

ANNUAL REPORT 2015

This report provides the highlights for CEDEC's activities for the period encompassing 1 January 2015 to 31 December 2015. CEDEC is legally constituted as a non-profit international organization (AISBL) under Belgian law.



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OBJECTIVE OF THE ANNUAL REPORT

CEDEC worked intensively on European energy initiatives throughout the year 2015. In order to provide a description of its main activities, this report highlights the most important issues to which CEDEC has actively contributed, by a continuous proactive involvement with European instances to further highlight the role of local and regional energy companies in the European energy landscape.

This report shall also recall the positions adopted by CEDEC relating to the major themes of European energy policy.

For further specific information concerning CEDEC’s positions and communications, you are kindly invited to our website www.cedec.com.

The President's Statement

Dear CEDEC members and supporters,

Another year has passed in EU energy policy. In my opinion, 2015 was the year of the European Energy Union and citizens. Only appointed a few months prior, Commission's Vice-President Maroš Šefčovič came forward with his vision on an Energy Union in early 2015, based on five pillars: energy security, internal market, renewable energy, energy efficiency and research and innovation, which will be the key priorities for the coming years. So far – so familiar. But in the introduction, Vice-President Šefčovič also stipulated that the Union should be one with 'citizens at the core'. For the first time in an official text, citizens are recognized not only as the ultimate addressees and beneficiaries of EU energy policy but also drivers of important changes.

In our view, this is an important step. As local companies, our businesses are deeply rooted in local communities. Citizens are their shareholders and therefore local energy companies are held accountable to the public interest. They are not only an important provider and operator of local infrastructures, they are also important engines of economic growth, employers and supporters of local activities in many regions. They are operating closely to the people. It is hence in their nature to put citizens at the core of their activities.

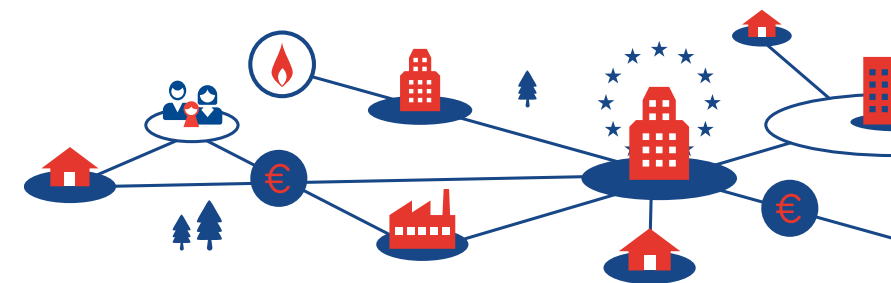
While CEDEC would have liked to see more concrete proposals for more citizen-centric policies and had suggested a number of them in previous months, we are happy to see our vision and actions taken up in the Energy Union paper. CEDEC's philosophy is that a true European Energy Union will be built with the support of citizens and local actors, such as local authorities, local energy companies or cooperatives. As we see in today's energy transition, these actors are the real drivers behind the change towards a more sustainable, secure and affordable energy supply. The energy transition is not one of a few major players, rather it's a collective project led by engaged citizens and the organizations and companies they support. CEDEC member companies have been living the vision of 'citizens at the core' for many years and in many regions of Europe. Therefore they feel fit for the new energy system with integrated solutions at local level.

It is therefore more important than ever that CEDEC is closely and actively involved in EU policy making-processes. With our specific know-how and background, I believe that our association has proven to be a reliable and valuable partner for EU policy makers and will continue to make its distinct contributions to EU policies. I am convinced that the voice of local energy companies is indispensable in Brussels.

I hope that we can also count on the support of our members and other supporters in the future. Let me assure you that we will continue to work hard. Let us translate the vision of citizens at the core of the union into a reality together!

Rudi Oss

CEDEC President





Who is CEDEC?

CEDEC represents the interests of more than 1500 local and regional energy companies - mostly in public hands - serving 85 million electricity and gas customers and connections. Together they realize an annual turnover of 120 billion euros, in ten European countries: Austria, Belgium, Bulgaria, France, Germany, Italy, the Netherlands, Norway, Sweden and Switzerland.

These predominantly medium-sized local and regional energy companies have developed, for many years, activities as electricity and heat generators, electricity and gas distribution grids and metering operators and energy (services) suppliers. Local energy companies provide services which are reliable, sustainable and close to the customer.

Through their investments and by employing some 350.000 people, they make a significant contribution to local and regional economic development.

The political and regulatory framework applicable to the internal energy market must be set up in a way to exploit the structural advantages of local and regional companies, especially in the light of the energy transition.

As shareholders and management are both situated close to their customers, they carefully consider their interests throughout all decision-making processes.

CEDEC was founded as a non-profit organization in 1992 in Brussels and has been actively advocating the interests of local and regional companies active in the fields of electricity and natural gas at European level.

CHARACTERISTICS OF COMPANIES AFFILIATED WITH CEDEC

- They are key players in competitive energy markets: without competitors of different sizes no competition is possible.
- They play an active part in the entire value chain and they aspire to civic value: local generation, distribution system operation, management of metering systems and data, supply of energy and related services.
- They are mostly small and medium-sized energy companies with local and regional shareholders: key players in regional economic development, investments and local jobs.
- They are partners in the realization of energy and climate targets: investment in sustainable local electricity generation and efficient and smart grids.

Mission statement

CEDEC's missions consist of:

- 1** Representing its affiliated local and regional companies' interests in their relationship with European authorities.
- 2** Promoting knowledge exchange and experience in the energy domain. CEDEC acts as a round table for local and regional companies operating in the energy field. It promotes the exchange of information and technical and economic experience regarding energy distribution between its members on the one hand, and between CEDEC and relevant international organizations on the other.
- 3** Delivering services to its affiliated companies by monitoring and analyzing legislative and regulatory initiatives and communicating relevant subjects to its members. To do so, it publishes a regular newsletter providing targeted information, along with a press flash. Depending on the strategic and technical needs, CEDEC organizes congresses, seminars and webinars. Its website (www.cedec.com) and information portal enable consultation of a whole series of information online, amongst others CEDEC's position papers and the activities of the different working groups.

