

FSR Regulatory Policy Workshop Series 2022-2023

From energy saving to rationing: getting it right



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11 November 2022

Sala Europa and online - Villa Schifanoia, Via Boccaccio 121 - Florence

Scientific Director

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Zoom link to join the workshop online:

<https://eui-eu.zoom.us/j/98424702853?pwd=aFNOKzVxMVZ1UG0wZGFwK3YxUG9UUT09>

Meeting ID: 984 2470 2853

Passcode: FSRPWS

Introduction

The unprovoked and unlawful Russian invasion of Ukraine, and the disruption of gas supplies that has followed, exacerbated the upward trend in energy prices in the EU, which had already started in summer 2021. It also led to increased concerns regarding the security of energy supply to the EU.

The initial policy reactions of Member States to the surge in consumers' energy bills mostly involved reducing or removing some of the components of retail prices. In this way, the incentives to reduce consumption, through energy efficiency, energy conservation or energy saving, were however softened.

More recently, and as uncertainty on the availability of energy in the EU over the next months increased, public campaigns have been launched to educate consumers on energy saving measures. These campaigns have been accompanied by some first mandatory measures aimed at reducing consumption. These measures have so far mostly taken the form of a lower maximum temperature for winter heating or of a higher minimum temperature for air conditioning, a shorter winter heating period, a reduction of public lighting hours and a prohibition for air-conditioned commercial premises to keep their front doors open. These measures have been adopted at Member State level with no pan-EU coordination.



However, on 20 July, the Commission proposed a new legislative tool and a European Gas Demand Reduction Plan^[1], to reduce gas use in Europe by 15% by next spring, as well as a new Council Regulation on Coordinated Demand Reduction Measures for Gas, which was adopted on 5 August 2022^[2].

More recently, the Commission has extended its focus also to address electricity demand. In her statement on 7 September 2022, Commission President Ursula von der Leyen outlined the challenges facing the European energy sector and indicated five immediate measures that the Commission was committed to put forward, the first of which is “smart saving of electricity”. More specifically, she stressed the need “to flatten the [electricity demand] curve and avoid the peak demands”. A week later, the Commission published its proposal for a Council Regulation^[3], requiring Member States to adopt measures to reduce peak electricity demand by 5%. Reducing peak demand is expected to reduce the use of gas for power generation, which is the marginal fuel in many European electricity market areas. However, beyond flattening the electricity demand curve, there might be the need for greater and more generalised energy savings than what could be delivered by reducing peak electricity demand. Therefore, other effective energy saving measures, covering both gas and electricity demand, should be considered.

In this context, it is worth noting that energy efficiency, as a way of reducing energy consumption without reducing energy services, has been one of the main objectives of energy and climate policy in Europe for almost 15 years, with a 20% target set for 2020 and the indication, back in 2005, that this target could be achieved in a cost-effective manner^[4]. And yet, of the three 20% 2020 targets to which Europe committed, the one on energy efficiency was achieved only in the last months, and primarily as a result of the energy demand reduction following the Covid pandemic. Therefore, energy efficiency, and more general energy savings, seem to be particularly challenging to implement.

On the other hand, the international experience seems to indicate that, if faced by severe energy shortages, countries are able to reduce electricity demand by 5% to 20% within a short period of time and can sustain those reductions for periods extending into months^[5].

All that said, there is the possibility that the energy saving measures which have already been introduced across Europe, and the ones still to be decided, might not be sufficient to ensure that the remaining demand be met with the available energy sources. The weather – how cold the winter and how hot the summer will be – and the availability of other energy sources, such as renewables and nuclear, will determine how the demand-supply relationship will develop in the months to come.

If, in the end, energy supplies will not be sufficient to meet demand, rationing will have to be implemented and the question arises as to how this can be done in the most efficient way. Traditionally, in periods when electricity demand could not be fully met, which were however typically fairly short, supply interruptions were implemented through rolling blackouts, whereby supply to different distribution areas was interrupted in turn, taking into consideration the presence, in the different areas, of consumers with specific continuity requirements (e.g. hospitals). However, if rationing has to become a less sporadic feature of energy supply, a more efficient approach should be developed. In this respect, rationing plans, characterised by different levels of efficiency, have been proposed or developed in different countries.

This Workshop intends to review the state of the art with respect to measures aimed at promoting or mandating energy savings and with the approach to energy demand rationing.

For this purpose, the Workshop, after an opening part, will be divided into two Sessions:

- Session I, in the morning, will focus on measure to promote or mandate energy savings, with particular focus on the extent to which these measures have been designed to achieve the highest level of savings at the lowest social costs;
- Session II, in the afternoon, will aim to review how planning for rationing has been approached in the different jurisdictions.

Sustainability assessment

The FSR assesses the sustainability and carbon footprint of all its Workshops of the Regulatory Policy Workshop Series. This Workshop is run according to a hybrid format, allowing participants to join it in presence in Florence or through internet-based remote connection. It is expected that most participants will participate in the Workshop through remote connection, while a few of them, who particularly value personal interaction, will join the Workshop in Florence. Therefore, there will be limited travel involved compared to total participation. Those participants joining the event in Florence will be invited to offset any carbon emissions related to their air travel. It is considered that, in this way, a suitable balance is achieved between the effectiveness of the policy dialogue discussion and the net carbon footprint of the event.

