



WALLOON ENERGY COMMISSION (CWaPE)

Cd-9c03-CWaPE

***'Roadmap
of the CWaPE Management Board
up to 2013'***

*drawn up pursuant to Article 45, § 1 of the Decree of
12 April 2001 on the organisation of the regional electricity
market.*

3 March 2009

I. Introduction

The Decree of 17 July 2008 provides that the Board of Directors of the CWaPE should publish a roadmap for its term of office, which comes to an end at the end of August 2013. The Management Board (hereinafter the CWaPE) welcomes this requirement, and wishes for its action to be evaluated in 2013 by the yardstick of this roadmap (level of attainment of objectives identified in it) as well as other missions assigned to the regulator.

To define these objectives, the CWaPE has drawn inspiration from the recommendations formulated by the quality survey carried out by a consultant¹. This kind of satisfaction survey will be among the ways of assessing the extent to which the objectives pursued have been achieved at the end of the current term of office of the Management Board. However, other forms of evaluation will be necessary to draw up this diagnosis.

Nevertheless, the CWaPE reserves the right to amend this roadmap as often as necessary to re-orient its work, to reflect changes in the energy market, feedback of experience, or new options adopted by the government which may change its priorities. This amendment will also take into account the budgetary resources made available.

The missions of the regulator are set out in precise detail in the Decrees of 12 April 2001 and of 19 December 2002, supplemented until the Decree of 17 July 2008 which introduced the regional mediation service, performance indicators, and allowances in favour of users. The roadmap does not aim to recapitulate, amend or interpret these missions, particularly those of a social nature. These missions are assigned by the public authorities. However, stipulating how the CWaPE intends to carry out its action in practice, with priorities and areas of specific emphasis clearly set out in this roadmap and communicated to all market players, will guide these players to achieve an "efficient" market sooner. The "vision" expressed by the regulator will dispel hesitations or doubts about the policy directions to adopt in this market and, if this vision is shared by the players, to obtain improved operation of the market.

Before defining the objectives to be attained, the CWaPE wishes to give details about the means to be used to achieve this, and the values on which its action will be based. Not all means are equivalent when it comes to implementing lasting solutions. That is why, right from the beginning of this roadmap, the CWaPE is setting out the values that it intends to promote, as well as respecting them itself. It is also important that after reading this document, all players understand better the role and responsibility that they are expected to fulfil in this market model.

¹ "Survey on the quality of the work and services provided by the CWaPE", final report, September 2008, 204 pages, PricewaterhouseCoopers

The CWaPE fully respects the specific nature and legitimacy of any player who intends to contribute effectively to the efficient operation of the market. So this roadmap is as much a tool for internal guidance (to specify the role and responsibilities of each person within CWaPE) as external guidance (to set out with complete transparency its vision of an efficiently-functioning energy market model).

This approach should enable everyone to understand the implications of their work and to build and maintain objectively constructive interpersonal relationships.

An action plan will be defined to achieve the objectives of this roadmap.

II. Values to promote and respect (4)

The values that the CWaPE intends to promote – and first and foremost, respect in its own work – relate to meaning, responsibility, trust and coherence.

1. Giving meaning

How to concert the action by the various stakeholders if some of them doubt the meaningfulness of their action? Some players, most of whom are GOs (grid operators) and end-users (consumers of “energy for their own needs”), question the justification for market “liberalisation”. *“It was better before”*, some say. Some increases in energy prices could give that impression. The CWaPE does not have a mission to defend unquestioningly the way in which markets have been opened up. But it does intend to use its function to underline the reasons that motivated Europe to organise this opening-up of markets from 1996 onward. The CWaPE points out that these reasons were “economic and social cohesion” between Member States, “competitiveness of European businesses”, security of supply, solidarity between Member States and implementation of public service obligations, rather than reasons of “cutting unit costs” of energy, which underlie the European directives. Reminding stakeholders of this “meaning” is recognition that the liberalisation has had major results and has given precious indications about the type of measures still to be taken. Producing this meaning reinforces everyone’s ability to find their role in the system and being able to contribute usefully to the ‘overall economy of the process.

Today, the energy market has become an essential link in the chain of European policy, in relation to economic challenges, climate change and social objectives. The top priority of this policy is not to bring down energy prices, but to make best use of scarce energy resources, and increase solidarity between various types of consumers, as has become obvious today.

