

**Central European Energy Conference 2018**

**Bratislava, November 19, 2018**



# **Entropic European Developments in the Energy Market**

**Vratislav Košťál**

**Chairman of the Board**

**Energy Regulatory Office of the Czech Republic**

**This presentation was prepared when using quotations and ideas from the books as follows:**

- *K.P. Liessmann: Philosophy of Forbidden Knowledge*
- *T. Sarazzin: Wish-thinking (Wunschdenken)*

**Pics Sources:** of my own (VK) + [jiri-bohdal.com](http://jiri-bohdal.com); [pohledemtrenera.cz](http://pohledemtrenera.cz); *Eco, U.: Dějiny ošklivosti*, Argo, Praha 2007; [farmarsky-obchod.cz](http://farmarsky-obchod.cz); [igourmet.cz](http://igourmet.cz); [novinky.cz](http://novinky.cz); [idnes.cz](http://idnes.cz); [tv.seznam.cz](http://tv.seznam.cz); [idnes.cz](http://idnes.cz); [petapixel.com](http://petapixel.com); [megapixel.cz](http://megapixel.cz); [info.cz](http://info.cz)

## *Introduction:*

# To Be or not to Be – a Complicated Market Choice of an Energy Consumer ...

- To be/not to be independently supplied** by own energy producing/storing facilities (self-consumer status)?
- To be connected to/disconnected** from the distribution network?
- To bear/not to bear operational responsibility** for such technical facilities?
- To pass/not to pass the responsibility for system deviations?**
- To accept/not to accept bundled products** (insurance, mortgage, energy supply, other products – **all in one package or separately...**)?

# Single Energy Market in a Nutshell

# Do We Really Understand the Past?

How was the importance of passage tombs in Guernsey...

What was the purpose of stone lines in Kounov?

# Do We Understand the Presence?

What is behind the Syrian war?

Why is the Czech Republic going more and more dry?

# Can We Understand the Future?

- ❑ Are we better than the generations before us? Could we be quicker than (or, at least, as quick as) the dynamics of coming technological developments?
- ❑ Could we really regulate better than the market as such is capable?
- ❑ **How should look like the European Single Market of tomorrow?**
- ❑ **Who is the real prophet to be followed by the majority? An EU Official, an independent expert, a paid consultant, a teacher, an old father, anyone else?**
- ❑ However, this presentation is not about the answers, unfortunately...

# Roots of *Wunschdenken* (*Wishful Thinking*)

**Winter is coming** = expected approval of the Winter Package (gifts would be given...) + following, a really very new Energy Act, or better to say Energy Code (RES Act a Energy Reduction Act should not exist as such, distanced warm systems excluded from the Energy Code) could be passed...

Volitional starting point of the **EU 5.0**, or **EU Member State 5.0** respectively:

*Openness to know nothing.*

*Eagerness to stay in uncertainty.*

*Eagerness not to tell the truth.*

*Eagerness to have power.*

*Eagerness to handle in a cruel manner.*

*Pleasure to be ugly.*

*Eagerness to be greedy.*

*Status of permanent intoxication as a good one.*

**Each form of a voluntary submission can be perverse.**

# Seeking for Balance – a Mainstream or Rarity Solution?

- ❑ So called *shared economy* as a product of a mantric concept of hunted *social welfare*. Could be expected the end of an entrepreneurial feature of the market?
  
- ❑ In the Czech Republic, the following problems of excessive regulation appear:
  - ❑ A non-regulated net-metering issue when customers supply the system with its overproduction of electricity while not having the corresponding contractual framework with DSOs...
  
  - ❑ Czech Energy Act enables that the administrative permission could be issued not only for entrepreneur but also for the larger producer of electricity for the own consumption (i.e. not for the market use) – odious ...
  
  - ❑ With the Winter Package, the anew not very clearly defined market participants as aggregators and local energy communities in the position of those who concentrate the energy offer or/and supply in the market;

# An Old-New Phenomenon – Energy Autarchy Concept

- ❑ Autarchial decentralised self-production (plus additional battery systems) model is becoming more and more popular among consumers as well as industry; also DSO's and TSO's consumption could be covered by the own energy sources;
- ❑ The corresponding decrease of electricity transported through distribution systems – newly only for potential overflows from the self-production of customers...
- ❑ Suppliers could be substituted by agents like aggregators or other non-profit entities participating in the market, energy producers are retreating (or, distributing producing facilities) because of a general self-production, the both categories emphasise the key role of a customer/consumer
- ❑ Is that the real market? Or are we rather relying on the *primitive community relations known as from the dawn of mankind..*

**Only strong ones endure the truth. The weak ones need to be appeased by a lie, otherwise they collapse.**

# True or False? Liberalisation or Regulation? Competition or Subsidies?

- ❑ **Market in energy is declining** – why do we still speak about the **liberalisation process** while the **excessive regulatory measures including public subsidies/aid** are introduced at the same time...?
- ❑ In the Czech Republic, **the original importance of a license** in form of a permission for doing business (e.g. electricity production) **is from the certain part over... nothing substitutes it – the responsibility** for energy production **is disseminating**; then **the respective public duties** must be stipulated by law in order to regulate the non-profit sectors of market **to protect specifically consumers...**
- ❑ the recent legislative problem: the **non-existing licence for energy accumulation** - promised to be regulated by Energy Act, nowadays not assumed in the proposed wording of an amendment – on the other side, this problem could be very distinctly solved when the ERO confesses the licence for electricity production also for the operation of accumulation facilities...
- ❑ **...moreover, the Winter Package is now coming with the prioritisation of non-market entities instead of supporting market mechanisms...**