[1] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, “Save gas for a safe winter”, Brussels, 20.7.2022, COM(2022) 360 final.

[2] Proposal for a Council Regulation on coordinated demand reduction measures for gas, Brussels, 20.7.2022, COM(2022) 361 final adopted as Council Regulation (EU) 2022/1369 of 5 August 2022 on coordinated demand-reduction measures for gas.

[3] Proposal for a Council Regulation on an emergency intervention to address high energy prices, Brussels, 14.9.2022, COM/2022/473 final.

[4] “According to numerous studies² the EU could save at least 20% of its present energy consumption in a cost-effective manner”, Commission of the European Communities, Green Paper on Energy Efficiency or Doing More With Less, Brussels, 22.6.2005 COM(2005) 265 final, page 4.

[5] When confronted with a severe drought, Brazil cut its total electricity demand 20%, and sustained these savings for several months, without blackouts or causing major harm to the economy. In Arizona (United States), a fire at a key transformer facility cut available power; conservation actions sustained over six weeks reduced demand 6% and avoided blackouts. International Energy Agency, Saving electricity in a hurry: dealing with Temporary Shortfalls in Electricity Supplies, 2005.

Programme

- 09.40 – 09.50 Welcome addresses
Leonardo Meeus | Florence School of Regulation
- 09.50 – 10.00 Introduction to the Workshop
Alberto Pototschnig | Florence School of Regulation
- 10.00 – 10.10 The response to the energy crisis: the political outlook
Claude Turmes | Minister for Energy and Spatial Planning of Luxembourg
- 10.10 – 10.25 The energy supply outlook and the EU policy response
Cristina Lobillo Borrero | European Commission

SESSION I – ENERGY SAVING MEASURES: HOW TO GET THEM RIGHT

Moderator: **Pippo Ranci** | Florence School of Regulation

- 10.25 – 10.50 Measures to reduce energy consumption: the institutional perspective and national experiences
Keisuke Sadamori | Director, Energy Markets and Security, IEA
Ramu Naidoo | Principal Market Advisor, Transpower NZ
- 10.50 – 11.10 *Coffee break*
- 11.20 – 11.40 Measures to reduce energy consumption: the consumers' perspective
Monique Goyens | BEUC
Peter Claes | IFIEC
- 11.40 – 12.00 The perspective of the industry: a roundtable of FSR Donor representatives
Oliver Altenhoff | Open Grid Europe
Edwin Edelenbos | Netbeheer Nederland
- 12.00 – 12.20 General discussion
- 12.20 – 13.30 *Lunch break*

SESSION II – ENERGY DEMAND RATIONING: HOW TO GET IT RIGHT

Moderator: **Alberto Pototschnig** | Florence School of Regulation

- 13.30 – 13.50 Energy rationing: where are we?
Andris Piebalgs | Florence School of Regulation
Ronnie Belmans | Emeritus professor, KU Leuven
- 13.50 – 14.10 The perspective of the industry: a roundtable of FSR Donor representatives
Christoph Riechman | Frontier Economics
- 14.10 – 14.30 The regulatory perspective
Annegret Groebel | BNetzA
Jana Haasová | ERU and CEER
- 14.30 – 14.50 General discussion
- 14.50 – 15.00 Concluding remarks
Leonardo Meeus | Florence School of Regulation
Alberto Pototschnig | Florence School of Regulation

Participants

Oliver Altenhoff	Open Grid Europe, Germany
Diego Barlini	Eni, Italy
Ronnie Belmans	EnergyVille, Belgium
Camilla Berg	Nord Pool, Norway
Barbara Del Sala	Baker Hughes, Italy
Gerard Doorman	Statnett, Norway
Edwin Edelenbos	Netbeheer Nederland, Netherlands
RAFAEL Gomez Elvira	OMIE, Spain
Monique Goyens	BEUC - The European Consumer Organisation, Belgium
Annegret Groebel	Bundesnetzagentur, Germany
Paolo Grossi	Galileo Green Energy, Italy
Werner Hengst	Netz Niederösterreich, Austria
Elena Iorio	European University Institute, Italy
Maciej Jakubik	Polish Electricity Networks, Poland
Torsten Knop	E.ON SE, Germany
Julia Konecny	Verbund, Austria
Barry Lynham	Company, Belgium
Christine Lyon	European University Institute, Italy
Leonardo Meeus	European University Institute, Italy
Urs Meister	Federal Electricity Commission, Switzerland
Vladimir Mijatovic	Verbund, Austria
Sofia Nicolai	European University Institute, Italy
Claes Peter	IFIEC Europe, Belgium
Alberto Pototschnig	European University Institute, Italy
Pippo Ranci Ortigosa	European University Institute, Italy
Christoph Riechmann	Frontier Economics Ltd, United Kingdom
Paolo Ruggeri	Baker Hughes, Italy
Maria Schwarz	Gas Connect Austria, Austria
Joerg Spicker	Swissgrid, Switzerland