



European Commission



Infrastructure and security of supply Directive

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Summary

- The context for the package
- Key objectives
- What is in the proposed Directive
- Conclusion: update on discussions so far





The context for the package

The market is opening



All consumers will have the right to choose supplier by July 2007



A real internal market must really enable incumbent companies to be challenged, especially through cross border competition

Cross border flows are increasing and becoming more complex to manage

The balance between supply and demand will now be determined by market mechanisms not central planning





The context for the package

Supply-demand is becoming tighter....

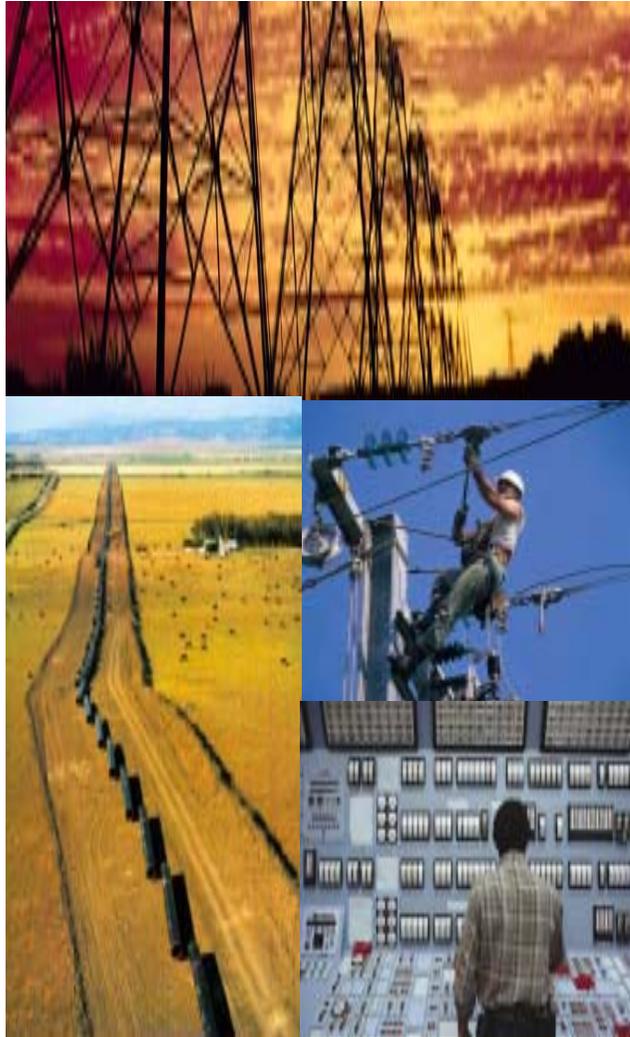
- LCP Directive will require some plant to close.
- Other production is reaching the end of its economic life.

Wholesale electricity prices are beginning to increase.





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Key Objectives





Key objectives

An efficient continuous electricity supply

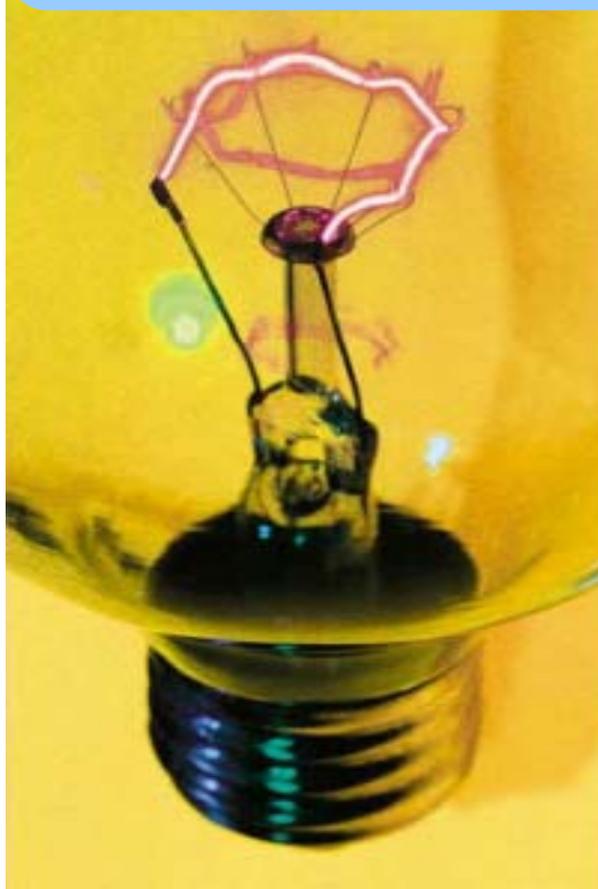
- Avoiding blackouts and other interruptions.
- Make competition really work.
- Delivering a market that responds to price signals and delivers supply-demand balance





