

Delivering on mandates for sustainability

Joint Seminar OECD NER – Club des
régulateurs

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CRE: its three main missions

The Energy Regulatory Commission contributes to the smooth functioning of the electricity and natural gas markets for the benefit of end consumers and in line with the objectives of the energy policy (Articles L.131-1, L.100-1 and L.100-2 of the Energy Code).

- **A mission to regulate the networks, aimed at ensuring the performance of the network operators:** cost control, quality of service, access conditions, investments, innovation, construction of the internal market.
- **A mission to regulate the markets to allow the opening of the markets and innovation for the benefit of the consumer:** : setting the tariffs, regulation of nuclear power, capacity mechanism, monitoring of the wholesale and retail markets, consultation on market rules.
- **A mission to serve the energy transition:** support for renewable energy, calculation of public service energy charges, electricity mix in the NIIs.

1.

Electricity sector

The effect of energy transition on the grid

KEY FACTS

- Higher penetration of renewable energy & growing electrification reshape grid capacity needs
- Energy transition is a physical challenge (congestions/bottlenecks) paired with unprecedented financing (*€584 billion in investments by 2030 – estimation of the European Commission for EU's power grid*)

The right regulatory framework helps securing a cost-efficient, timely and location appropriate development of grid capacity, benefiting consumers and society at large.

Our rationale

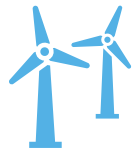
The most powerful tool has been the identification of needs, to pool and anticipate infrastructures.

Yet, the network is a non-reversible investment, pre-empting other options over long periods, whereas flexibility is more modular and can spread out the investment.

CRE's current priority is now maximizing the lever of network flexibilities.



Examples of levers for accelerating connections and enhancing grid flexibilities



Accelerating the connection of renewable energies

Adapting grid capacity calculation and curtailment devices (ex: S3RENR)



Accelerating the connection of specific consumers

**Decarbonation areas
Mutualized works**



Alternative to reinforcement investments

**Local flexibility tender
Trade-off criteria**



Alternative to investment for user connection

**Smart connection offers
Early connection offers**



Meeting immediate short-term needs

Local flexibility tenders

Examples of tools: incentives in the network tariffs

CRE had already started incentivizing flexibility in the current tariffs (2020-2024) :

- Financial incentives on connection deadlines
- Full coverage of operating costs linked to the implementation of flexibilities
- Opportunity to experiment with new solutions through the regulatory sandbox
- Financial incentive for the TSO to set up the contractual framework for the alternative to network reinforcement local flexibilities tender.

For the next tariff, CRE is currently consulting stakeholders on :

- Increasing the strength of incentives and raising bonuses and malus on the main indicators related to connections
- Allocating 20% of the economic gains generated by local flexibility to the TSO and the DSO
- Associating individual financial incentives with the calendar of most projects
- Introducing common priority projects with joint penalties in case of delays

2.

Gas sector

Future of gas infrastructures

Context: carbon neutrality by 2050

- Publication of a **report on the future of gas infrastructures**
- Influence of these conclusions on **gas network tariffs** (adopted in early 2024) - in view of the scissor effect anticipated:
 - reduction in depreciation period
 - change in RAB calculation to accelerate depreciation



Establishing a favourable framework to the development of the biomethane sector

Context: to play its role in the decarbonisation of the gas sector, biomethane production needs to access the network, access the market, and be profitable.

Different instruments:

- A “**right to injection principle**”, with connection zoning (*applying a principle of economic efficiency*)
- A **regulated feed-in tariffs** system for small to medium-sized installations
- New schemes for bigger installations (*to be implemented soon*): **tenders and biomethane production certificates**.



Report on the future of gas infrastructures:

One of the conclusions is that networks will require 6 to 9,7 Md€ for renewable gas injection until 2050.