

Conclusions
Seventh Meeting of the European Electricity Regulatory Forum
Florence 7-8 May2001

I. Directive and Regulation proposed by the Commission

1. The Forum discussed the package of measures – Communication, draft directive and draft regulation – recently proposed by the Commission and presented by Francois Lamoureux, Director General of the Directorate General for energy and transport. The proposals, and notably the aim of a full market opening within a short and precise time frame, as well as the qualitative measures, such as legal unbundling at the transmission and distribution level and the establishment of national energy Regulators received large support, notably from Mr. Van Velzen, member of the European Parliament, the Swedish Presidency, the Council of European Energy Regulators (CEER), the European Transmission System Operators Association (ETSO), European electricity market operators, the European association of distributors (GEODE) and representatives of traders and consumers.

M. W. van Velzen, member of the European Parliament, underlined the importance of the Regulatory Forum, which was viewed as an important initiative in the context of the Commission's "good governance" initiative.

The Forum underlined the need to facilitate the integration of the electricity markets of candidate countries into the internal electricity market. For this purpose, the Forum agreed to progressively invite Regulators of candidate countries – as observers – to the next meetings of the Florence Forum.

II. Cross-border tariffication

2. The Forum underlined the importance of creating a real integrated internal market in parallel with the full market opening proposed in the draft directive. In this context it is particularly important to create real and effective competition throughout the EC. Effective cross-border tariffication and the resolution of infrastructure bottlenecks are key issues in this respect. Regarding the latter aspect, the Forum welcomed the intention of the Commission to present by next October a European Infrastructure plan to fill existing gaps and/or strengthen existing interconnections where needed to remove congestion problems and promote an integrated market.
3. The participants of the Forum stressed that the internal market in terms of cross-border trade and competition has not yet significantly developed since the entry into force of the electricity directive. In this context, the member of the European Parliament, the CEER, ETSO, consumers, traders and industry associations called for the introduction of the temporary tariffication mechanism agreed at the 5th meeting of the Florence Forum in March, by 1 September 2001. The Forum

underlined that the detailed implementation of the system by each Member State must ensure that the mechanism facilitates trade, does not hamper the further development of the market, and – as requested by the Stockholm European Council in March 2001 with regard to the development of the internal energy market – is in compliance with the Community competition rules contained in the Treaty. In this respect, the representative of the Commission underlined that the implementation of the provisional system must provide a clear signal, which is compatible with the objective to achieve the internal market, notably through facilitating and thus intensifying trade in electricity throughout the Community. It must also not be transaction based and fully respect the principles of non/discrimination, cost-reflectiveness, simplicity and transparency and must lead to an undistorted internal market.

4. As requested by the 5th meeting of the Forum, the CEER presented a proposal for a tariffication mechanism to replace the initial system. The CEER was invited to continue its work on this matter, in close collaboration with ETSO and all interested parties. With a view to its entry into force in September 2002, the CEER was requested to present a more detailed model at the end of 2001, which, inter alia, takes into account the proposed draft Regulation on conditions for access to the network for cross-border exchanges in electricity and the draft directive amending the directive on common rules for the internal market.

The permanent system should take into consideration electricity exchanges with non-EU countries, made on the basis of the principles of reciprocity.

III. Allocation of interconnector capacities

5. Experience with different mechanisms of allocating interconnector capacities, which are operated on the basis of the guidelines adopted at the 6th meeting of the Florence Forum, was presented by representatives of the TSOs and regulators concerned as well as the representative of the European power exchanges. Practical experience so far is generally positive and it will form a useful basis for a further improvement of the existing different systems, leading to an increased level of harmonisation.

IV. Security of supply

6. The Commission presented the Green Paper on security of energy supply. The Forum stressed the importance of this document and the need for an in-depth debate on security of supply, leading to concrete conclusions. In this respect, the Forum discussed the California power crisis, inter alia in the light of a report established by EURELECTRIC. All participants agreed that the inappropriate approach to regulation pursued in California has been avoided in the EU, notably the existence of an obligatory pool, long planning procedures for new capacity, the lack of information and collaboration between network operators and the lack of an internal market. Therefore, the experience in California cannot be expected to occur in the EU and is not a plausible consequence of the creation of the internal market as presently implemented, and to be completed in the light of the Commission's new proposals.

