



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

- **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

- **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

- 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

- 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

- **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)

- **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)

- **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

- **“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

- **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

- **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

- **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

- **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

- **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