

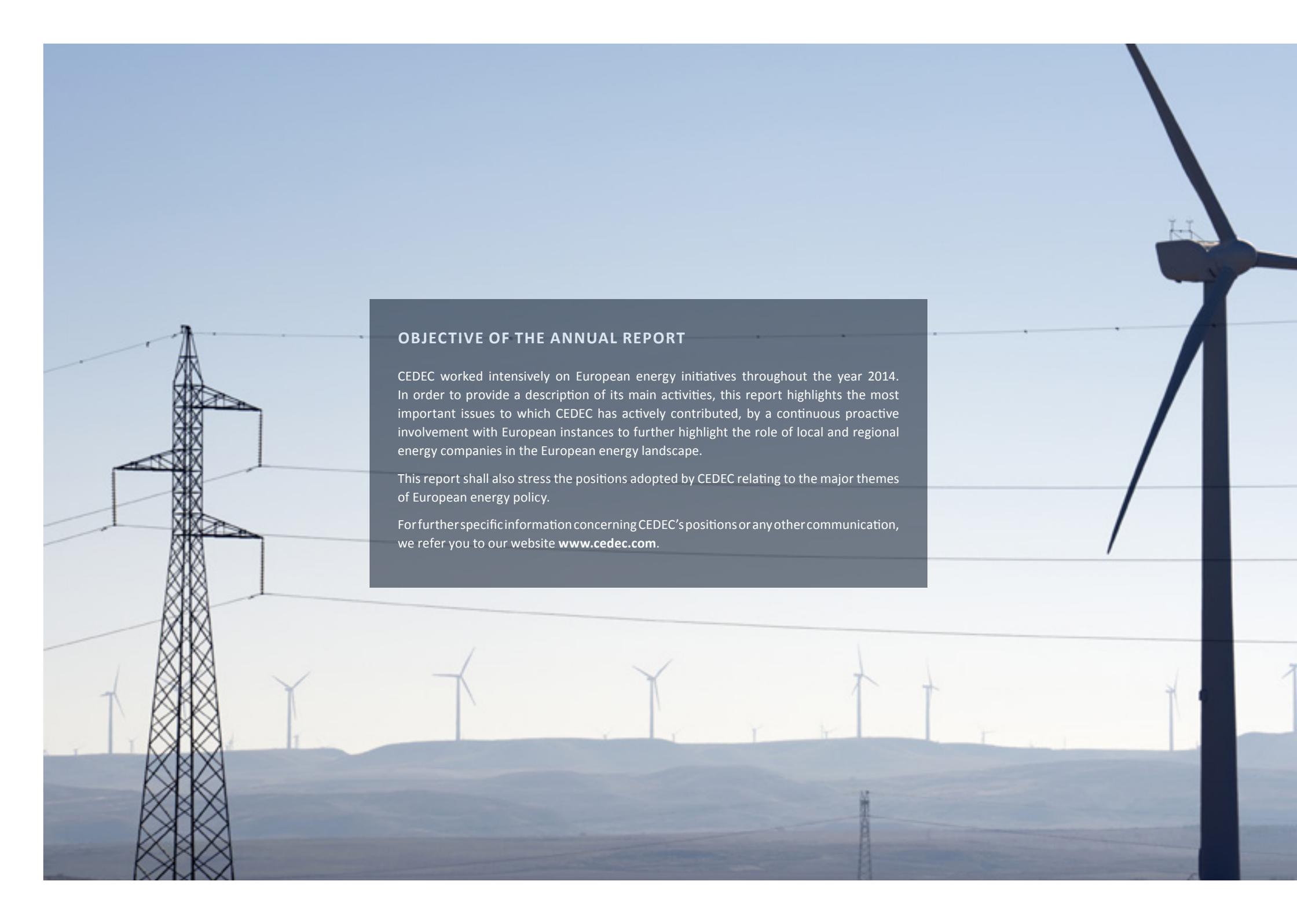


2014

CEDEC ANNUAL REPORT FOR 2014

This report provides the highlights for CEDEC's activities for the period encompassing 1 January 2014 to 31 December 2014. CEDEC is legally constituted as a non-profit international organization (AISBL) under Belgian law.



The background image shows a landscape with a wind farm. In the foreground on the left, there is a tall, lattice-structured high-voltage power line tower. To the right, a large wind turbine is partially visible, showing its tower and nacelle. The middle ground is filled with a line of smaller wind turbines stretching across a valley. The sky is a clear, light blue. A semi-transparent dark grey box is overlaid in the center of the image, containing text.

OBJECTIVE OF THE ANNUAL REPORT

CEDEC worked intensively on European energy initiatives throughout the year 2014. 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 stress the positions adopted by CEDEC relating to the major themes of European energy policy.

For further specific information concerning CEDEC's positions or any other communication, we refer you to our website www.cedec.com.

Statement from the President

Dear CEDEC members and friends,

2014 was the year of new beginnings - on the European level as well as for CEDEC.

The European elections were certainly a milestone: a new European Parliament and a new Commission took office and with that the EU energy policy landscape changed.

The election of the new European Parliament was both cautiously and nervously observed for the strong gains by Eurosceptic parties which led to a power shift in the Parliament at the expense of traditional center parties.

By appointing a new Vice-President for the Energy Union, Commission President Juncker underlined the status of the Energy Union as a top priority for the European Commission in the coming legislative term.