Therefore CEDEC pursues the following activities, via its diverse bodies:

- Inform its members on current political initiatives taking place on European level;
- Develop common positions on relevant issues;
- Represent the interests of its members in their relationship with European institutions and international and national organizations;
- Organize internal and public meetings to promote the sharing of experience, knowledge and best practices;
- Contribute to studies and research to deepen analyses in the fields of economics and technology.

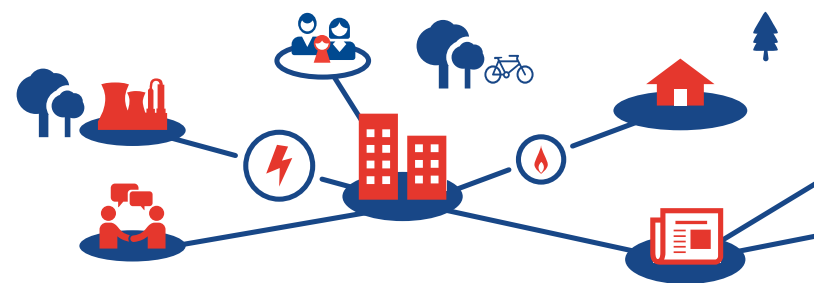
The organizational bodies

EXECUTIVE BOARD

CEDEC's Executive Board is designated by the General Assembly and is composed of representatives of each member association or company. The Board meets regularly, in Brussels or in the Member States.

During 2015, the Executive Board met on 11/2/2015 (Brussels – Belgium), 16/4/2015 (Rome – Italy), 11/06/2015 (Lausanne – Switzerland), 14/10/2015 (Brussels – Belgium), 17/12/2015 (Berlin – Germany).

The Executive Board decides on the association's political and administrative strategy, and delegates the day-to-day management to the Secretary General.



MEMBERS OF THE EXECUTIVE BOARD (31/12/2015)

Chairman

Rudi OSS, Dolomiti Energia / Federutility, Italy

Deputy Chairmen

Luc HUJOEL, Sibelga / Synergrid, Belgium

André JURJUS, Netbeheer Nederland, The Netherlands

Akhobi SITOU, Séolis / ANROC, France

Andreaß FEICHT, WSW Wuppertal / VKU, Germany (from 11th June 2015)

Commissioners

Karl FERRARI (SEL-AG / Federutility)

Pascal GRIMAUD (Soregies / ELE)

Jacques VANDEBOSCH (INTER-REGIES)

Day-to-day management

Gert DE BLOCK – Secretary General

Catherine BIREN – Office & Event Manager

Ludovica Sara FONDI – Policy and Communication Officer (from 1 September 2015)

Ann-Katrin SCHENK – Senior Policy Officer

Administrators

Jean-Paul AMOUDRY (Syane / FNCCR)

Andrea BOSSOLA (Acea / Utilitalia)

Alain BOURQUI (SEVJ / Multidis) (till 1st July 2015)

Giampietro CIGOLINI (AGSM / Utilitalia)

Eric DAVALLE (SIE / Multidis) (from 1st July 2015)

Claude DESAMA (ORES / Intermixt)

Plamen DILKOV (SPEE-BG)

Joost GOTTMER (Alliander)

Robert GRÜNEIS (Wien Energie / VKÖ)

Heidrun MAIER-DE KRUIJFF (VKÖ)

Guido REEHUIS (Netbeheer Nederland) (till 1 March 2015)

Andreas ROß (NRM / VKU)

Göran SÖRELL (Sundsvall Elnät / Elinorr)

Pascal TAVERNIER (SICAE ELY / FNSICAE)

Géry VANLOMMEL (Infrac / INTER-REGIES)

Kirsten WILKESHUIS (Netbeheer Nederland) (from 1 March 2015)

Michaël WÜBBELS (VKU)

Assistants to the Executive Board

Ruud BERNDSEN (Alliander)

Pierre BOULNOIS (FNSICAE)

Mirco CALIARI (AGSM / Utilitalia)

Bérénice CRABS (SYNERGRID)

Francesco DELFINI (FNSICAE)

Karl FERRARI (SEL-AG / Utilitalia)

Dieter GISIGER (SEIC / Multidis)

Pascal GRIMAUD (Soregies / ELE)

Patrick PAULETTO (SPEE-BG)

Alain PETIT (Intermixt)

Yves RAGUIN (FNCCR)

Fabio SANTINI (Utilitalia)

Pascal SOKOLOFF (FNCCR)

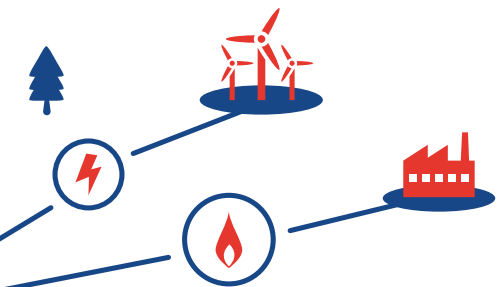
Marc-Antoine SURER (SilCOM / Multidis)

Guillaume TABOURDEAU (ANROC)

Björn TER BRUGGEN (Sundsvall Elnät / Elinorr)

Jacques VANDEBOSCH (INTER-REGIES)

Christian VIAENE (Sibelgas / Intermixt)



WORKING GROUPS

CEDEC coordinates several Working Groups, each one focusing on a specific field of expertise. These Working Groups have as a mission the deeper analysis of specific topics and the elaboration of position papers.

○ Working Group ‘Consumers’

The Working Group ‘Consumers’ is chaired by Johannes Jungbauer (Wien Energie). The working group works on issues related to the functioning of the energy retail markets for all types of consumers, including for the most vulnerable ones.