Key objectives

Avoiding blackouts



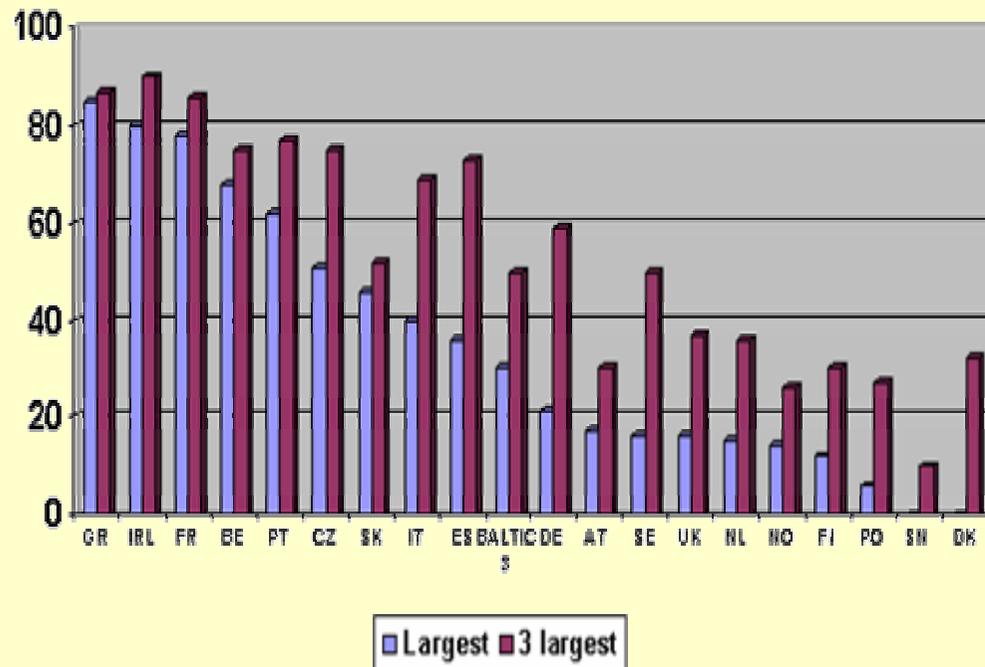


Key objectives

Making competition really work:



Concentration in electricity generation (% market share)





Key objectives

Making competition work requires



New interconnection: If not, many customers will remain captive.

Direct action to change market structure: difficult to achieve at Community level

or....