A new Commissioner for Energy and Climate Action, combining both policy areas, was put in office with the intention to bring more coherence between both these crucial fields. We will see in the course of the coming years how this works out in practice. An indicator will be the outcome of the international climate negotiations in Paris at the end of the year, which will certainly be a milestone for Europe and beyond.

Within CEDEC we also witnessed a new beginning: following a 4-year term of my German colleague Bernd Wilmert, I was elected CEDEC President in June 2014. Of course I cannot mention Bernd without taking this opportunity to thank him again for the great support he has given CEDEC in the past years, which has led to great accomplishments by the association and a reinforcement of its organizational structure. Taking

over from him, I am very happy and honored to preside over the association and speak on behalf of more than 1500 local and regional companies on the European level.

CEDEC continued to raise its profile as an important stakeholder in EU energy policy-making last year and has been more active than ever: a very-well attended and complimented annual congress was certainly the highlight in November. But also several other conferences, workshops and webinars were organised during the year, notably also in collaboration with strategic partners such as Energy Cities and Covenant of Mayors. Position papers and public consultations were drafted and fed into the decision-making process in Brussels; and the association's visibility has been improved considerably by well-structured and well-timed communication.

Finally I am especially glad to see CEDEC grow. In 2014 we welcomed Synergrid from Belgium, Elinorr from Sweden and Multidis from Switzerland as new members, substantially reinforcing our representativity and contributing to our know how.

Of course I hope that CEDEC will be able to continue its successful work in the years to come. I personally am dedicated to the support of this association, its members and staff as much as possible during my presidency.

Lastly, I do not want to close without thanking the CEDEC members and the secretariat team for their contributions to the excellent work and commitment to the association.

Rudi Oss
CEDEC President

TABLE OF CONTENTS

Statement from the President	3
Who is CEDEC	4
The essential contribution	4
Missions	5
Organizational bodies	6
Affiliation with CEDEC	8
2014 Key events	9
2014 Key topics	10
CEDEC Highlights 2014	16
Changes in the institutional framework of the European Union	18
The European Council in 2014	19

WHO IS CEDEC

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.

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 with 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 grid 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.

The essential contribution of member companies

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



Missions of CEDEC

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 European organisations on the other.

3

Delivering services to its affiliated companies by monitoring and analysing legislative and regulatory initiatives and communicating relevant subjects to its members. To do so, it publishes, among others, a regular newsletter providing targeted information. Depending on the strategic and technical needs, CEDEC organises 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 organisations;
- Organise 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.



Organizational bodies of CEDEC

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 2014, the Executive Board met on 12/2/2014 (Brussels – Belgium), 12/6/2014 (Paris – France), 1/10/2014 (Sofia – Bulgaria), 18/11/2014 (Brussels – Belgium) and 18/12/2014 (Vienna – Austria).

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 (31/12/2014)

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

Bernd WILMERT, Stadtwerke Bochum / VKU, Germany

Administrators

Jean-Paul AMOUDRY (Syane / FNCCR)

Andrea BOSSOLA (Acea / Federutility)

Alain BOURQUI (SEVJ / Multidis)

Giampietro CIGOLINI (AGSM / Federutility)

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)

Andréaß ROß (NRM / VKU)

Göran Sörell (Elnät / Elinorr)

Pascal TAVERNIER (Sicac ELY / FNSICAE)

Géry VANLOMMEL (Infrac, INTER-REGIES)

Michaël WÜBBELS (VKU)

Assistants to the Executive Board

Pierre BOULNOIS (FNSICAE)

Mirco CALIARI (AGSM / Federutility)

Bérénice CRABS (SYNERGRID)

Francesco DELFINI (FNSICAE)

Karl FERRARI (SEL-A.G / Federutility)

Dieter GISIGER (SEIC / Multidis)

Pascal GRIMAUD (Soregies / ELE)

Patrick Pauletto (SPEE-BG)

Alain PETIT (Intermixt)

Yves RAGUIN (FNCCR)

Fabio SANTINI (Federutility)

Pascal SOKOLOFF (FNCCR)

Marc-Antoine SURER (SiCOM / Multidis)

Guillaume TABOURDEAU (ANROC)

Björn TER BRUGGEN (Elnät / Elinorr)

Jacques VANDEBOSCH (INTER-REGIES)

Christian VIAENE (Sibelgas / Intermixt)

Kirsten WILKESHUIS (Netbeheer Nederland)

College of commissioners

Karl FERRARI (SEL-A.G / Federutility)

Pascal Grimaud (Soregies / ELE)