○ Working Group ‘Energy and Climate’

The Working Group ‘Energy and Climate’ was chaired by Ann-Katrin Schenk (CEDEC), deals with climate-related energy issues in European Union policies, in particular renewable energy, energy efficiency and the European system on emission exchanges.

○ Working Group ‘Gas’

The Working Group ‘Gas’, chaired by Joost Gottmer (Alliander), focuses specifically on strategic European gas topics relevant for local and regional gas companies and the gas DSOs, including the developments of the European Network Codes for Gas.

○ Working Group ‘Grid tariffs’

The Working Group ‘Grid tariffs’, chaired by Ilse Malfait (Infrax), analyses the different grid tariff models and related regulatory systems throughout the Member States, and develops concepts on future-proof grid tariff structures.

○ Working Group ‘Network Codes Electricity’

The Working Group ‘Network Codes Electricity’, chaired by Marc Malbrancke (INTER-REGIES), follows up on the development and the implementation of the European Network Codes for Electricity, and on the impact of those codes on the Distribution System Operators (DSOs).

○ Working Group ‘Smart Grids’

The Working group ‘Smart Grids’, chaired by Paul De Wit (Alliander), focuses on the different strategic and operational aspects of smart grids. The new roles and responsibilities of DSOs, in their relation with market actors, as well as management and communication of data regarding smart meters, play a central role in the discussions.

○ Working Group ‘Trading’

The Working Group ‘Trading’, chaired by Dorothea Leidner (Mainova), handles subjects regarding wholesale markets, in particular MIFID, REMIT, capacity mechanisms and balancing issues.



POLICY GROUP

The Policy Group, chaired by Gert De Block, has as its aim the facilitation of the information flow among members and the preparation of the strategic decisions of the Executive Board.

Membership

CEDEC counts among its members local and regional companies, and national or regional federations which represent them, all active in the energy field.

The specific characteristics of the local and regional companies, resulting from their local anchoring through local shareholders, motivate them to have their own specific voice at the European level. Cooperation among all local and regional companies will strengthen their representation and optimize the defense of their particular and legitimate interests.

Companies or organizations interested in joining forces with CEDEC – as an effective or associated member – are free to contact us, or address an application request to CEDEC (info@cedec.com).



2015 Key Topics



- ENERGY UNION & ENERGY SECURITY
- ENERGY MARKET DESIGN
- DSO AS NEUTRAL MARKET FACILITATOR
- CONSUMERS & RETAIL MARKETS
- REVIEW OF DIRECTIVES ON RENEWABLES & ENERGY EFFICIENCY
- EU HEATING AND COOLING STRATEGY
- REVIEW OF EU EMISSION TRADING SYSTEM (ETS)
- EUROPEAN NETWORK CODES AND GUIDELINES
- THE EUROPEAN COUNCIL 2015

ENERGY UNION & ENERGY SECURITY

In February 2015, as a first policy paper, the newly-appointed European Commissioner for the Energy Union, Maroš Šefčovič, came forward with its “Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy”. The Communication, laying the groundwork for the European Commission’s future work on energy, is based on five dimensions: increasing energy supply security, strengthening the internal energy market, moderating EU energy demand, decarbonizing the energy mix and enhancing research and innovation.

In the run-up to the publication of the communication, CEDEC had been advocating for the inclusion of a sixth dimension: citizens and local actors. In CEDEC’s view, local actors, such as citizens, local energy companies, local authorities and energy cooperatives, are all vital players in the promotion of a secure, sustainable and affordable energy system. In the transformation of the energy system, it can be witnessed that local actors, though their participatory projects, make significant contributions.

While no sixth dimension was included, the acknowledgement of local projects and their promotion has been included in the final Communication on the Energy Union, which in its vision puts “citizens at its core”. CEDEC’s advocacy work in this regard, especially towards Vice-President Šefčovič and his staff, joined by other

organizations such as Energy Cities, can clearly be seen as a success in this regard.

As security of supply is one of the key elements that were at the basis of the initial Energy Union concept, CEDEC wanted to underline the contribution of local energy companies to the realization of European security of energy supply. By showcasing local initiatives in different parts of the value chain – local generation, smart grids, energy efficiency services, public EV-charging infrastructure – the rising importance of local initiatives in a decentralizing energy system is being illustrated.



In November 2015, Vice-President Šefčovič published a first interim conclusion in his first State of the Energy Union report. CEDEC welcomed the confirmed progresses in the decarbonisation of the energy sector, since the total greenhouse gas emissions decreased by 23%. However, the report highlighted also that national efforts should be strengthened in order to improve energy efficiency, and some countries need to review their policies to effectively expand renewable energy solutions.

ENERGY MARKET DESIGN

Europe's energy markets are in transition: generation from conventional, large-scale central power plants with transmission by high-voltage energy networks is increasingly replaced with small-scale, distributed plants with a variable production, facilitated by smartened energy distribution systems. This trend is unstoppable and requires a radical shift in how energy markets are being looked at and operated, in order to become fit for the future. Simultaneously, Europe's internal market for energy remains far from completed and national initiatives often create new barriers for further integration.

These two developments, as well as Europe's ambitious energy and climate agenda, build the foundation for the discussions for a future energy market design, which started in the European Commission in 2015 with a public consultation launched in summer, with legislative proposals following in 2016.

CEDEC believes that DSO regulation, currently still focusing one-sidedly on cost reductions, must urgently be re-directed to incentivizing investments in innovative solutions in smart grids that can support markets. A market design fit for the rising share of renewables must allow RES generators, prosumers and interested consumers to value the flexibility they can offer in better integrated intraday and balancing markets. Large scale demand-response is only sustainable with a clear definition of the roles and the technical and financial responsibilities of all actors in the market.

A far-reaching reform of ETS post 2020 allowing the formation of a meaningful carbon price is equally elementary.