2. Being responsible

Within the CwaPE, being responsible firstly means acquiring and maintaining all necessary skills. As the CWaPE is not a “field player”, it does not spontaneously acquire the skills that it will have to check when they are applied by the real players in the field, the GOs, generators and suppliers. So there is a constant challenge to be taken up, which is to continue to keep up with the technological changes connected with these types of business. The relevance and effectiveness of the CWaPE's audits depend on this. In-house "Shared training courses" are organised at the CWaPE to develop cross-disciplinary skills between all staff members to facilitate collaboration between the various departments of the CWaPE and enable better knowledge of the various functions and missions.

This skill also needs to be accompanied by an ability and a will to adopt a position responding to any delicate situation that is put forward. Even where the legislation proves incomplete or ambiguous, the CWaPE aims to live up to its responsibilities and propose the necessary interpretations and decisions. This is also the way in which the CWaPE will be able to advise the authorities, the Walloon government in particular.

But the CWaPE will also ensure that the other players live up to their responsibilities: respecting the social and environmental public service obligations (PSOs), general obligations connected with their business activity (safety rules, development of grids, rules on billing, consumer information, etc.). Any shortcoming in this respect will be followed up by CWaPE and, if appropriate, sanctioned.

By publishing all its opinions on its site (except in the case of confidential information), the CWaPE lives up to its responsibilities and informs the stakeholders of its point of view, whatever the position adopted by the authorities.

3. Trusting

The CWaPE is convinced that trust is the best way for everyone to feel responsible. The CWaPE trusts the new recruits joining the existing team and, while supervising them, gives them complete assignments and the resources to perform them successfully.

Likewise, it trusts the various market players, because it is in everyone's interest that markets function properly. In return, the CWaPE expects transparent information and explicit and spontaneous recognition of the difficulties encountered and the resulting shortcomings. Because "trust" does not mean "anything goes", but on the contrary, requires continuous, honest exchange of information. In the event of "breach of trust", the CWaPE will be extremely firm, with a sense of correctness and respect for the other players who may be harmed by bad practice.

4. Searching for coherence

By seeking a "meaning" for its action, and the liberalisation of markets in general, the CWaPE will have to question any incoherencies. The CWaPE undertakes to seek out any incoherencies and criticise them with a view to their elimination.

This search for coherence will involve, outside the organisation, fair treatment of all players. It would be incoherent not to impose the same requirements on a GO or a supplier, on a powerful or weak player, depending on whether they are a "former incumbent" or "new entrant".

In-house, a "charter" of the values to be promoted within the CWaPE in coherence with its missions will be finalised and proposed to the members of staff.

This concern for coherence will also serve as a guide for the CWaPE when it has to apply ambiguous or vague legislation.

III. Objectives to reach (8)

The objectives pursued are mostly interdependent. For example, creating dynamic electricity grids is not an end in itself, but will be a priority for CWaPE to the extent that it can produce a multitude of useful effects: giving better information to the consumer, enabling more harmonious development of decentralised generation, optimising the development and reinforcement of grids and distribution networks. The objectives listed are interactive and set out below in a relatively arbitrary manner.

1. Strengthening the role and action of grid operators

This will be one of the major challenges during this term of office, since strengthening the role of the grid operators constitutes an essential condition for markets to work better. The majority of GOs still have the impression that they have lost a sizeable part of their historic role (supply) without becoming fully aware that liberalisation opened up new prospects for them. So, in a market opened up to competition, their "monopoly" status gives them legitimacy (once the historic operator no longer fulfils an operational role in the management of the grid)² to become a "market facilitator" for the benefit of the suppliers and grid users.

The CWaPE intends to use all its influence to encourage GOs to develop this new business line as a facilitator. To do that, it will take initiatives to:

- initially convince the federal regulator to accept, as it has to do for the PSOs, the cost factors that enable the GO to fulfil the role of "market facilitator" once this role entails better overall working of the market;
- in a second stage (if the responsibility for approval of distribution tariffs is entrusted to the regional regulator), develop proposals aimed at supporting financially those GOs which best fulfil (in a verifiable way) their role as a "market facilitator" for the benefit of all grid users, drawing on European practices (particularly OFGEM³);
- publish the minimum functionality that the "intelligent meters" will have to incorporate (after an in-depth cost/benefit analysis) and develop, in consultation with the GOs and other regulators, an "optimised" planning for installation of these meters with a view to encouraging the development of "intelligent grids" (see point 2);

² The CWaPE will verify that GO neutrality is satisfactory. The creation of ORES is a step forward, but it will have to be checked that it is operationally independent from the GDF/SUEZ group. Likewise, in the "pure" sector, particular attention will be paid to the possible implications of direct or indirect participation by TECTEO and ALG in SPE

³ The gas and electricity market regulator in the United Kingdom

- assume an expanded role in the operation of the UMX platform with a view to verifying that all decisions are taken, implemented and full responsibility taken by the GO to facilitate the exchange of information with suppliers and network users (see point 6);
- ensure that the GOs use the necessary resources for proper information of the end-user, particularly residential consumers whose resources are limited, and are less well-prepared for negotiations with suppliers.

