation market share</b>	<b>67.5%</b>
Distributed electricity (TWh)	33.3
<b>Distribution market share</b>	<b>63%</b>
Number of employees	20,383
Sales (EUR million)	5,715

## CEZ Group in Turkey (50% stake in SEDAS through AkCez, 37.36% stake in Akenerji)

Installed capacity (MW)	1,289
Electricity generation, gross (TWh)	4.6
<b>Generation market share</b>	<b>1.8%</b>
Distributed electricity (TWh)	8.5
<b>Distribution market share</b>	<b>3%</b>

Energy Assets



## CEZ Group in Romania (100% stakes in CEZ Distributie, CEZ Vanzare, Tomis Team, Ovidiu Development, TMK Hydroenergy Power)

Installed capacity (MW)	622
Electricity generation, gross (TWh)	1.3
<b>Generation market share</b>	<b>2.2%</b>
Distributed electricity (TWh)	6.4
<b>Distribution market share</b>	<b>12%</b>
Number of employees	1,787
Sales (EUR million)	480

## CEZ Group in Bulgaria (67% stake in CEZ Razpredelenie Bulgaria, CEZ Electro Bulgaria, 100% in TPP Varna, 100% in Free Energy Project Oreshets, 100% in Bara Group )

Installed capacity (MW)	1,267*
Electricity generation, gross (TWh)	0.006*
<b>Generation market share</b>	<b>0.0%</b>
Distributed electricity (TWh)	9.3
<b>Distribution market share</b>	<b>28%</b>
Number of employees	3,249
Sales (EUR million)	894