DSO AS NEUTRAL MARKET FACILITATOR

CEDEC's work in the ongoing discussion about the future role of Distribution System Operators (DSOs) in evolving energy retail markets continued in 2015. In preparation for the European Commission's public consultation on a new energy market design for Europe launched in July, and in line with CEDEC's 2014 Communication on 'Smart grids for smart markets', CEDEC published a position paper in June which contained some key points on the future role of DSOs:

- At the interface between markets and networks, the special role of DSOs needs to be recognised and supported with the provision of a toolbox (amongst others a 'traffic light' concept for flexibility services), that allows them to neutrally facilitate the market while managing the grid, ensuring security of supply.
- DSOs are regulated entities controlled by NRAs and therefore should remain – as it is the case today in most Member States – responsible for data management and data communication to market actors to ensure smooth market functioning. For this, they need a secure, reliable and fit-for-purpose data communication infrastructure.
- Data protection and consumer privacy are of utmost importance to ensure consumer trust. DSOs, as regulated and neutral parties, are best placed to ensure this.
- The roles and responsibilities of all market parties need to be clearly defined in the new market design, to ensure a level playing field (also in developing energy services) and security of supply.

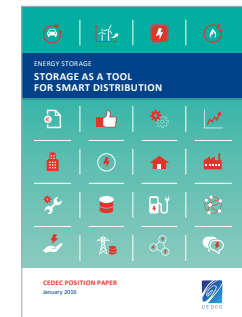
Within the framework of the EC Task Force Smart Grids (Expert Group 3), the intensive debate continued on the future roles and responsibilities of DSOs, suppliers and flexibility service providers, developing a list of concrete recommendations that followed up on the general principles agreed in previous years.

The comprehensive report worked out during 2014 was the basis for a new report, going into more depth on certain aspects for a future market model for flexibility services. CEDEC again took a leading role in this regard and was represented in all working groups of the Expert Group 3. Among the EU associations representing DSOs, who collaborated closely and effectively in this format, CEDEC took up a coordinating role and led many exchanges on the matters at stake for DSOs.

The role of the DSO as neutral market facilitator, which CEDEC has been advocating for several years now, seems to have become the common ground for all stakeholders. In increasingly dynamic and participatory energy retail markets, DSOs will first and foremost provide reliable and secure grid operations, while facilitating the activities of other market actors as long as grid stability is not impeded.

Several CEDEC working groups worked on flexibility issues and the role of DSOs. For example, the working groups "Consumers" and "Trading" worked on the roles and responsibilities of demand aggregation service providers, while the working group "Smart Grids" additionally started working on storage as an asset delivering flexibility.

Furthermore, in 2015 CEDEC developed a report entitled "Storage as a tool for smart distribution", published in January 2016. Once again, the role of DSO as neutral market facilitator stands out. CEDEC supports the use by DSOs – in the operation of the distribution grid – of the flexibility that energy storage can provide: this tool can secure the uninterrupted supply of energy to the end-users and reduce the stress for the network.





CONSUMERS AND ENERGY RETAIL MARKETS

CEDEC has been promoting the pivotal role of the citizens and local actors in the conception of an Energy Union, and welcomed the European Commission's choice to put the citizens and consumers at the heart of this Union.

The European Commission published in July its Communication on a "New Deal" for energy consumers, explicitly relying - for the success of the Energy Union - on the empowerment and active engagement of consumers in the energy market, as well as on the protection of vulnerable consumers. Since involving energy consumers and communities is key to unlocking the full potential of the energy transition, the local energy companies that CEDEC represents - reliable, sustainable and close to the consumer - will lead this evolution, taking up their responsibilities.

In 2015 CEDEC continued its active contribution to the European Commission Working Groups on 'Consumers' and 'Vulnerable consumers' co-chaired by DG Justice and DG Energy.

CEDEC believes that some new aspects should be integrated in the concept of a truly democratic and resilient European Union. First of all, all consumers must have easy access to self-production and self-consumption

without any administrative or operational barriers. CEDEC has been advocating for a stable and transparent regulatory framework for prosumers, however ensuring a fair allocation of grid costs.

CEDEC pleads for a shift to a larger capacity component in the structure of distribution grid tariffs, reflecting the actual grid investment costs and the provided grid services: currently the mostly volume-based network tariffs create an unsustainable transfer of grid costs from prosumers to consumers.

Furthermore, CEDEC demands for the promotion of citizen projects with the elimination of red tape. CEDEC members have experienced that a sense of local ownership significantly improves social acceptance for energy projects, such as larger wind and solar plants. Furthermore, the access to funding for such projects should be facilitated for local governments, local energy companies and cooperatives.

Sufficient data protection and privacy for consumers also must be ensured. Consumer trust can be increased by attributing data management and communication tasks to regulated DSOs instead of leaving it to purely commercial companies. Consumers know their locally based DSOs and surveys have confirmed that trust in local energy companies is very high.

REVIEW OF DIRECTIVES ON RENEWABLES & ENERGY EFFICIENCY

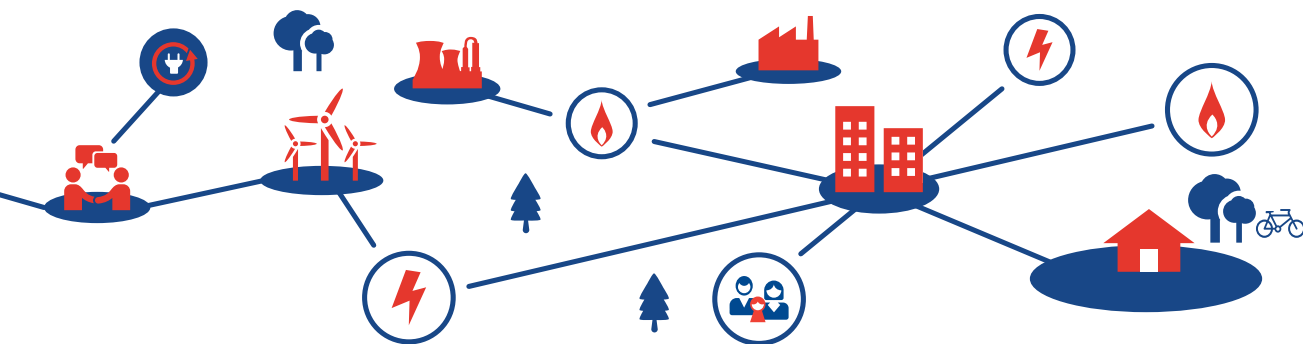
In preparation of the planned review of the renewables and energy efficiency directives in 2016, the European Commission launched in 2015 two public consultations to evaluate if efficiency and renewable targets are well-supported by the current European legislation, and if not, how these measures should be updated.