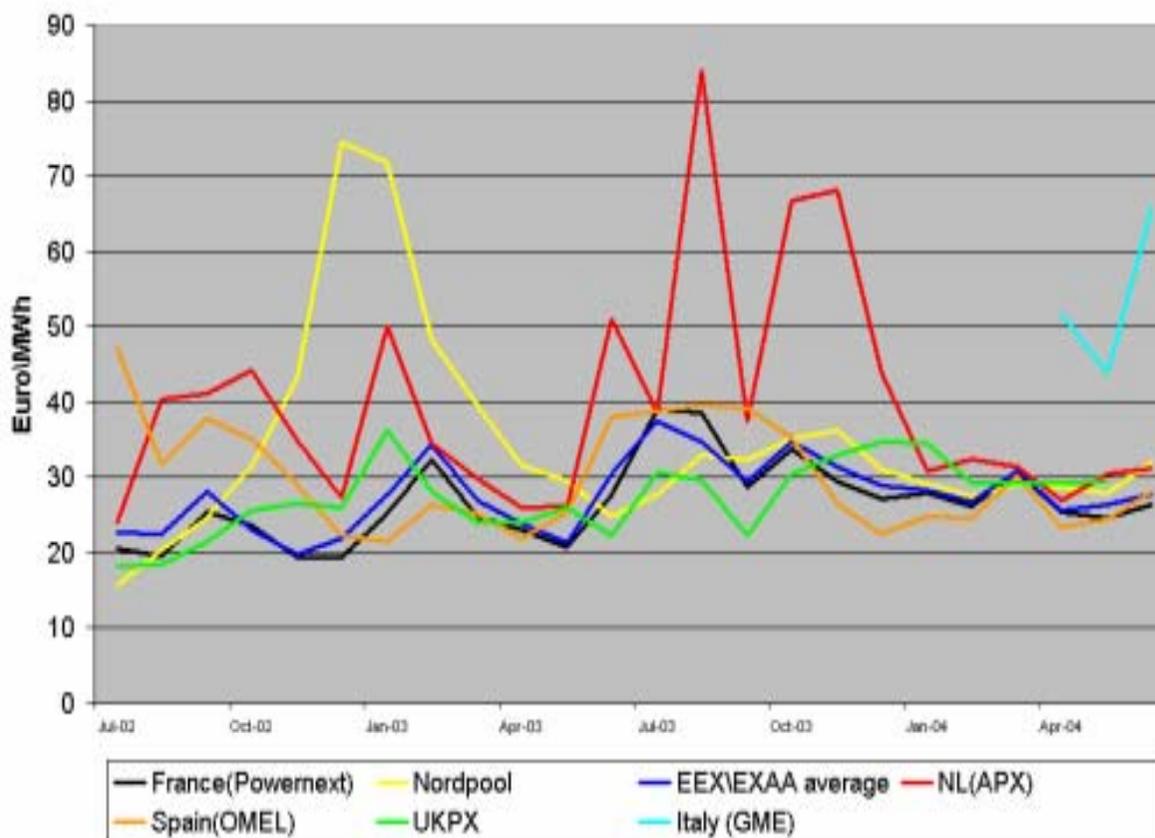
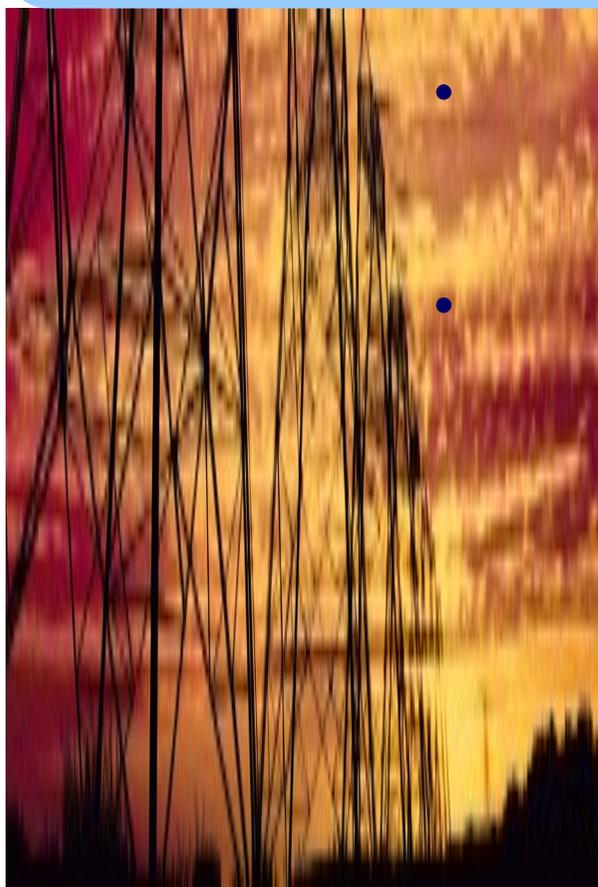
A lot of time: in order for new entrants to gradually enter the market through new investments