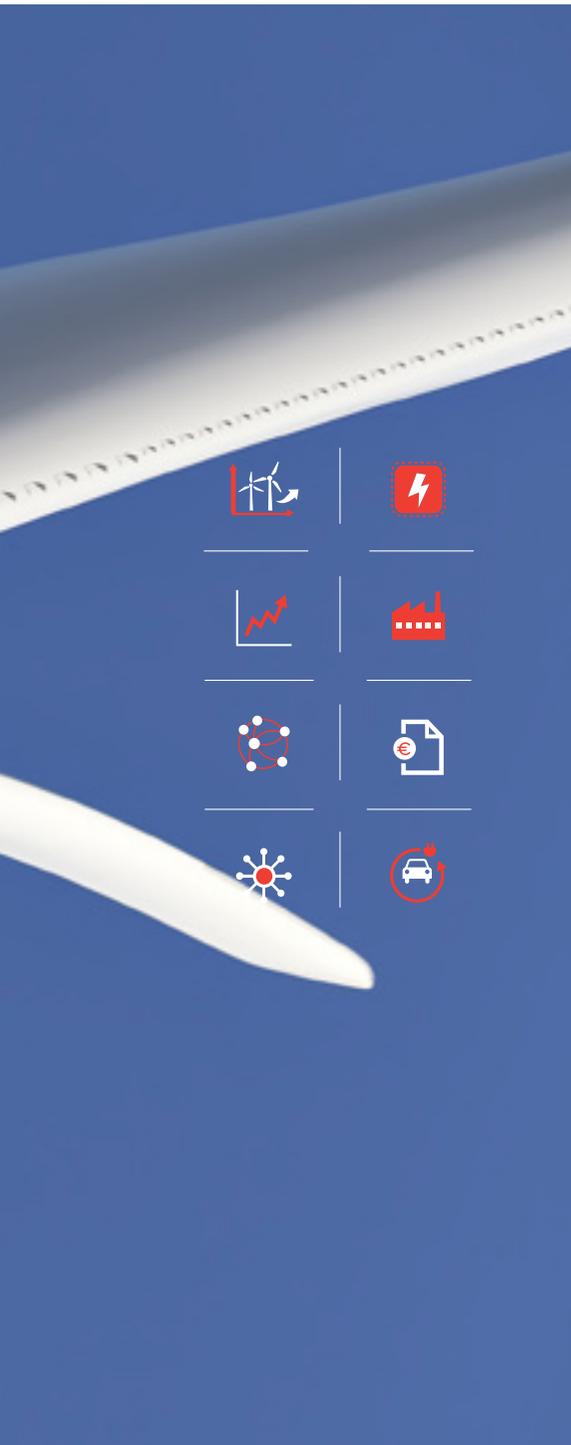
Jacques Vandebosch (INTER-REGIES)

Day-to-day management

Gert DE BLOCK – Secretary General

Catherine BIREN – Office & Event Manager

Ann-Katrin SCHENK – Senior Policy Officer



CEDEC POLICY GROUP

The policy group has as its aim the preparation of the strategic decisions of the Executive Board and facilitation of information flow among members.

WORKING GROUPS

CEDEC coordinates several working groups, each one representing a 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” was created in 2014 and 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”, 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 – Netbeheer Nederland), 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 – INTER-REGIES), analyses the different grid tariff models as well as related regulatory systems throughout the Member States.

Working Group “Legal frameworks”

The Working group “Legal frameworks”, chaired by Gert De Block (CEDEC), has been working on concession contracts in the electricity and gas sectors.

The Group will continue to follow-up the national legal frameworks specifically in the light of the application of the Third Package in the member states.

Working Group “Network Codes Electricity & Gas”

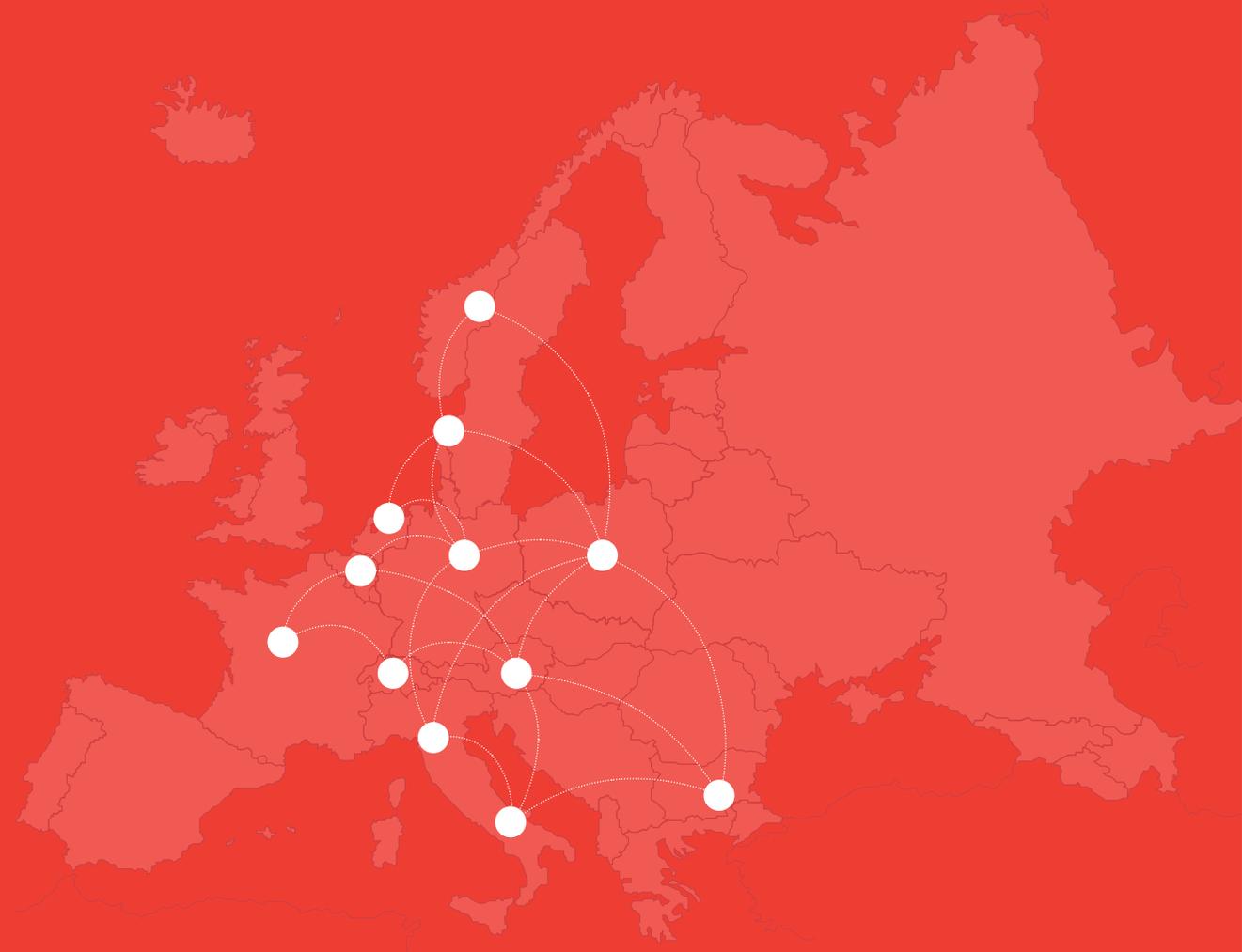
The Working Group “Network Codes Electricity”, chaired by Marc Malbrancke (INTER-REGIES), does the follow up on the developments of the European Network Codes for Electricity and the impact of those codes on the Distribution System Operators (DSOs).