CEDEC has contributed to this evaluation, demonstrating again that local actors - like the local energy companies - play a crucial role in the promotion of energy efficiency and renewable energy.

CEDEC pleads for efficiency measures to be calculated on primary energy base, mainly to avoid distortion of competition.

When it comes to renewable energy, CEDEC continues to insist on national and binding targets. It is preferable to oblige Member States to take up their responsibility and to act, to keep them on the right ambitious track towards the EU and global target.

Sure enough, the transition towards a more decentralised and sustainable system has already found its concrete translation in a more efficient use of energy and the fast development of renewables. However, it seems necessary to further develop and amend the design of the existing energy market with new mechanisms. Therefore, CEDEC deploys all its efforts to guarantee a well-functioning grid and the necessary regulatory conditions to incentivize innovative investments which will be required to ensure long term security of supply with an intensifying use of low carbon and decentralized energy sources.



EU HEATING AND COOLING STRATEGY

As a consequence of the EU's concerns about energy security, the heating and cooling sector, accounting for about 50% of the EU's final energy demand was finally put in the focus of considerations. In the preparation phase of the EU's heating and cooling strategy, which was launched in early 2016, CEDEC published a position paper in September 2015. CEDEC advocates for a technology mix that is preferably based on locally available infrastructures and resources. The heating and cooling sector is largely a local one, which is very dependent on locally available infrastructures, sources and demand. Therefore, local energy companies, which are strongly aware of the local circumstances, play a key role in the transformation of heating and cooling sectors, making them more sustainable, while safeguarding affordability and security of supply.

Through their integrated activities, local energy companies have specific advantages in creating integrated local systems, making the most efficient use of existing infrastructures like for electricity, district heating, gas and local transport. Local energy companies also look beyond the individual suitable solutions for single households, and assess possible collective solutions on street/district/city level.

Bearing this in mind, CEDEC pleaded for a two-fold approach of decreasing the energy demand for heating and cooling through building renovation, while making the energy supply more sustainable. CEDEC was one of the central players in this debate, also through its contributions to the European Commissions' first-ever high-level conference on heating and cooling in early 2015, as well as in several other stakeholder meetings.

These efforts have been rewarded in 2016 with the new EU heating and cooling strategy: renovation of buildings is considered fundamental for the decarbonisation objectives, whereas reduction of energy demand is equally considered as crucial. As CEDEC also pointed out, the reduction can be reached through exploiting the technology variety, creating synergies across the energy system, and increasing the deployment of renewable sources.

Finally, the EC explicitly recognised the local dimension of heating and cooling, and suggested a supportive European framework for action at local level.

REVIEW OF EU EMISSION TRADING SCHEME (ETS)

Following a public consultation in March 2015, the European Commission published in July 2015 a proposal for a Directive to enhance cost-effective emission reduction and low-carbon investments, in which it outlined the proposed reforms for the European Emission Trading Scheme (ETS) for the fourth trading period 2021-2030.

CEDEC worked intensively towards a legislative proposal which ensures a greater coherence between the EU ETS and other EU climate policies. A well-functioning EU ETS can make a significant contribution to a cost-efficient reduction of greenhouse gas emissions (GHG).

In CEDEC's view the ETS is an instrument for climate protection and hence the auction revenues should be for the benefit of society as a whole in the form of climate protection projects, investments in renewable energy and energy efficiency.

Following this mindset, CEDEC explicitly welcomes that no international carbon credits can be used for the attainment of the 2030 target. According to CEDEC's position – expressed in the public consultation and further developed in a position paper published in January 2016 – any surplus of allowances caused by international credits, when eventually re-introduced into the market, would further undermine the attainment of the EU's future GHG targets, by de facto increasing the caps.

Furthermore, CEDEC has been pleading for a cancellation of allowances that remain in the Market Stability Reserve (MSR) for a number of years: actors assume that they will be released to the market and therefore the price effect would fail to appear.

EUROPEAN NETWORK CODES AND GUIDELINES

Network codes and guidelines for gas and electricity are European regulations on very technical topics. They are immediately applicable without transposition, but need to be implemented by the Member States. Their goal is to address cross-border network and market integration issues. Cross-border network issues relate mainly to the transport grids, but market integration needs also the involvement of the distribution grids. Hence the importance of active participation of the DSOs in the development and the implementation of the codes and guidelines. Within CEDEC this participation is organized through dedicated working groups.

OVERVIEW OF THE NETWORK CODES & GUIDELINES

Gas:

- Capacity allocation mechanisms (CAM)
- Gas Balancing (GB)
- Interoperability and data exchange (IO&DE)
- Harmonised transmission tariff structures (TAR)

Electricity:

- Requirements for generators (RfG)
- Demand connection (DCC)
- High voltage direct current (HVDC)
- Transmission system operation (SO)
- Emergency and restoration (ER)
- Capacity allocation and congestion management (CACM)
- Forward capacity allocation (FCA)
- Electricity balancing (EB)

For gas, four network codes have been developed.

The first network code for gas, the CAM, concerns the mechanisms for cross-border capacity allocation in transport grids and was applicable as from November 2015. This code is already in a revision phase to add an additional chapter on incremental capacity.

A second code, applicable as from October 2015, is the gas balancing (GB) code.

Both network codes do not have an immediate influence on the distribution grids.

