Third Party Involvement Interests, expectations, constraints

Adolf Topp, AGFW,

Vice Managing Director/CEO

Chairman of EHP Energy Policy Group

REDUCE, RECYCLE, REPLACE: DOUBLING DHC NOW!

35th Euroheat & Power Congress, Paris May 9th and 10th 2011

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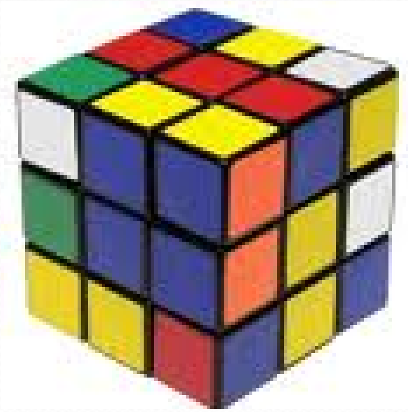
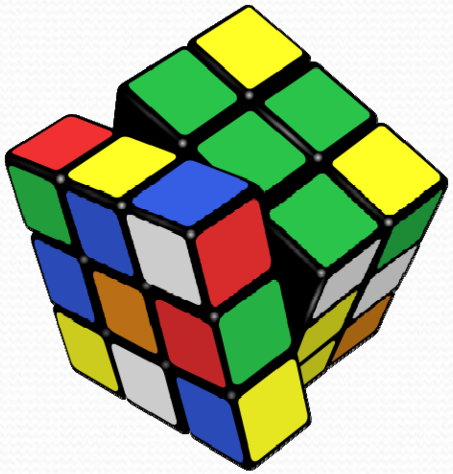
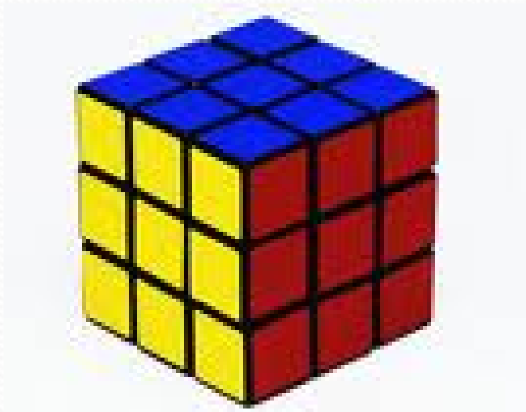


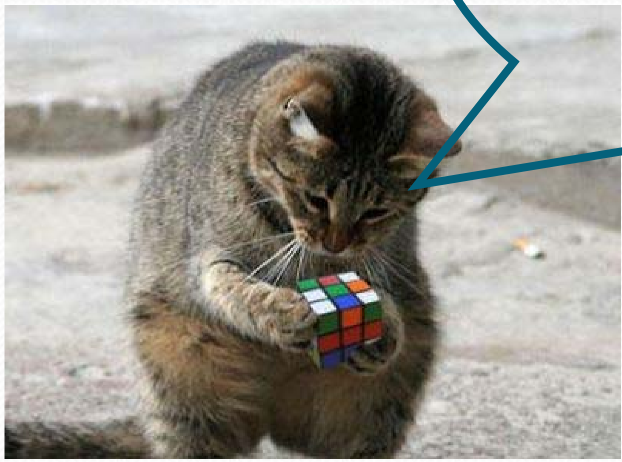




Content

- Stakeholder expectations
- TPA is not TPA: definitions, terminology used in electricity and gas
- Heat is not electricity: competition, decision-making and pricing in the heat market
- Integration of new sources: what‘s special? (influencing factors, responsibilities)
- Tentative conclusions and way forward

„This is a sorting exercice“



Third Party Access: electricity and gas

- Relations are possible between all producers, suppliers and customers, while the grid is a neutral place
- Unbundling, including transparent regulated access tariffs and principle of non-discrimination (same rules apply to all)

Third Party Access: electricity and gas

- So called „liberalisation" does not lead neccessaryly to lower prices,
  e. g. Germany a household (3 persons, 3,500 kWh/year) had to spend 50,0 (net 37,6) Euros for electricity in 1998, 72,8 (net 39,6) Euros in 2011
- Investments into the gas grid are decreasing

Electricity and DH: similar but not the same

- A single technical platform, interconnected, with harmonised technical features (voltage levels) and available everywhere
- Tailor-made local networks, very common in some countries, far less in others, with different technical designs (temperature levels)

Influencing factors, constraints

- Technical constraints (temperature and pressure levels), differing from one country to another and from one system to another, entailing different costs
- Energetic and environmental constraints (heat hierarchy, system efficiency)
- Economic constraints (socialisation of costs, stranded investments)

Diversity

- The extreme diversity of existing concepts, business models, regulations and cultures with local background
  - requires a prudent approach in order to maintain and expand systems where already in operation and secure investments in new ones;
  - makes it difficult to formulate generic rules and to predict their effects in the different markets.

Responsibilities

- From a European perspective, DH is not a price-setter on the market ► pricing issues are national/local responsibility
- DH competes with other technologies ► DH must have strong interest in high performance and customer satisfaction
- DH companies have taken on investment risks ► they are NOT responsible for reducing other corporations business interests or risks

„There's progress. I have some Tentative Conclusions"

1

- We need to be clear and should request clarity regarding the use of terms (TPA, producer competition, feed-in, unbundling etc.)

2

- While heating markets are characterized by a high level of competition in most parts of Europe, with DH being in constant competition with other solutions, the product „heat“ as well as the choice- and decision-making for the product is fundamentally different from electricity.

3

- In today‘s district heating systems the possibilities for internal trading and heat producer competition are restricted by technical constraints, insufficient no. of players, and environmental considerations.

4

- A generalization of competition schemes as known in the electricity and gas sectors (TPA, wholesale competition) would entail significant risks of higher prices, negative environmental impact and market instability. It is unlikely that any considerable benefits would occur for society.

„thinking about the way forward…“

1

- While refuting undue responsibilities, we take responsibility for the environment and safeguard the efficiency of CHP-power stations and envionmental friendly heat sources.
- We need to investigate how to address legitimate public interests and customer expectations like

2

- Provide customers with competitive prices (e. g. German ordinance of DH contracts stipulating market and cost based prices).
- Provide customers with hig environmental standards and the expected efficiency.

3

- Internally, we continue the learning process and exchange of experience regarding third party attitudes.

4

- In a future, in which low-energy and plus-energy houses are expected to play an increasing role, DH will need to be able to cost-effectively meet the new conditions (i.e. taking on balancing functions for small-scale fluctuating sources). We need to expend efforts on scenario work, new business models and research.

Conclusion

- Market control mechanisms do not per se help market developments. EU legislation in this area risks to distrub well-operating national/local markets by re-regulation and thereby preventing new investments.