2. Contributing to the dynamic management of electricity grids

As for the previous point, this requires GOs to develop new skills. Previously, grids were considered "static", meaning that these were dimensioned and managed with to provide an electricity supply without active real-time management ("fit & forget" model), to consumers from centralised power stations connected at higher voltage levels. Except in the event of a fault, the GOs were not greatly concerned about the level of utilisation in real-time of their grid, or the quality of the current supplied to the end-user. This responsibility was entirely a matter for the LTSO (local transport system operator), ELIA.

Today, some electricity consumers also wish to generate electricity by installing co-generation or making use of local and/or renewable resources available. The rapid development of decentralised generation, which corresponds to the wish of political authorities at every level of government, creates a situation where grids are no longer always suited to needs and where adaptations are required. These adaptations, which are usually expensive, need to be planned with the utmost accuracy. It is also possible, to compensate under-dimensioning of grids, to call on consumers to change (defer) their consumption depending on the local situation of the grid, and do so in real-time. So it is up to GOs to develop skills and tools (definitely intelligent meters, as well as impulse relays and tariff incentives, etc.) to enable that active management of networks capable of limiting upgrades of electricity grids. The CWaPE will be extremely attentive to these policy directions being taken from now on, and if necessary, will take the initiative of studies to encourage the integration of decentralised generation in grids (technical adaptation, evaluation of the costs involved).

3. Ensuring that suppliers provide a better service to consumers

Any customer must also be able to receive complete and easily accessible information from his/her supplier concerning billing, the type of product and tariffs for supply. The periods for treatment of requests and complaints are laid down by the legislation. The CWaPE will ensure that they are properly applied, and will publish performance indicators to allow comparison between different suppliers. The CWaPE will make the labelling of electricity sold operational, and check that the suppliers communicate correctly the "energy mix" of the products that they sell. So the consumer will be able to choose a supplier based on the tariffs (see tariff simulator), as well as the quality of the service and its origin (performance indicators) of the electricity supplied (fuel mix).

The CWaPE will draw up an initial review of the knowledge, behaviour and options of residential customers and business customers with regard to the opening-up of markets. This survey will examine, in particular, the actual or perceived barriers preventing consumers from changing supplier. After this initial survey, other analysis will enable changes that occur in future years to be measured.

4. Allowing the development of decentralised electricity generation

The development of decentralised generation is encouraged by the authorities at European, federal or regional level. The objective is to encourage the use of renewable energy sources and enable greater energy efficiency by means of cogeneration. As well as from the viewpoint of dynamic grid management as described in point 2 *above*, such a development has the advantage of enhancing the security of the network by allowing compensation of production losses via remote control of this decentralised production capacity. The CWaPE intends to examine the existing obstacles to this development and contribute to removing them.

These obstacles are technological (upgrading of grids, dynamic grid management - see point 2) and economic (tariff for feeding into the network, stability and confidence for the green certificate system).

The CWaPE will check that the attainment of the quantitative targets pursued by the Walloon Region cannot be hindered by the LTSO (local transport system operators), GOs or suppliers. Any candidate who has met the favourable (economic, technical and environmental...) conditions for the implementation of a decentralised generation facility must be able to find, within a reasonable period, without obstruction or discrimination, a connection point and a market for the electricity generated.

The CWaPE will ensure that the management of promotion and labelling mechanisms is improved to reduce the processing times for applications for certification and granting of green certificates (maximum 1 month) and improve knowledge about markets (price, quantities, transactions, etc.) for the benefit of all players. In the European context, with the new directive for the promotion of renewable energy sources (RES directive), the CWaPE will anticipate upgrades and developments necessary to enable the Walloon Region to reach the objectives ascribed to it. The CWaPE will propose quotas of green certificates valid until at least 2020, and will evaluate the effectiveness of the green certificate system.

5. Intensifying consultation with other Belgian regulators

The institutional complexity of Belgium is a fact that the CWaPE will have to live with, and moreover, the Walloon Region has its specific features which call for solutions that may be different from those adopted in Flanders or in Brussels. However, excessive divergences between Regions have the effect of creating three different markets that can constitute a barrier to new entrants (suppliers and generators).