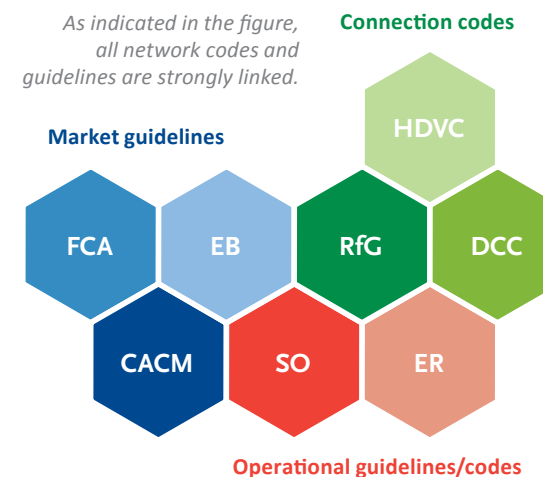
The network code IO&DE is applicable as from May 2016. A possible impact for DSOs is to be expected in terms of the control of the gas quality and in the future also the data exchange. At the moment DSOs are exempted from these data exchange requirements. The Commission has taken an initiative to integrate the standard on gas quality in this network code.

Finally, there is the network code TAR. In October 2015 ACER was not able to recommend this code to the Commission, which led the Commission to take themselves an initiative to develop a network code proposal. This network code will probably enter into force by end 2016.

For electricity, the network codes/guidelines can be divided into a number of families:

- *Connection codes* for generators, demand and distribution grids and also for high voltage direct current connections;
- *Operational guidelines/codes*;
- *Market guidelines*.

The electricity network codes with direct impact on DSOs are the code RfG (including little generators connected to the distribution system) and the code DCC. These codes should be published by respectively May and July 2016. The network code HVDC still needs to be published, but is less important for DSOs.



The only electricity guideline already published is CACM, concerning capacity allocation and congestion management on the transmission grid. Another guideline in the family of the market guidelines is FCA, concerning longer term capacity allocation, for which a final adoption is expected. The guideline EB still needs this to be discussed in Comitology. The Commission waits for further treatment because of the close link between this guideline and upcoming legislation on flexibility. This guideline will probably have an impact on the DSOs.

The operational guideline SO, which consist of 3 former network codes related to system operation, is also important for the DSOs, mainly for the part on data exchange. This guideline will normally enter into force by Summer 2016. Finally, the network code ER, on emergency situations and restoration of the system, has not yet been treated in Comitology, but will also have an impact on the DSOs.

Impact of the network codes and guidelines on the DSOs can be summarized as follows:

- possible investments in additional grid assets;
- treatment of data and information (more data and within shorter timeframes);
- modification of existing and new IT systems;
- administrative handling of requests;
- technical testing and controlling;
- modification of internal procedures.

On European level the implementation of the electricity network codes and guidelines is supported by a number of 'European Stakeholder Committees', one for each family of codes. The goal is to exchange the implementation experience from the Member States and to formulate guidance if implementation problems arise. CEDEC is represented in these committees.

THE EUROPEAN COUNCIL IN 2015

From January to June 2015, Latvia held the presidency of the European Union.

The presidency was largely influenced by the discussions on a European Energy Union, launched by the European Commission early during the term. The final Energy Council meeting was held on 8 June 2015 in Luxembourg. At this occasion, ministers adopted conclusions on the Energy Union with a special focus on two central topics: the empowerment of consumers and the attraction of necessary investments in the energy sector. CEDEC had long been advocating for a more central role of consumers in the EU energy debate and therefore welcomed the conclusions.

Due to Latvia's special geographical situation, also the issue of energy security ranked high among Latvia's priorities for the presidency and were discussed during the Council meeting. CEDEC, in line with its above-mentioned positions, pleaded for a recognition of the local dimension in energy security, alongside the dialogues on interconnections and large-scale projects. On local level, many innovative projects in the fields of energy efficiency, renewable energy and smart energy distribution make significant contributions to the security of energy supply.

Luxembourg took over the EU Council Presidency from July to December 2015.

On the presidency's agenda for energy was the reform of the European Emission Trading Scheme, which was launched with a European Commission's proposal in July 2015. However, the overarching priority of the presidential term was the COP21 meeting in Paris in November/December 2015, where the goal of an ambitious international agreement on mitigating climate change was largely accomplished.

CEDEC, together with other actors from the EU energy scene, have clearly pleaded for an ambitious agreement that would keep temperature rise below the critical 2 degree mark.



2015

Key Events



CEDEC WORKSHOP ON 'FLEXIBILITY SERVICES AND ROLES AND RESPONSIBILITIES OF MARKET ACTORS' (5 February 2015)

On 5 February, CEDEC has organized a Workshop on "Flexibility services and roles and responsibilities of market actors".

As an introduction, Manuel Sanchez-Jimenez, Team leader Smart Grids at the European Commission (DG ENER), presented the recently finalized Expert Group 3 report on flexibility, whereas Paul De Wit, Chair of the CEDEC Working Group Smart Grids, brought an analysis of the possible relationships between different market actors.

JOINT DSO CONFERENCE ON 'THE FUTURE IS DISTRIBUTED – A DSO PERSPECTIVE' (19 February 2015)

CEDEC has co-organized a joint DSO Conference on 19 February together with EDSO for smart grids, EURELECTRIC and GEODE.

In the event 'The Future is distributed - a DSO perspective', the four Brussels based associations representing DSOs handed their recommendations over to the newly appointed Commissioner for Energy and Climate, Mr. Arias Cañete.

The high level representatives from the European DSO world presented a compelling perspective on the meaning of the energy transition and the EU 2030 climate and energy targets for distribution companies. In this context they addressed questions of security of supply, investments, innovation, data management, and the required reform of regulation.

CEDEC WEBINAR ON 'ENGAGING PEOPLE IN SMART GRIDS' (19 March 2015)

CEDEC has organized, on 19 March, a webinar in cooperation with the Covenant of Mayors.

The webinar was about the possibilities to engage consumers (citizens, SMEs) in the energy sector. A toolkit with guidelines for Smart Grid projects (originating from an EU FP7 project) as well as best-practice examples about successful consumer activation were presented.