Working Group “Smart Grids”

The Working group “Smart Grids”, chaired by Gert De Block (CEDEC), focuses on the different strategic and operational aspects of smart grids. The new roles and responsibilities 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 - VKU) handles subjects regarding wholesale markets, in particular MIFID, REMIT and capacity mechanisms and balancing issues.



AFFILIATION WITH CEDEC

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

The specific characteristics of the local and regional companies, resulting from their local and regional anchoring, 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 defence of their particular and legitimate interests.

Companies or organisations 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).

2014 KEY EVENTS

CEDEC GAS DAY

CEDEC, in association with Federutility and Dolometi Energía, organised its third Gas Day on 27 May 2014 in Verona, Italy.

The CEDEC Gas Day aims to gather policy-makers, regulators and high-level experts from the entire gas value chain in the European Union to share ideas on new developments and innovative local gas projects. The 2014 edition opened with a session on the role of gas in the future decarbonised energy mix with large shares of renewable energy. In a second session, gas distribution networks took the centre stage with presentations on future regulatory frameworks for gas as well as network codes for gas. In the final session, the potential and barriers to power-to gas were discussed by stakeholders from the energy and automotive sectors.

The gas day was very well attended by representatives from local energy companies, the wider energy industry, regulatory authorities and public authorities.

BRUSSELS EVENT - “ENERGY TRANSITION: ENGINE OF GROWTH IN EUROPE’S REGIONS?”

On 8 October 2014, CEDEC co-organized with GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) and Energy Cities, an event on the energy transition during the European Open Days organised by DG REGIO. The event was intended to raise awareness of the importance of local players in developing and implementing new energy strategies based on the transition towards a sustainable energy era.

During this event, four case studies were presented and participants learned about how cities and companies from all over Europe are addressing current energy challenges and are seizing the opportunities that the energy transition brings.

Gert De Block, Secretary General of CEDEC, explained “the examples discussed show that local integrated utilities can contribute to the transition towards a sustainable energy generation and distribution with innovative solutions. Due to their local character, they can make use of synergies and contribute to value creation in cities and regions. These can then benefit their shareholders, the European citizens.”

The event showed that the energy transition at local and regional levels is becoming a reality and can have a positive impact not only on the environment but also on citizens’ lives.

CEDEC ANNUAL CONGRESS – “THE FUTURE IS NOW”

The CEDEC Congress, held on 19 November 2014 at the EU Thon Hotel in Brussels, brought together more than 150 top level participants: policy makers from the European Commission and Parliament, European and national regulatory authorities, and executives and experts of local and regional energy companies.

The central theme “The Future is Now” hinted at a 50’s movie on futuristic technological developments, and at the diversity of future-oriented issues on the program: the EU’s energy and climate policies, active engagement of consumers and the facilitating role of DSOs in energy retail markets.

By confronting European policy priorities with national frameworks and local best-practice experiences, the conference gave room for interesting debates among participants, policymakers and top-level speakers.

WEBINAR ON ENERGY EFFICIENCY

On 11 December 2014, CEDEC – with the support of the Covenant of Mayors – organised its first webinar. The topic was energy efficiency and how local utilities and cities are implementing new ways to foster a more careful use of energy resources.

Two CEDEC member companies presented their best-practice examples: in a context in which energy efficiency is high on the political agenda, local utilities are changing their business models to make services available to end-users that decrease their energy demand.

This webinar has shown how a local and a regional utility with local shareholders, contributed through their innovative services to the “sustainability” agenda.



2014 KEY TOPICS FOR CEDEC

The year 2014 marked a new phase for Europe's energy framework, with a new European Commission, a new European Parliament and a new President of the European Council. The creation of an Energy Union and energy security are key priorities for Europe's policy makers.

Energy has become one of the major challenges that the European Union is currently facing. The way energy is produced and consumed has a considerable impact on our environment, economy and society. Faced with volatile energy prices and in the transition from a fossil based centralized energy system to a decarbonized and decentralizing energy environment, European industries and consumers are spending an increasing share of their income on energy.

