

**Council Conclusions****INTERNAL ELECTRICITY AND GAS MARKETS**

The Council of the European Union:

CONSIDERING the call by the European Council, meeting in Lisbon on 23-24 March 2000, to speed up liberalisation of EU gas and electricity markets;

EMPHASISING the importance of the liberalisation of energy markets to achieve the goals of energy policy, i.e. security of supply, competitiveness, and the protection of the environment;

RECALLING its conclusions on the state of liberalisation of the electricity market and its Strategy for integrating environmental aspects and sustainable development into energy policy - both adopted on 2 December 1999 -; STRESSES the need to remove obstacles to the achievement of the internal electricity and gas markets to the benefit of consumers and the competitiveness of European industries and, in line with this strategy, to internalise the external costs and environmental benefits in order to maintain a high level of environmental protection;

RECALLING its conclusions of 2 December 1999 on common rules for the internal market in electricity;

UNDERLINING that all Member States strive to ensure high standards of security of supply, protection of consumer interests and environmental protection, taking account of the relevant Treaty provisions relating to services of general economic interest and of the requirements of the Electricity Directive 96/92/EC and of the Gas Directive 98/30/EC;

RECALLING the interests of Member States, within the overall positive context of liberalisation and global competitiveness, to provide appropriate social conditions to facilitate the structural industrial changes involved in moving towards fully liberalised electricity and gas markets;

## 1. REGARDING THE ELECTRICITY MARKET:

- WELCOMES the recent presentation by the Commission of its Communication "Recent progress with building the internal electricity market"<sup>1</sup>, which will require detailed examination, as well as the Commission's intention to prepare, for the Stockholm European Council, a Communication on future measures called for by the Lisbon European Council conclusions;
- WELCOMES the progress made on the implementation of the Electricity Directive 96/92/EC and the fact that most Member States have already opened their markets beyond the minimal requirements set by that Directive; NOTES in this respect the significant fall in electricity prices in the last two years;
- NOTES with satisfaction:
  - = the significant and constructive contribution made, on a voluntary basis, by all parties involved in the *European Electricity Regulatory Forum* "the Florence process" (comprising Member States, Regulators, the European Commission, and European Transmission Systems Operators, with the participation of representatives of the European Parliament, network users, traders, consumers, power exchanges) in adapting their efforts and structures at European level to the new realities of the internal electricity market;
  - = the progress made at the meeting of the Florence Forum on 30-31 March 2000 on complementary measures and mechanisms, developed from the unanimous proposal by ETSO, necessary to facilitate cross-border trade in electricity, in particular :
    - the development of cross-border tariffication mechanisms applicable for a transitional period of one year in the UCTE (Union for the co-ordination of the transmission of electricity) area of the European Union, taking special account of the situation of Denmark and the neighbouring CENTREL (Central European Electricity Network) area, and providing for compensation payments for transit flows to be collected and shared among national system operators, to come into force on 1 October 2000;
    - the progress made on issues related to congestion management and capacity constraints, including transparency and allocation of available transfer capacities,

while acknowledging that further work is needed in this respect;

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<sup>1</sup> doc. 8815/00 ENER 36 - COM(2000) 297 final

- STRESSES the need to ensure that the levels of inter-TSO (Transmission Systems Operators) payments to enter into force by October 2000, as well as the systems for financing the payments, are refined and fully in line with the principles of non-discrimination, cost-reflectiveness, simplicity and transparency and are on a non-transaction basis; INVITES Member States, regulators / national administrations and the Commission to ensure that the way in which these systems are designed and the payments and compensations of individual TSO's are passed through to their respective network users, which to a certain extent would be left to subsidiarity under the provisional system, does not distort competition, and, as far as is reasonably possible, is cost-reflective and places costs on those responsible for them, and provides the appropriate cost allocation signals to market players;
- STRESSES the need to harmonise, where necessary, national tariffication systems for cross-border transactions, including the split between the charges on G (generation i.e. production) and L (load i.e. consumption) applied, in order to achieve a level playing field for cross-border transactions; INVITES the Commission, Member States and national regulators / national administrations to develop, in liaison with ETSO, a robust tariffication system for the longer term;
- CALLS on the Commission, Member States and regulators / national administrations to ensure a timely implementation of these tariffication mechanisms and congestion management measures, in line with the schedule for implementation proposed at the recent meeting of the “Florence Forum”; ASKS the Commission to present a progress report at the latest by April 2001;
- ENDEAVOURS to examine expeditiously the Commission proposal for a Directive on the promotion of electricity from renewable energy sources in the internal electricity market.

## 2. REGARDING THE GAS MARKET:

- NOTES with satisfaction progress made on the implementation of the Gas Directive 98/30/EC and stresses the importance of timely implementation by Member States to allow gas market opening and competition to take real effect no later than 10 August 2000;
  - WELCOMES the progress made at the Second meeting of the European Gas Regulatory Forum (Madrid, 11-12.5.2000), "the Madrid process", and stresses the importance that the European gas industry pursues, as a matter of priority, the establishment of a body or grouping that brings together representatives of all those responsible for the operation of the transmission network for gas in Europe in line with the principles outlined in the conclusions of the second meeting of the Forum. The Council REQUESTS this body or grouping to make all possible efforts to provide the information requested in the Forum conclusions, and in accordance with the timetable indicated, and with full respect of commercial sensitivity;
  - INVITES, in order to ensure the smooth functioning of the internal gas market, Member States, regulators/national administrations, the Commission, gas transmission system operators and all other relevant market players, in line with the principle of subsidiarity, to continue progress and to proceed speedily, in the context of the European Gas Regulatory Forum "the Madrid process", to identify potential problems and to seek solutions to relevant issues related to the internal gas market, including ensuring non-discriminatory tariffication of access to the gas system for cross-border trade, access to necessary ancillary services, congestion management and interoperability;
3. RECOGNISES the need to develop sufficient and, where necessary, additional interconnector capacities in Europe to ensure that the functioning of the internal electricity and gas market is hampered by neither physical constraints nor institutional factors affecting trade, including as regards isolated, peripheral and island networks, thereby contributing to security of supply; and STRESSES the need to create favourable market conditions for further investments and to mobilise all relevant resources to this effect;
4. UNDERLINES the necessity to analyse carefully the effects of liberalisation on the development of employment in the electricity and gas sector as well as in other sectors potentially benefiting from the overall positive effects of liberalisation in terms of competitiveness and price and cost reductions; AWAITS WITH INTEREST the results of the ongoing study launched by the Commission on this issue ;

5. STRESSES the importance and urgency of the conclusions reached at the Lisbon European Council to "speed up liberalisation in areas such as gas, electricity, postal services and transport. The aim is to achieve a fully operational internal market in these areas". In this context, the Council invites the Commission to present timely proposals for further action. As a first step, the Council asks the Commission to present a report to the next Council (Energy) covering, inter alia, the state of play and experience with regard to: the functioning of the internal market for gas and electricity; the development of a real level playing field and the continued development and monitoring of indicators demonstrating true and effective competition; and the result of monitoring of issues to be decided in other Council fora, e.g. fiscal and environmental measures.

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