CLOSING EVENT OF THE METAPV PROJECT (24 March 2015)



On 24 March, the closing event of the MetaPV project was held in Brussels to present the project's conclusions and recommendations on the integration of PV in smart grids, for policy-makers, regulators and technical experts. The MetaPV project, supported by the European Commission and one of the first real life smart grid projects, has shown in a test area in Flanders, Belgium, how PV can actively support grid management in hosting distributed generation, and how an increasing share of variable renewables can be integrated in the distribution grid.

The all-day event, co-organized by CEDEC and with support from EPIA, brought together energy experts, policy makers and representatives of the European institutions. The debate allowed participants to find out how distribution grid hosting capacity can be increased at a fraction of the cost of traditional grid reinforcement. It also disclosed the lessons learned from controlling PV plants in real, historically grown distribution grids.



‘The META PV project has worked with real-life households with PV panels on their roofs, and has shown how these small installations can deliver important grid services for the distribution system and facilitate their own integration. The results are certainly interesting for many DSOs all over Europe that are looking for ways to securely and efficiently manage their grids with rising shares of variable renewable energy,’ said Gert De Block, CEDEC Secretary General.

EUSEW EVENT ON ‘DEVOLUTION, EUROPEAN ENERGY TRANSITION’S BEST FRIEND?’ (18 June 2015)



CEDEC, in cooperation between Energy Cities and Client Earth – all active in local initiatives in the energy sector – has organized on 18 June an event called ‘Devolution, European energy transition’s best friend?’.

With this event CEDEC has set the focus on different models that offer citizens the opportunity to participate and actively contribute to the energy transition: municipalities are engaging actively in the energy transition by writing and implementing sustainable energy action plans and taking concrete measures to make their cities more sustainable and livable. New local energy companies owned by municipalities emerge, and others extend their activities, providing technical support to the local objectives. And energy cooperatives are being created by citizens, especially for deploying renewable energy.

Links were made between the roles that local and regional authorities are striving to assume, and the legal framework at national and EU level that either facilitates or obstructs active engagement.

CEDEC WEBINAR ON ‘INTEGRATING CHP AND WASTE-TO-ENERGY IN THE ENERGY SUPPLY OF CITIES’ (23 June 2015)

CEDEC has organized, on 23 June, another webinar in cooperation with the Covenant of Mayors.

Waste-to-energy and (high-efficiency) CHP represent opportunities in supplying energy to cities in an environmentally and economically sustainable way. Examples of Vienna and Nuremberg were presented. Using these solutions face major challenges in the current market and regulatory environment. The speakers have looked at strategic and economic aspects of developing and operating such plants in a sustainable manner in different local environments. Among others, the economic implications of the changes in the electricity and heat markets and the characteristics of the failing European Emission Trading System have been discussed with the audience.

CEDEC LUNCH DEBATE IN THE EUROPEAN PARLIAMENT ON “RETHINKING ENERGY SECURITY IN THE ENERGY UNION: LOCAL, RELIABLE, SUSTAINABLE” (30 June 2015)

CEDEC and MEP Martina Werner (S&D) held, on 30 June 2015, a lunchtime debate at the European Parliament. During the event, CEDEC presented a new communication on European energy security entitled “**The contribution of local energy companies: local, reliable and sustainable**”. The report compiles a number of examples illustrating how local energy companies are already working on innovative solutions that will contribute to a fundamental change in Europe’s energy system.

It formed the basis to discuss with representatives of European institutions how the energy sector is changing over time and how local innovative initiatives, building on

local and regional resources and infrastructures, contribute to the realization of sustainable EU policy goals through smart energy grids, energy efficiency and local generation.

As MEP Martina Werner (S&D), member of the ITRE Committee, stated: *“I am convinced that the transition to a sustainable and decentralised energy system on a European level with energy efficiency and renewable energy at its heart, starts on a local level, in each village, municipality and city.”*

Gert De Block, CEDEC Secretary General stated: *“We are convinced that the energy future is local. Therefore, the right economic incentives and accompanying regulatory frameworks are needed to make the most of these smart and efficient local solutions.”*

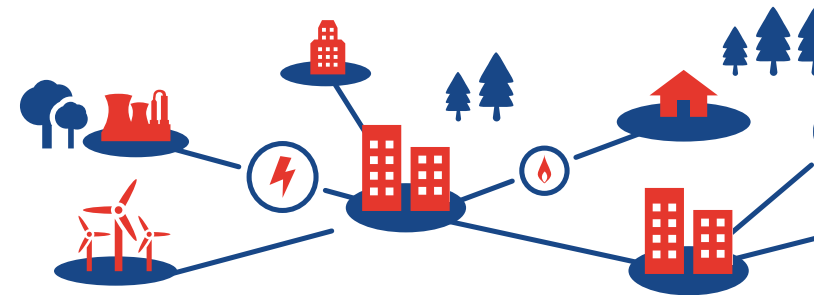
CEDEC CONGRESS “THINK ENERGY UNION – ACT LOCAL” (15 October 2015)

At the CEDEC 2015 Congress held on 15 October 2015 in Brussels, Rudi Oss, CEDEC President, stressed in his welcome speech the increasingly active role of local actors in the context of the Energy Union that is being developed. *“The environment in which our local and regional energy companies work and live is at the same time becoming more challenging and promising”*, said Mr Oss, referring to the rising complexity in the different activities of the local multi-utility companies, and to the decarbonisation and decentralization trends that fit perfectly with their business model.

Maroš Šefčovič, European Commission Vice-President for the Energy Union, underlined in his speech how local and regional energy companies can be the engine for the new European energy system. *“Since we are in the process of transforming the European energy system, we are also in the process of changing the rules so that you can be the engine for the new European energy system. We need you because while all citizens are the ultimate beneficiaries of our policies, you are the ones who will execute them on a day to day basis, as the prevalence of small and medium sized energy companies gradually increases in our energy system as a whole.”*

After a high level debate on the upcoming Paris Climate Change negotiations (“Is Europe leading or lagging”), the focus was shifted to the business model of local multi-utilities (“Outdated or innovative”). In the following parallel sessions, the synergies of linking heating & cooling with electricity & gas were discussed (“Synergies in local energy infrastructures”), and the potential contributions of supply-side and demand-side flexibility were explored (“Creating flexibility in the value chain”).