Key objectives

Delivering a market that responds to price signals





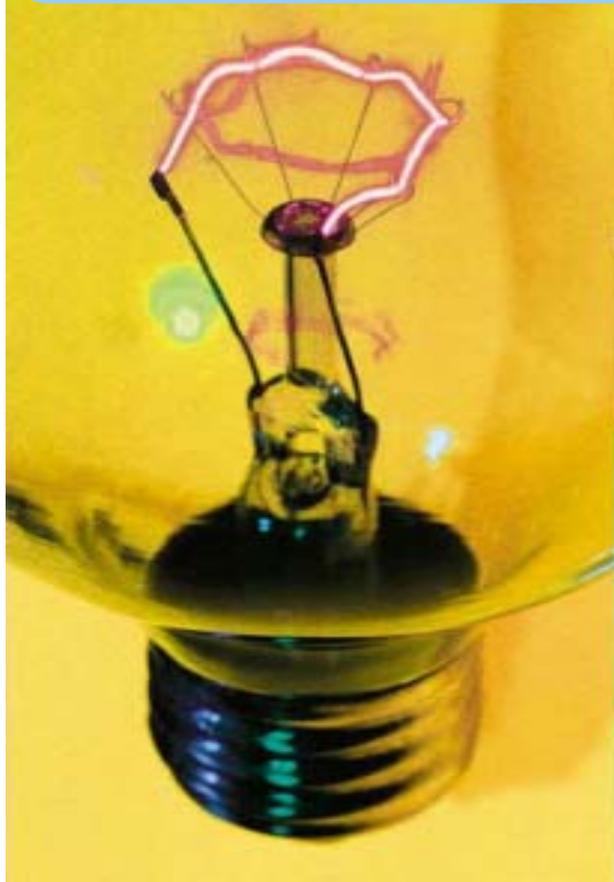
What is in the proposed Directive





The proposed Directive

Article 4: Anti blackout Article



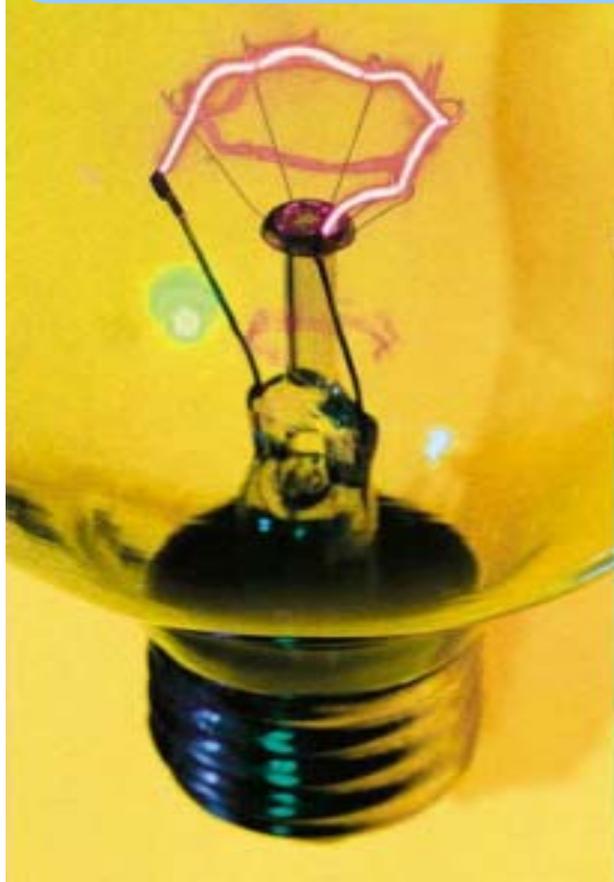
- Secure network operation
- Compliance with agreed operational norms
- All these issues need to be agreed between TSOs and made legally binding
- **i.e. UCTE Handbook and equivalents**





The proposed Directive

Article 5: Market Design Article



- Should be underlying reliance on market mechanisms
- Sufficient technical reserves for TSOs
- Further support if considered necessary: capacity obligation, financial support etc.