In accordance with the wish expressed by a large number of persons questioned as part of a survey on the quality of performance and services provided by the CWaPE, contacts with other regulators will be intensified, even though the CWaPE has been active in this respect in the past. Even if these contacts are stepped-up, the different ways of working will continue to exist between the various Regions, and these differences will continue to frustrate some players.

That is why the CWaPE intends to give these coordination meetings between regulators a higher profile and provide information at the very least via its Internet site about the contacts between regulators and the joint recommendations that are finalised there. In this way, a dynamic of convergence could be developed without leaving too much scope for complaints about the inevitable divergences that will continue to exist.

6. Fine-tuning the market model

The electricity and gas market has been completely open since 1 January 2007. The process of opening up the energy markets is intended, in particular, to offer consumers a more competitive environment enabling them to choose between various energy suppliers, between energy generated from different sources, and encouraging suppliers to offer better service to customers.

After two years of operation, the CWaPE considers that the market model should be fine-tuned, to take account of the feedback of experience, which enables "teething problems" to be distinguished from more structural deficiencies. This analysis will be carried out in close consultation with other regulators (see point 5).

To facilitate penetration of the Walloon market by new entrants, it is important to maintain a legal and regulatory framework that is both clear and free of administrative constraints lacking any added-value. If it should be observed that the existing framework imposes pointless restrictions in some respect, administrative simplification work will be encouraged by the CWaPE.

The CWaPE intends to play a more active role in the organisation of the UMIK platform (or any equivalent structure bringing together the Grid Operators and suppliers to arrange in practice the exchange of data between them) to check that GOs are gradually taking on greater responsibility for carrying out their missions to serve grid suppliers and users (consumers and producers). The GOs must be the guarantors of the quality of the data contained in the access register (database containing all the characteristics of grid users), ensure high-quality transmission of this data between the various market players, and develop procedures allowing proper application of all the prevailing legislation.

The increased presence of the CWaPE within the UMIK platform will enable this correct execution to be verified and action to be taken rapidly if deficiencies are identified.

7. Incorporating the opinions of the CWaPE into European problem-solving

The CWaPE will carry out studies to analyse the responses of other Member States to solve the problems encountered (private grids, direct lines, system of responsibility imposed on GOs). Two or three themes could be the subject of such an analysis every year.

The CWaPE will remain available to provide the information requested by the European authorities, particularly concerning aids to and promotion of green electricity. In this context, increased participation will be sought in European bodies regrouping regulators.

Although the CWaPE has ample information in terms of Community law, this knowledge does not show sufficiently in its external communication. Wherever useful, in its opinions and proposals, the CWaPE will situate the problematic in the European context.

8. Enabling the development of gas distribution grids

Regarding natural gas networks, their extension, connected with an essential criterion of economic viability and the difficult context of population density in the Walloon Region, will become increasingly laboriously in the absence of support measures. The current measures need to be put back into perspective to recalibrate or change the direction of the prevailing mechanisms. Moreover, the development of biogas should allow, under conditions to be defined rigorously but actively, not only its feeding into the existing natural gas grids, but also the development of local distribution networks capable of meeting the objective of providing a "gas service" in zones which are admittedly very limited, but without any reasonable prospect of access to any distribution network at all. Monitoring of the first projects in Europe, which is already under way, needs to be stepped-up.

The CWaPE will make proposals to the Walloon government, setting out the type of support to be set up depending on the quantitative targets that it intends to pursue in terms of penetration of natural gas and biogas.

IV. Conclusions

The CWaPE intends to put this second term of office (since it was created) to good use for evaluating the operation of the market two years after it was opened up completely. Today, it is capable of taking a critical look at the role held by various players and putting forward a "vision" for smoother operation.

It considers, in particular, that the role of the grid operator must be enhanced, in the interest of all market players and particularly residential customers, who must be able to find the neutral, objective assistance that they need from their GO. Moreover, GOs must consider their customers as active partners who, in addition to taking supplies from the grid, can also feed into it and contribute to the active management of grids.

The CWaPE will deploy an array of resources to this end described in this roadmap, which often go beyond the legal provisions imposed on the CWaPE. The strict application of these legal provisions will nevertheless remain the priority activity of the CWaPE. The CWaPE is also preparing to receive additional competencies in terms of "grid pricing" which will give it incentives that will be particularly useful to reach the objectives set out above. The level of achievement of these objectives will have to be evaluated in 2013 based on this roadmap and the amendments made to it.

* *
*