

## Session II

# Stimulating Investment through Better Economic Regulation

## II. Joint Conference

“Innovative DSOs in a decentralised Energy System”

Brussels, 12 April 2016

Reinhard Brehmer, Chairman

GEODE - The Voice of local Energy Distribution Companies across Europe



12/4/2016 - Brussels

II - Joint DSO Conference Reinhard Brehmer  
- GEODE Chairman

1

## Better Economic Regulation – general remarks

- Most DSO regulation is focused on short term cost reduction
  - thus no incentive for innovation!
- Innovation necessary at the core of developing e.g. flexibility services & products, with DSO participation essential
- Regulatory period of usually 5 years vs. durability of grid components 40 to 50 years
- Investments in new technology (=smart?) causes higher financial risk (e.g. life span of smart meters)



12/4/2016 - Brussels

II - Joint DSO Conference Reinhard Brehmer  
- GEODE Chairman

2

## Better Economic Regulation – solutions 1

- DSOs must not be penalized for use of innovative approaches
- Smart initiatives deserve equal consideration as conventional network expansion
- DSOs to be allowed financing R&D projects through tariffs (e.g. RIO in UK)

12/4/2016 - Brussels

II - Joint DSO Conference Reinhard Brehmer  
- GEODE Chairman



## Better Economic Regulation – solutions 2

- Higher return on investments & risk adjusted depreciation period needed for projects with significant technology, investment and business risk (e.g. smart meter roll-out)
- Incentives for OPEX to be equally treated as those for CAPEX
- Removing acknowledged R&D costs from cost efficiency targets

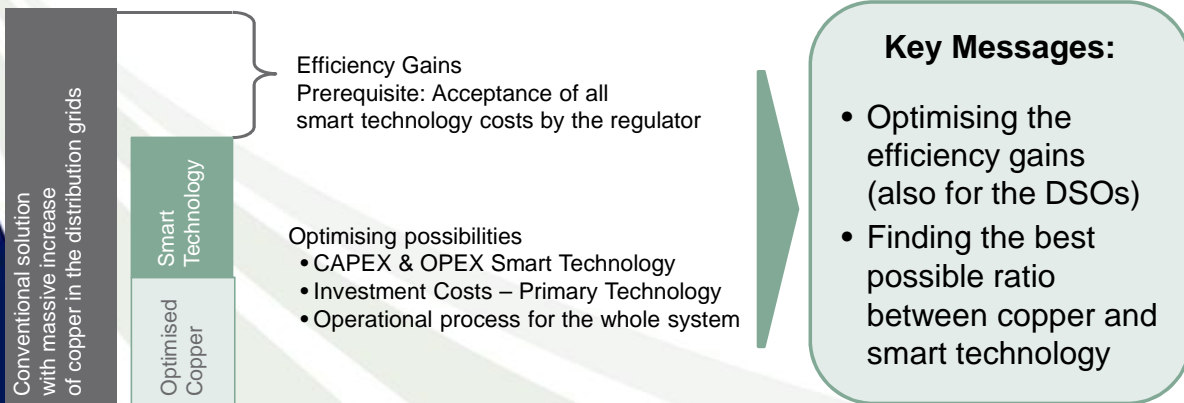
12/4/2016 - Brussels

II - Joint DSO Conference Reinhard Brehmer  
- GEODE Chairman



## Smart Grids – New Challenges for the DSOs

Reducing total extra solution costs, e.g. integration of RES (CAPEX + OPEX)



**Challenge – Implementation in Practice!**

## Thank You!



**Reinhard Brehmer**  
GEODE Chairman

[www.geode-eu.org](http://www.geode-eu.org)