Simultaneously, greenhouse gas emissions have risen globally requiring rapid and decisive action. The importance of decarbonisation of the energy system needs to take centre stage.

Significant progress has been made in completing the internal energy market. Energy market integration in the EU has already delivered positive results. But in order to obtain the full benefits and to realize the energy transition, more investment is needed in cross-border infrastructure and smart distribution grids.

CEDEC has provided in 2014 strategical and technical positions to the European institutions, particularly on the following topics:



1. 2030 POLICY FRAMEWORK FOR CLIMATE AND ENERGY

The European Commission published, on 22 January, a Communication on the new EU framework on climate and energy for 2030, with new targets that continue on the 20-20-20 path.

On 5 February, the European Parliament voted in favour of three binding goals for the EU's climate policy until 2030: at minimum a 40% cut in greenhouse gas emissions compared to 1990 levels, a target of at least 30% renewable energy in EU consumption and a 40% target for energy efficiency.

The European Council met in October and agreed on a binding EU target of 40% reduction of greenhouse gas emissions by 2030, a binding EU target of minimum 27% renewable energy, an indicative EU-level target of at least 27% energy efficiency improvement (with the option to increase it to 30%) and support for a 10% electricity inter-connection target by 2020 and a 15% objective by 2030.

In this process, CEDEC had been advocating for ambitious targets for 2030 and especially would have liked to see the renewable energy target to be higher and binding upon Member States to achieve better accountability for Member States, predictability for investors and avoid free-riding of Member States with less ambitious agendas.

2. SECURITY OF ENERGY SUPPLY

Recently, triggered by geopolitical events, the European Commission presented its Strategy for Europe's Energy Security which takes stock of European energy system resilience. Currently, the European Union is largely dependent on imports for its energy supply: Member States import on average 53% of the energy they consume and projections show that without any further actions, this trend will increase to about 57% in 2050.

To counteract this import dependency, several policy actions are identified to increase Europe's security of energy supply in the short as well as long-term. Among them, moderation of energy demand, increase of generation from indigenous sources and investments in smart, reliable and efficient energy infrastructure.

In CEDEC's view, the recent debates about energy security focus too much on the external dimension of energy security and on large-scale projects. Too little attention is given to the multiple projects at a local level, where energy is produced from indigenous and renewable sources, energy efficiency measures are taken to increase energy efficiency and possibly save energy and grids are "smartened" to allow for an efficient and flexible but reliable distribution of energy. For this reason, CEDEC will publish a paper on initiatives by CEDEC members that are actively contributing to security of energy supply through the transition towards a less dependent and more sustainable energy system.

3. ENERGY UNION

European Commission President, Jean-Claude Juncker, appointed for the first time a Commissioner for the Energy Union. Maroš Šefčovič, the leader of this flagship project, together with Commissioner for Energy and Climate, Miguel Arias-Cañete, are in charge of developing this ambitious Energy Union, which aims to establish "A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate".

CEDEC believes that the concept of a European Energy Union can be an important vehicle for the further coherent development of European energy and climate policy, aiming for an energy system that is reliable, sustainable and affordable.

CEDEC also considers that a true European Energy Union can only be built with the active contribution of citizens and local actors. European climate and energy policy has been designed to ultimately benefit European citizens, therefore they should be in the centre of every action. For this reason, CEDEC suggests focusing the concept of a European Energy Union on initiatives for local actors: citizens, local authorities, local energy companies and cooperatives.

4. DSOs AS NEUTRAL MARKET FACILITATORS

On the interface between smart grids and smart markets, DSOs act as neutral market facilitators.

They enable and integrate flexibility through the deployment of smart distribution grids that convey signals on electricity supply and demand and the resulting network status. By doing this, DSOs establish a level-playing field between different flexibility providers within the operational security levels of the network.

Apart from facilitating this smart market DSOs will in certain circumstances temporarily use flexibility, to allow for an efficient management of the grid and avoid congestion. By using flexibility from generators or load (temporarily reducing or shutting off loads for short term peaks or in-feeds), DSOs could ultimately also defer or avoid distribution grid reinforcement as well as maximizing the integration of distributed resources and their flexibility.

Using flexibility, however, also comes at a cost for DSOs. On the one hand, upfront investments for technical equipment are necessary. On the other hand, reduction or curtailment of generation or loads will also come at a price, as grid users in a normal grid status will be remunerated within a certain timeframe or above a certain limit. Hence, remuneration and grid tariffs can include an incentive for the grid user to make sure there is a locational signal as well as the technical possibility to provide the required flexibility to the grid.

In this regard, it has to be kept in mind that a critical status of the grid, for example congestion, is a very local problem that is largely influenced by local circumstances, such as generation and demand facilities connected and grid user behaviour. Therefore, the analyses of grid capacities are very local ones and also the best technical-economic solutions will be very location-specific and decided on a case-by-case basis.

In the process of the Taskforce Smart Grids Expert Group 3, CEDEC was represented in the Editorial Team. Moreover, the CEDEC secretariat coordinated the views of associations representing DSO's in their input in the drafting process.

CEDEC contributed to ACER Public Consultation Bridge to 2025 and commented on the regulatory trends and challenges. CEDEC insisted on the need of recognising DSOs as neutral market facilitators, and of implementing the Third Energy Package across all Member States.

