



ERGEG's response to the Commission's Communication An Energy Policy for Europe

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Background

- **European Energy Regulators strongly welcome the Commission's Communication "An Energy Policy for Europe"**
- Single European energy markets do not yet exist; yet are at the heart of achieving "security, sustainability and competitiveness"
- Despite developing regional markets and current EU legislation, existing national markets, and market designs, create a "regulatory gap"

ERREG therefore published formal advice to the Commission (8 February) setting out the comprehensive regulatory framework required for single energy markets and an integrated EU grid

The EREG approach: overview

Key features of the proposed model, which builds on successful national models:

- The development of integrated electricity and gas grids
- Regulatory oversight at national and EU level, including appropriate organisational structures
- Accountability of regulators and TSOs
- Effective unbundling

To achieve this, new EU legislation - a “third package” is essential

3rd Package of Liberalisation Legislation



New legislation will be needed to:

- Define high level public interest objectives
- Place collective obligations on TSOs to develop EU operating and security standards; and EU network bodies to achieve this
- Place individual obligations on TSOs comply with EU standards
- Define roles and responsibilities to ensure investment
- Harmonise upwards powers and independence of national regulators
- Place responsibility on national regulators to ensure national grids meet EU standards
- Enhance existing European regulatory group to oversee EU networks bodies
- Ensure effective market oversight and duty for NRAs to co-operate
- Ensure proper accountability of EU networks and regulatory bodies
- Ensure effective unbundling of transmission assets, preferably ownership unbundling

The Model Explained: integrating EU grids

- **Objective: define roles and responsibilities for cross-border investment**
- **Rationale:**
 - Integrated EU grid achieved by joining together national grids
 - “EU” grid = infrastructure needed for cross-border flows
- **Key elements:**
- **TSOs responsible:**
 - Collectively, for developing EU operating and security standards
 - Individually, for developing (and joining) national grids in line with EU standards
- **Central EU networks bodies required to meet collective obligations – develop *ETSOpplus/GIEplus*?**
- **Transparency vitally important**

The Model Explained: regulatory oversight

- **Objective: developing stable, predictable regulatory climate for investment, including across borders**
- **Rationale:**
 - Strong, independent regulation essential
 - Regulatory oversight and organisation should be based on practical reality
 - Cross-border market oversight essential as markets integrate
- **Key Elements:**
- NRAs should therefore oversee obligations, including EU obligations, on national TSOs
- Enhanced *EREGplus* regulatory body should oversee *ETSOplus/GIEplus*
- NRAs should have harmonised powers and guaranteed political independence
- NRAs should co-operate, including through *EREGplus*, on cross-border investigations and enforcement

The Model Explained: Accountability

- **Objective: EU organisations to be accountable to EU Institutions**
- **Rationale:**
 - Democratic accountability essential, alongside independent decision-making
 - National models again provide a basis
- **Key Elements:**
- *ETSOplus/GIEplus* to provide public annual reports and eg. winter outlook reports, 7/10 year statements
- *EREGplus* to provide public annual reports and e.g. appear before EP Committee

The Model Explained: Unbundling

- **Objective: Fair access and appropriate investment incentives**
- **Rationale:**
 - TSOs must act, and be perceived to act, independently
 - Level of unbundling required should be proportionate to the level of discrimination
 - Recognise central political decision
- **Key Elements:**
- From an energy regulatory point of view, ownership unbundling is the “cleanest” and most secure response
- “Independent system operator” can be made to work in right circumstances, but independent regulatory oversight –which would well be heavy- will required
- Essential policy outcome must not be delayed

- **15 February Energy Council**
- **8/9 March European Council**
- **Commission proposals – by the summer?**

The European Regulators call on Member States to show the political leadership and commitment, and to endorse Commission plans to develop a “3rd package” of liberalisation legislation as soon as possible