**What anyone knows, anyone  
forgets.**

# Clean Energy – a Sort of Self-Delusion?

- ❑ **What is the precise meaning of a „*clean energy*“? With no emissions?**
- ❑ Which energy is dirty? That can burn? Or that produces radiation?
- ❑ What is the amount of the natural dirty energy that surrounds us? Volcanos? Natural gaseous or radiations emissions?
- ❑ Is it really **clean to use electro vehicles** while having in mind that the fuel mix for electricity production in the Czech Republic **is from major part based on fossil sources**?
- ❑ **Is the energy clean** while flooding fields with **photovoltaic panels** instead of producing cereals? And seas with **windmills**? And valleys with **dams**? And what about the energy lines brought to such facilities? Who cares? But any countryside is also unique, deserved to be protected...
- ❑ Who is entitled to decide **what is clean and what is dirty** – is a **dung** dirty because it stinks and **perfume** clean as it smells nice? By the way, the first one helps the nature as the latter harms it...
- ❑ A footnote: Why does the EU regulate the energy mix of its Member States? In fact, it is **an exclusive competence of the respective Member State to determine and use its own energy sources...**
- ❑

**The loss of our innocence is  
accompanied with the loss of  
our spontaneity.**

# Consumer Being Captured (by the Aggregator?)

- ❑ **A consumer status = one who is seeking for energy + who is offering auxiliary services + who is on his own offering produced energy overflows + who is an addressee of the strict legal protection against unfair practices, etc....**
- ❑ **Is it not risky** to transfer such a burden to the shoulders of a regularly weaker **consumer**? For the time being, there is **a lot of unfair practices** resulting to the harm caused by the consumers (blocking of the process of change of supplier, enhancement of prepayments with no reason...).
- ❑ **An aggregator/supplier = a hunter (or shepherd, if better)** of consumers who negotiate/collect consumers with the aim to seek for the decentralised energy sources, disseminated accumulation – the main economic counterpart for consumers;
- ❑ And what about a vulnerable consumer? **Does he/she invest the battery and photovoltaic roof panels?** Does he or she run into debts? Where is the **corresponding legal protection?**
- ❑ **...New Deal for Consumers** does not solve the expectable inherent problems **of a new market design** (only draconic penalties, unfair practices enhanced by misleading announcement concerning paid web references to suppliers...)

**Egg liqueur must not contain milk, the EU-Court has decided...**

A German recipe:  
8 große Eigelb  
375 g Puderzucker  
2 Päckchen Vanillezucker (kein Vanillin)  
**240 g of CREAM**  
375 ml Weinbrand (36 Vol.-%)  
min. 50 ml Weingeist (min. 90 Vol.-%)  
50 ml Rum (54 Vol.-%)

Zdroj: lecker.de

A Czech recipe:  
Na 0.5 l koňaku:  
3 ks žloutek  
1 ks vanilkový cukr  
0,3 l hnědý rum  
**1 can of a condensed milk**

Zdroj: [www.recepty.cz](http://www.recepty.cz)

EU-Court cuisine view:  
Minimum alcohol is at 14%. Sugar:  
minimally 150 g/l and minimally 140 g/l  
of yolks...but no milk!!!

**Who is thinking differently, is forced to go mad.**

# European Controversies and a Misery of the Member States

- ❑ Brussels administrative structures have elevated itself over the material world and are producing a detailed regulation - they are **drawing the great future with no bonds to the existing infrastructure...** (huge costs of redesign could be anticipated...)
- ❑ **EU does not waste its time with any analysis of regulatory impacts on the current status, insufficiencies in competition are nearly automatically detected** and than beaten by new innovative regulatory instruments...
- ❑ „**Package**“ **legislative method** is used once again to make the energy market free, everything is in a permanent change – **the era of entropy is coming...**
- ❑ EU is continuously introducing new visions, declaring the support of the single market – in fact, with the fourth energy package **the market is abandoned in an effort to find a new redistribution pattern of wealth ...**
- ❑ That's the ***Wunschdenken (Wishful Thinking)*** where idea of social welfare dominates the other ones, substitutes the reality, forms a new world of tomorrow and completes the hole of ateism...

## At last, a Legal Disclaimer comes:

Standpoints as mentioned in this material or expressed when presented are only of the **personal nature** and are not a complete interpretation of its author holding this lecture in a position of an expert. This presentation is much about **the illustrative nature, modified for the pedagogical purpose** and is not aimed to encourage listeners to certain activity or omission or to harm them being advised. This presentation can contain estimations or exaggerations. Graphical form of this presentation is as of its character not composed as an exhaustive document. The lecturer declares at the same time that there is no intention on his side to influence behaviour of anyone by this presentation in an incorrect, incomplete or harmful way in the sense of **§ 2950 of the Czech Civil Code**.

*...a sad example of the entropic developments of law at the national level...*

**Thank You for Your Kind Attention!**

**And Let's Pray for the Better Future!**

JUDr. PhDr. Vratislav Košťál  
vratislav.kostal@eru.cz