Brussels, 29th June 2007

Joint Letter to the European Energy Regulators and the European Commission:

Addressing the Issue of Barriers to Decentralised Generation

With the support of the following organisations:

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To: Sir John Mogg, President of CEER, ERGEG Chairman
Mr Philip Lowe, Director General, DG COMP
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Decentralised generation will be key to help the EU meet the ambitious targets for renewable energy and energy efficiency that were laid out by the Heads of State and Government during the Spring 2007 European Council and by the Commission in its January 2007 Energy and Climate package.
However, the **current regulations for small and medium-sized decentralised generators often create insurmountable barriers**.

Small and medium-scale generators have shown great patience not only with the slow implementation of the internal energy market Directives, but also the renewables Directive and the cogeneration Directive, acknowledging the limited resources of the Commission's DG TREN and the political imperatives shaping the work programmes of the European regulators.
However**, if the EU is serious about its stated energy policy objectives then it is imperative that national regulators, with the backing of the Commission, address the issues that are preventing many projects from going ahead** in Europe today. Moreover, it is vital to support a growing and innovating sector of our European economy with vast export opportunities.

In the light of the importance and urgency of the issue, we call upon the European Energy Regulators and the Commission to ensure that decentralised generation issues are addressed urgently. These should be an integral and prominent part of the **CEER/ERGEG 2008 Work Plan** as research has highlighted many best practice elements in a number of Member States, implying that closer cooperation should be pursued while dedicated resources within the Commission must be directed to decentralised generation. In addition, we urge the Commission to seize the opportunity arising from the **revision of Regulation 1228/2003** and the **drafting of the 3rd internal energy market package** to embed clear and precise provisions relating to access to electricity networks.

The top priority identified is **the lack of transparency** for connection to the grid, which goes contrary to numerous provisions in the aforementioned Directives. Swift progress on **simplifying and streamlining regulations** for decentralised generators is also essential. The main issues to address are listed in the annex to this document.

We take stock of the recent statements by European Commissioners Neelie Kroes and Andris Piebalgs, as well as the Parliament's call for full ownership unbundling but believe more is needed to put an end to the regulatory bottlenecks hindering not only the development of decentralised generation in Europe, but the European internal energy market as a whole and undermining the EU's environmental and energy policy objectives.

The window of opportunity for all of us is narrow: either **decisive action** is taken immediately, with visible and tangible results in the Member States within the next two years or we collectively fall prey to procrastination and perpetuate an outdated centralised generation model. The outcomes are clear; so are the solutions.

Annex

Despite the value of DG, European projects have shown that several significant barriers remain, at times against the provisions of the 2003/54/EC Electricity Directive, 2001/77/EC RES-E Directive and 2007/8/EC Cogeneration Directive.

The following table highlights those key issues that need to be addressed by policymakers and regulators (Detailed information is available from www.elep.net and www.dg-grid.org).

	Issue/recommendation	Timeframe	Ease of implementation
1	**Transparency** of administrative procedures and technical rules as well as of commercial terms for installation, interconnection and use of DG equipment.	Short term	Easy
2	**Fair, non-discriminatory commercial terms** for interconnection to and use of the electricity grid for decentralised generators	Medium term	Relatively easy
3	Ensure that Distribution Grid Operators take DG into consideration in their **planning process** with due consideration for its possible value.	Short/Medium term	Relatively easy
4	Simplification and **streamlining of the authorisation procedures and rules** for decentralised generators.	Medium/long term	Relatively complex
5	Introduction **of certification and standardisation** framework for DG equipment that allows similar products to be installed and used in any EU Member State at low cost.	Medium/long term	Relatively complex

ELEP (European Local Electricity Production) and ***DG-GRID*** (Enhancement of Sustainable Electricity Supply through Improvements of the Regulatory Framework of the Distribution Network for Distributed Generation) are two European collaborative projects working towards identifying and removing the policy and legislative barriers that are restricting the installation and use of Distributed Generation[1] (DG) in Europe. The projects are co-funded by the European Commission (IEEA) and run until 1 July 2007.

Areas of activity: interconnection standardisation, charging rules and market policy (e.g. grid planning), commercial value of DG and DG certification and authorisation.

Value of Decentralised Generation (DG)
DG will be an important part of a future efficient and sustainable energy system in Europe. Its value depends on a combination of factors such as customer requirements, the local grid situation, access to fuels, availability of power generation capacity and the characteristics of the specific DG system.
It can offer:

- increased security of supply, larger flexibility, decreased use of fossil fuels and lower emissions for society.
- lower costs of energy and higher reliability to the end customer.
- higher grid reliability and lower investment cost in the grid to the grid owner.
- a base for a stronger European industry.

[1] Distributed Generation relates to the generation of electrical power close to the point of use. There is a wide range of technologies in use – combustion engines, steam/gas turbines, wind, biomass, small hydro, solar power and fuel cells, each having different characteristics.