The annual CEDEC congress attracted again more than 150 high level participants from the European Institutions, international organizations, regional and local energy companies and other interested stakeholders. They discussed the Energy Union strategy and the involvement of local actors – citizens, authorities and companies – to ensure a sustainable, reliable and affordable energy supply for the European Union.



CEDEC Highlights 2015

JANUARY

- CEDEC publishes a position paper on the “Proposal for a directive to enhance cost-effective emission reduction and low-carbon investments”, the planned review of the ETS directive.

FEBRUARY

- CEDEC organises a workshop on “Flexibility services and roles and responsibilities of market actors”.
- CEDEC co-organises a joint DSO Conference together with EDSO for smart grids, EURELECTRIC and GEODE.
- CEDEC answers to the CEER public consultation on the role of the DSOs.
- CEDEC suggests an additional dimension for the Energy Union concept: add “Citizens and Local actors”.

MARCH

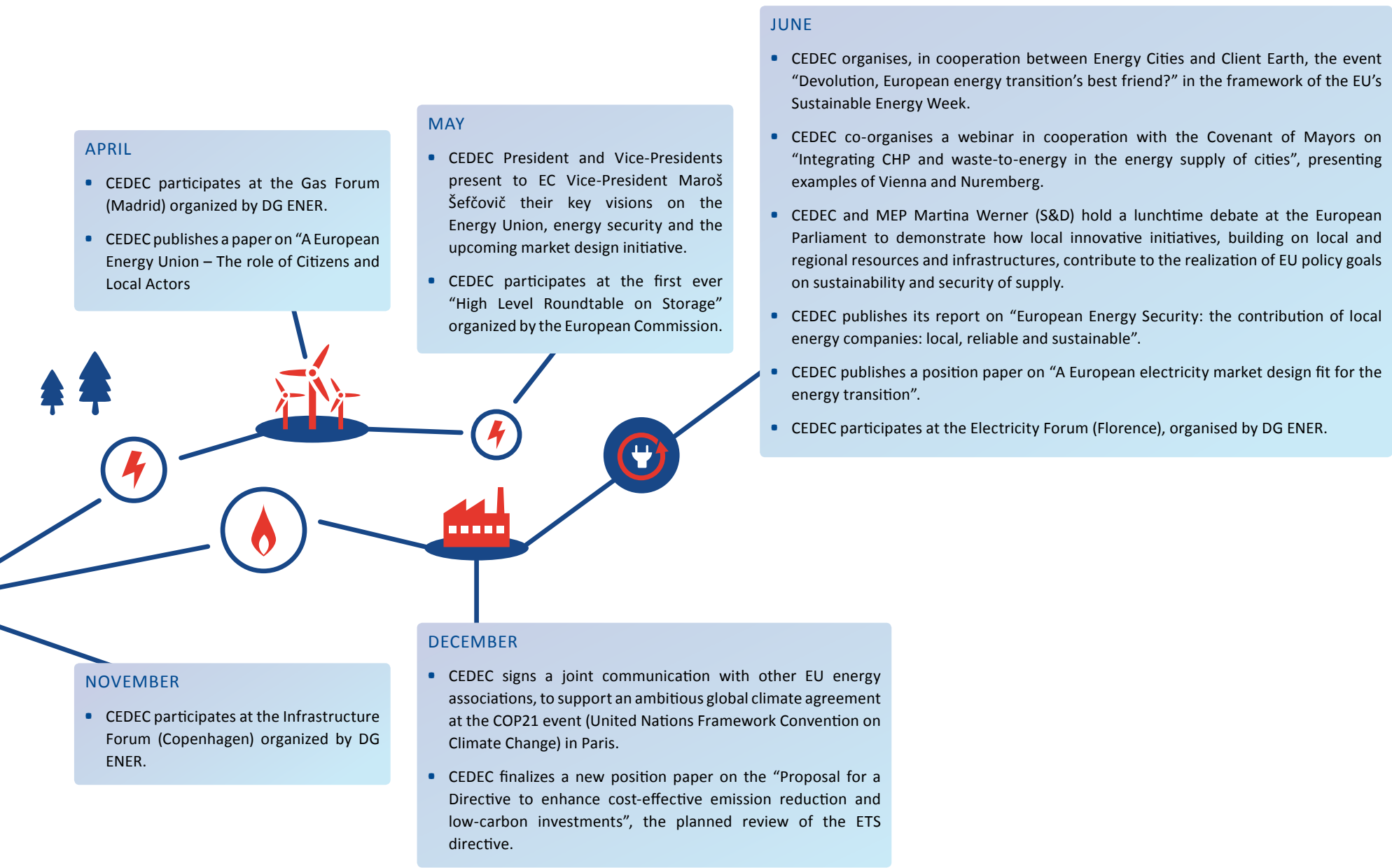
- CEDEC co-organises a webinar together with the Covenant of Mayors on the possibilities to engage consumers (citizens, SMEs) in the energy sector.
- CEDEC co-organises the closing event of the MetaPV project, with support from EPIA.
- CEDEC participates at the Citizens’ Energy Forum (London) organized by DG ENER and DG JUST.

SEPTEMBER

- CEDEC issues a new position paper on the EU Heating and Cooling Strategy.

OCTOBER

- CEDEC organises its annual congress on 15 October under the title “Think Energy Union – Act Local”, with more than 150 high level participants taking part in debates on diverse strategic issues.
- CEDEC participates at the Electricity Forum (Florence) organized by DG ENER.
- CEDEC participates at the Gas Forum (Madrid) organized by DG ENER.
- CEDEC answers to the public consultation on the EC Summer Package on Energy Market Design.
- CEDEC answers to the public consultation on “Risk preparedness in the area of security of electricity supply”.





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