CEDEC contributed to the CEER Public Consultation on the future roles and responsibilities of DSO's. Again, CEDEC insisted on the role of the DSO's as neutral market facilitators.

CEDEC has continued to advocate for the role of DSOs as a neutral market facilitator in the new energy market design. In CEDEC's view, DSOs as active grid managers with

the core task to maintain a secure and reliable network functioning, are also best placed to perform metering and data tasks that facilitate energy retail markets in which consumers are informed about their energy consumption and can actively engage.

Active participation of consumers in energy markets, through for example demand side services, requires the availability of validated data, which DSOs are best placed to provide. As metering operators in almost all EU countries, they derive the data from the meters and can make them available on platforms to all authorized (commercial) parties.

Moreover, DSOs can play an important role in the uptake of electric mobility as providers of public charging infrastructure for electric mobility, thereby overcoming the chicken-and-egg problem.

Finally, due to the changing energy landscape with decentralized generation, DSOs will evolve towards more active system management than in the past, performing more and new tasks. CEDEC has been very active in this debate defining the right toolbox for DSOs and particularly also the new and intensified interaction between DSOs and TSOs which is necessary to ensure grid stability in the future.

5. GRID TARIFFS

In the framework of the energy transition towards a more sustainable and decentralized energy landscape the existing tariff structures have been challenged and yet solutions haven't been found to meet future needs of final customers, decentralised generators, commercial market parties and DSOs themselves.

Lower consumption levels for consumers, lower volumes of electricity and natural gas transported on the grid, the rising need for flexibility in generation and consumption due to the penetration of variable renewable sources, and the large variety of national particularities and systems: they all constitute real challenges for the existing grid tariff structures.

CEDEC therefore analysed some different options, such as a shift from largely volume-based tariffs to purely capacity based grid tariffs, as well as hybrid solutions.

The analysis showed that current grid tariff structures are largely based on the old energy environment (this is volume tariffs), while capacity tariffs can bring an answer to the challenges that DSOs are confronted with today already as distribution network costs are largely based on capacity elements (peak capacities for grids and connections), and not on the volume consumed.

At the same time, energy customers must be stimulated to make more efficient use of scarce and polluting energy: to reach this goal volume tariffs are a far better instrument. Progressive tariffs push consumers the most in the energy efficient direction, but come into conflict with a commercial energy market where 'big customers' are used to getting a lower price per unit.

These issues related to distribution grid tariffs are also influenced by the coincidence with price structures of suppliers, the share of grid costs in the total energy bill and the payment of grid tariffs by (decentralized) generators.

Consequently, balanced solutions will have to be developed for the whole energy chain and for grid tariffs in particular, integrating elements from capacity tariffs and volume tariffs or prices.



6. EUROPEAN EMISSION TRADING SYSTEM (ETS)

For local energy companies, the ETS is a crucial driver for investments in low-carbon technologies, such as renewable energy installations, energy efficiency and demand-side flexibility measures. Investment signals deriving from the ETS have been very low recently, due to the massive oversupply of carbon allowances, caused by the recent economic crisis as well as the large influx of international credits, which led to almost negligible price levels for CO2 emissions and consequently low incentives to invest in clean technologies. The current surplus of more than 2 billion European Union Allowances (EUA) is projected to reach more than 2.6 billion by 2020, promising no improvement of the situation.

In the light of the oversupply of certificates in the European Emission Trading Scheme the European Commission published Directive 2003/87/EC with a view to improve and clarify the provisions regarding the timing of auctions of greenhouse gas emissions. In this proposal, the Commission suggested temporarily withdrawing 900 million certificates from the auctioning volume in the ETS, which would temporarily reduce the oversupply of certificates in the market and increase the price of emissions. The certificates would be fed back in to the auctioning before 2020.

As a next step for a reform of the carbon market, the European Commission presented a proposal for a Market Stability Reserve (MSR) in mid-2014. Although CEDEC would have preferred other reform options such as the immediate retirement of a number of certificates close to

the current surplus, CEDEC believes that the proposal for a Market Stability Reserve is an important political signal to restore the effectiveness of the ETS.

The reserve, to which EUAs will be moved at times of high oversupply and released when demand exceeds supply is in line with the market-based set-up of the instrument. Due to the clear rules and independent oversight, the MSR will add to the predictability and transparency of the ETS.

While the European Commission had proposed a starting date for 2021, the European Parliament voted for an earlier start date in 2019. Although CEDEC would have preferred 2017, it supports the additional suggestions made by the European Parliament, namely to directly move the 900 million backloaded certificates into the reserve, instead of returning them to the market as well as any unallocated allowances at the end of the third trading period.

CEDEC took active steps by expressing its support for backloading in bilateral meetings with European Parliament and Commission players, sent letters to Members of the European Parliament expressing its point of view prior to the vote in the committees, and issued press releases. CEDEC also co-signed a joint declaration by industry stakeholders speaking in favour of backloading.

7. ENERGY STATE AID FOR 2014-2020

Against the background of the objective of an integrated European internal energy market, the rules for public aid should be embedded in a clear legal framework, which allows addressing specific market failures that are prevailing and stand against common EU objectives, such as the EU's 2020 and 2030 climate and energy targets.