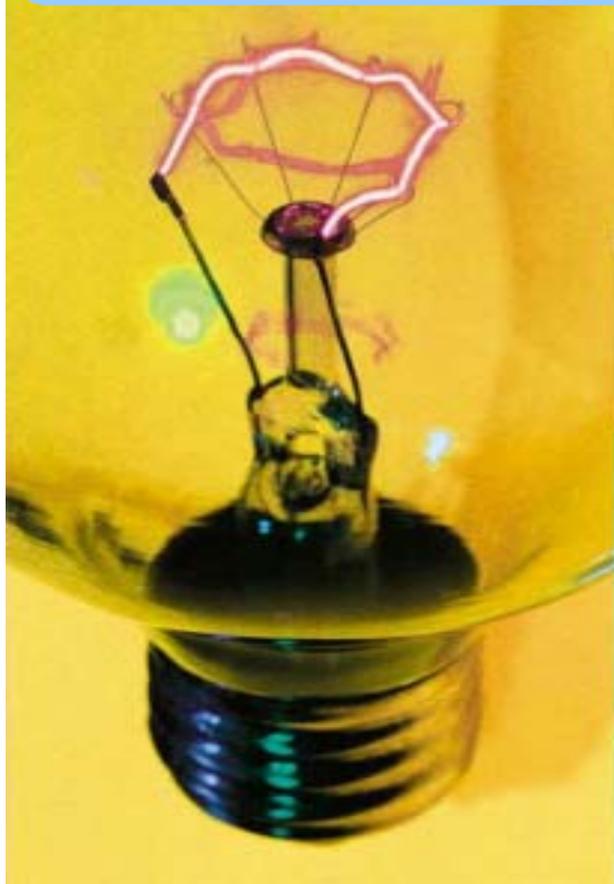
Market Design must be published





The proposed Directive

Articles 6 and 7: Regulated network investment



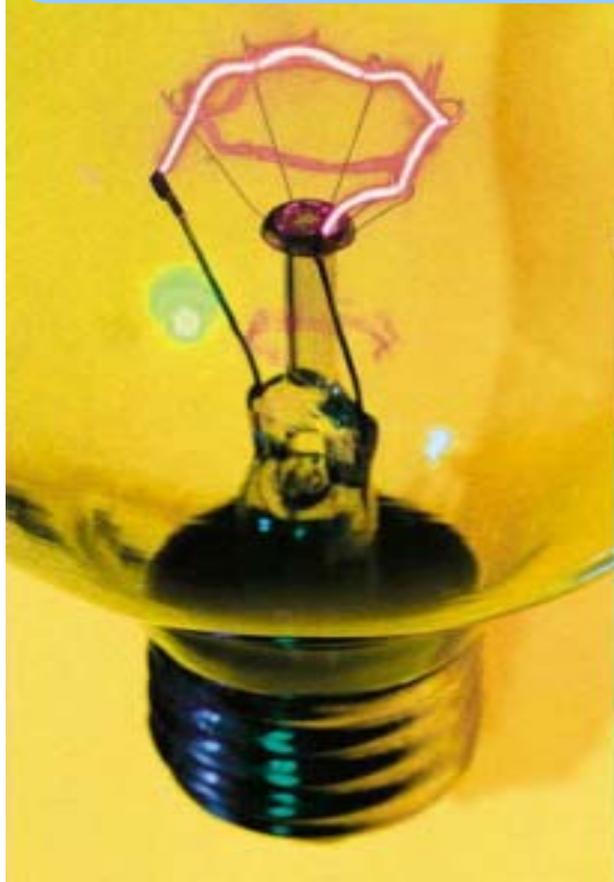
- To ensure co-ordination between TSOs and regulators about financing of projects
- Account must be taken of policy objectives, competition, environment etc.
- Potential “step in” rights for regulators, correct incentives





Conclusion

Update on discussions so far



- Most agree on necessity for some action in this area
- Discussion points:
 - Do we need “guidelines” or co-ordination mechanism for emergency situation?
 - Should approach to SOS be harmonised?
 - Role of regulators in infrastructure development (individually and collectively)?

