



## The Regulators' response to the Commission's Green Paper

Sir John Mogg, President of CEER and Chair of ERGEG

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## The Context

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- **Support the Commission's agenda: this is a “new energy era”**
- **Recognition of the political drivers:**
  - Security of Supply
  - Climate Change
  - EU competitiveness
- **Welcome recognition that a Single European Energy Market does not currently exist**
- **Green Paper represents opportunity for action – must be seized by all**

# The Solution Lies in the Single Market

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- Core principles “sustainability, competitiveness, security” can *only* be delivered through an effective single market eg:
  - Massive investment in cross-border networks
  - Diversity of energy sources
  - Effective Emissions Trading Scheme
  - Price, choice and reliability for consumers
- Bottom line: Without radical action to create a genuine, competitive single EU energy market, a future EU energy strategy cannot succeed

## Current Problems

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- Existing rules set conditions *within* national boundaries – single market must operate *across* borders
  
- “Regulatory gap” includes:
  - Varied powers of national regulators
  - No cross-border enforcement
  - Uneven implementation of existing Directives
  - Often no effective unbundling
  - Long term contracts prevalent, including grandfathering rights
  - Ongoing wholesale or retail price controls

# The Regulators' Response

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- Practical progress through Regional Initiatives – require full political support
- But also need a comprehensive vision of a functioning single market...
- ...and a comprehensive EU level approach to get there
- After this year's moratorium, new EU legislation seems necessary

# A Vision for a Single Energy Market

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- The building blocks of a single energy markets are:
  - Obligations on TSOs to act in the interests of “European consumers”
  - TSOs to develop operational standards for an integrated Grid...
  - ...and Regulators to provide certainty to facilitate investment
  - Improved operational co-ordination of the integrated network eg. in planning and outlook reports
  - Independent regulators with harmonised powers, including cross border enforcement of competition
  - Effective unbundling

## **i) Building an Integrated European Grid (1)**

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- **An integrated market must be built on integrated transmission grids**
- **TSOs to identify and finance new infrastructure**
- **Under “regulated approach”, TSOs themselves to develop operating and security standards**
- **Regulatory oversight to guarantee fair rate of return**
- **Action: EU legislation required**

## i) Building an Integrated European Grid (2)

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- **Other Issues:**
- **Administrative barriers to investment: Regulators to continue work on a pan-European approach to grid authorisation, planning permissions etc.**
- **Long term contracts: “Contract Investment” inevitable, particularly up to the EU’s borders – Regulators to develop clear guidelines to ensure non-discriminatory**



## ii) Managing an Integrated Grid

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- **“European Network Standards Code” to specify the responsibilities of *national* TSOs in a *cross border* market eg.**
  - Connection rules
  - Information sharing and control
  - Emergency arrangements and contingency planning
  - Balancing procedures
  - Congestion management
  - Reliability rules
- **In addition, TSOs to produce eg. co-ordinated winter outlook reports and 7-10 year planning forecasts**
- **Co-ordinating body to facilitate practical co-operation –built on ETSO/UCTE/GIE not a new organisation (ECEN)**
- **Action: EU legislation required**

### **iii) Regulating an Integrating Grid**

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- **Compliance and monitoring by independent national regulators essential to generate certainty for investors and effective competition**
- **This requires:**
  - **Harmonised, minimum powers and duties**
  - **Duty and ability to co-operate across borders**
- **Central body necessary – Different options exist: single Regulator; Commission; ERGEG+**
- **Action: EU legislation required**

## iv) Competition on an Integrated Grid

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- **Effective Unbundling prerequisite for effective competition**
- **Preferred approach is “ownership unbundling”...**
- **...But structural separation or information ring-fencing also possible**
- **Cross-border enforcement essential**
- **Action: New EU legislation required**

## Summary of Actions

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- Commission to set comprehensive legislative framework:
- National TSOs to act in the interests of European consumers...
- ...and to develop a European Networks Standards Code for the operation of an integrated Grid
- National regulators to approve such a code, providing certainty and a fair rate of return for investors.
- National TSOs to co-operate on management / delivery of an integrated grid, via an appropriate co-ordinating body;
- National Regulators required and empowered to oversee and enforce competition via an appropriate central body.
- Effective structural unbundling put in place and enforced.

## Other proposals: Security and Sustainability

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- **Guaranteeing security of supply:**
  - Diversification best achieved through liberalisation
  - European energy Supply Observatory could lead to welcome market transparency
  - Obligatory rules on gas stocking unlikely to be efficient answer
  
- **Energy Efficiency:**
  - Market based mechanisms rather than “picking winners”
  - Key instrument is the Emissions Trading Scheme – needs to be developed to provide clear long term market signals
  - Actions on efficiency must pass cost/benefit analysis

## Other proposals: Innovation and External

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- **Innovation :**
  - Support strategic energy technology plan
  
- **Common External Energy Policy:**
  - Support development of common external vision
  - Aims should be to achieve greater compatibility in a common regulatory space ie. extend liberalisation and the “energy acquis”
  - Support dialogue/agreements etc – but investment in infrastructure should be market driven
  - Regulators will continue to offer practical and technical assistance, and to develop the international database IERN

**Full CEER response, including detailed actions for  
Regulators, TSOs and Commission available at:**

**[www.ceer-eu.org](http://www.ceer-eu.org)**