Concerning the European Commission guidelines on Environmental and Energy Aid for 2014-2020 CEDEC supports well-targeted, predictable and technology-specific support schemes for renewable energy in order to reach the existing RES targets at the lowest cost. CEDEC acknowledges that the guidelines are only applicable for new installations, avoiding the detrimental effects of retro-active measures on previous investments.

In terms of operating aid to RES, CEDEC supported a market for and the system integration of renewable energy sources. In a future system largely based on RES, these technologies should take system and market responsibilities. At the same time, the energy mix remains mostly in the competence of EU Member States and, as a logical consequence, they should also have some freedom to design their own support schemes, which contribute to the agreed targets.

Hence, Member States shall also in the future be allowed to design support schemes of their choice for all RES technologies, to arrive at a technology-diversification which enables effective exploitation of all resources available to them.

8. EUROPEAN NETWORK CODES AND GUIDELINES

ENTSO-E and ENTSOG, the European associations of Transport System Operators, respectively for electricity and natural gas, are in charge of the development of European network codes, within the framework of the third energy package.

These network codes must be drafted according to the framework guidelines – drawn up by ACER, the European regulator for the energy sector.

The network codes are binding and are published as regulations and, as a consequence, need no longer be transposed by the member states. They come into effect from their publication in the Official Journal of the European Union. Certain codes or guidelines nevertheless entail a transition period, necessary for concrete application in each member state.

Although the initial objective was to fix technical requirements for cross border international transport networks, it rapidly became apparent that the majority of the network codes also concern distribution, with a major impact on the DSO in certain cases.

CEDEC has thus wished to associate itself in the formulation of these network codes. Although the DSOs were not assigned a strictly formal role in the European legislative procedure, expert groups were composed of representatives of DSOs in concert with ENTSO-E and ENTSOG, in which specific attention points for DSOs are handled.

In 2014, nine network codes for electricity and two for natural gas were still being developed.

Most of these network codes and guidelines are closely followed by CEDEC.

The first network codes for electricity having a direct impact on the DSOs are network codes on requirements for generators (including small production units connected to the distribution network) and the network code on demand connection, including distribution networks. The awaited outcome for the DSOs lies principally at the administrative level, of technical tests and controls as well as the installation of additional equipment, which will inevitably entail further investment.

These codes should normally be published during the course of the current year.

For natural gas, the network code on gas balancing was published 26 March 2014. The two other codes, namely the network code on interoperability and the code on harmonised transport tariff structures were nearing completion at the end of 2014. In the course of the year 2015 they will also be approved.



CEDEC Highlights 2014

2014

FEBRUARY 2014

- CEDEC organises a dinner debate in the European Parliament for launching its publication "Smart Grids for Smart Markets"
- CEDEC responds to the public consultation on environmental and energy aid for 2014-2020
- Synergrid (Belgian association of network operators) becomes a full member of CEDEC

MARCH 2014

- CEDEC contributes to CEER's public consultation on Data Management for Better Retail Marketing Functioning – Electricity and Gas
- CEDEC publishes a position paper on "Distribution grid tariff structures for smart grids and smart markets"

APRIL 2014

- CEDEC responds to the public consultation of the European Commission on Progress towards the 2020 energy efficiency objective and a 2030 energy efficiency policy framework
- CEDEC contributes to the public consultation of the European Commission on Energy Retail Markets

MAY 2014

- The CEDEC Gas Day in Verona creates an interesting forum for the exchange of ideas on gas issues related to distribution
- CEDEC participates at the Gas Forum (Madrid) and at the Electricity Forum (Florence), both organized by the European Commission (DG ENER)
- European elections take place between 22 and 25 May, which will lead to a newly composed European Parliament and a new team of European Commissioners for the period 2014-2019

JUNE 2014

- CEDEC's General Assembly takes place in Paris (France). Rudi Oss (Dolomiti Energia - Italy) is elected President of CEDEC and is supported by four Vice-Presidents: Luc Hujuel (Sibelga - Belgium), André Jurjus (Netbeheer Nederland - The Netherlands), Akhobi Sitou (Seolis - France) and Bernd Wilmert (Stadtwerke Bochum - Germany)
- CEDEC contributes to the ACER Public Consultation on Bridge to 2025

JULY 2014

- CEDEC contributes to CEER Public Consultation on their Work Programme 2015

AUGUST 2014

- CEDEC contributes to the public consultation of ENTSO-E on their Work Programme 2014 through December 2015

SEPTEMBER 2014

- Elinorr (Swedish association of DSOs) becomes a full member of CEDEC

OCTOBER 2014

- CEDEC co-organises an event with Energy Cities and GIZ on “Energy Transition – Engine of growth in Europe’s Regions”, in the framework of DG REGIO’s “Open Days”
- CEDEC signs a joint letter addressed to the European Council: “Industry calls for a strong renewable energy target in the 2030 climate and energy package”
- CEDEC publishes a position paper on the European Emission Trading System
- CEDEC issues a position paper on collective switching campaigns
- CEDEC participates at the Gas Forum (Madrid), organized by DG ENER



NOVEMBER 2014

- The new European Commission team, led by Jean-Claude Juncker, enters office on 1 November and is due to serve until 2019
- CEDEC organises its annual congress on 19 November under the title “The Future is Now”. More than 150 high level participants take part in debates on the diverse strategic issues on the program
- CEDEC participates at the Electricity Forum (Florence), organized by DG ENER

DECEMBER 2014

- CEDEC organises a webinar on Energy Efficiency, in cooperation with the Covenant of Mayors
- CEDEC contributes to CEERS public consultation on the future roles and responsibilities of DSOs, including DSO/TSO cooperation and flexibility

Communication

In 2014, CEDEC considerably increased its visibility by implementing its strategic communication strategy. The tools increasingly used were press releases, social media like LinkedIn and Twitter and a regularly updated website for external communication (www.cedec.com). The feedback not only by CEDEC members but also other stakeholders and most importantly policy-makers was very positive, recognising CEDEC’s increased activities and timely reactions to political debates and events.

Please join us on Twitter and LinkedIn:

-  @CEDEC_EU
-  CEDEC - European Federation of Local Energy Companies

CHANGES IN THE INSTITUTIONAL FRAMEWORK OF THE EUROPEAN UNION

2014 was marked by a major event that will also strongly influence Europe's energy and climate framework with the arrival of a new European Parliament, a new College of European Commissioners and a new President of the European Council.

A NEW PARLIAMENT ELECTED BY CITIZENS

The landmark event in 2014 on a European level was the European elections, held in all the Member States between 22 and 25 May. Although citizens only vote to choose the new composition of the European Parliament, the effect of this election is wider, as the result also has significant impact on the composition of the other EU institutions, namely the Commission and the Council.

The new European Parliament, presided by Martin Schulz (S&D), convened in July with seven political groups: EPP (European People's Party) and S&D (Progressive Alliance of Socialists and Democrats) remain the groups with the most representatives, followed by ECR (European Conservatives and Reformists, ALDE (Alliance of Liberals and Democrats for Europe), GUE/NGL (European United Left/Nordic Green Left), Greens/EFA (The Greens/ European Free Alliance and EFDD (Europe of Freedom and Direct Democracy).

A NEW COMMISSION IN PLACE

Following the European elections, Jean-Claude Juncker was proposed on 27 June by the European Council to the Parliament as the candidate for Commission President, and was officially elected by the majority of the Parliament on 15 July 2014.

The final list of Commissioners-designate was agreed with the Council on 5 September. After hearings in the Parliament for the individual candidates with their respective portfolios, the Parliament gave its consent to the new College of Commissioners on 22 October. The new Commission officially took office on 1 November 2014.

President Juncker presented a list of 10 priorities for the coming years. Among them, in position three, "a resilient energy union with a forward-looking climate change policy". In this regard, The Commission notably committed to delivering in 2015 a "European energy union framework strategy: this will aim at ensuring energy supply security, further integrating national energy markets, improving energy efficiency, decarbonising the energy mix and stepping up research and innovation in support of these objectives or dimensions."

With this new Commission, the organisational structure of energy governance has fundamentally changed.

The former two DG's of Climate Action and Energy are now working under one single Commissioner for Energy and Climate, Mr Arias-Cañete.

Commissioner Maroš Šefčovič, Vice-president of the Commission, is responsible for the Energy Union, coordinating a project team of 14 Commissioners on the different aspects of the "Energy Union". Mr. Šefčovič thus bears the responsibility of encompassing various areas: achievement for the 2020 and 2030 energy targets, completion of the internal energy market and coordination of actions to secure the energy supply.

RENEWAL AT THE HELM OF THE EUROPEAN COUNCIL

On 30 August, the 28 EU Heads of State and Government elected Donald Tusk (former Prime Minister of Poland) as the President of the European Council for a term of 2½ years. He took office on 1 December, succeeding former Belgian Council President Herman Van Rompuy.

THE EUROPEAN COUNCIL IN 2014

The **Hellenic Presidency** (from 1st January to 1st July 2014) was largely determined by two important issues for the development of the EU energy strategy, namely the announced completion of the Internal Energy Market and Europe's gas and electricity networks.

After several meetings during the six-month period, the last Energy Council under the Hellenic Presidency was held on 13 June in Luxembourg. Ministers took stock of work conducted since the 2014 March European Council, with particular focus on energy security, interconnections, and the 2030 climate and energy framework in general. The Council adopted conclusions on energy prices and costs, the protection of vulnerable consumers and competitiveness. The conclusions address three aspects: the internal energy market, the external dimension and consumers.

From 1st July, Italy chaired the Council of the European Union for six months. The energy agenda of the **Italian Presidency** focused on four major, closely interlinked pillars of EU energy policy: the framework for climate and energy beyond 2020; EU energy security; the completion of the single energy market; and external energy policy.

On 23 October 2014 the Italian Presidency held a European Council and managed to reach conclusions on key elements of the 2030 Energy and Climate Framework: a binding EU target of 40% reduction of greenhouse gas emissions by 2030, a binding EU target of minimum 27% renewable energy, an indicative EU-level target of at least 27% energy efficiency improvement and support for a 10% electricity interconnection target by 2020 and a 15% objective by 2030.

On 9 December, the Energy Council held a policy debate on the 2030 climate and energy framework as part of the follow-up to the October European Council conclusions. It focused on the new governance process, which would underpin the implementation of the framework and help ensure that the EU meets its energy policy goals. The Council adopted conclusions on the completion of the internal energy market and discussed the mid-term review of the Europe 2020 strategy.



CEDEC
Rue Royale 55 Box 10
1000 Brussels
Belgium
Phone: +32 (0)2/217.81.17
Fax: +32 (0)2/219.20.56

www.cedec.com

 @CEDEC_EU

 CEDEC - European Federation of Local Energy Companies

