

Third Energy Package

More choice, more investments and
more security for the European
energy market

Basic elements of the third package

- **Effective unbundling** of energy production and supply interests from the network
- Increased **transparency of retail markets** and strengthening of consumer protection rules
- **More effective regulatory oversight** by independent NRA's and establishment of **Acer** and **ENTSO-E / ENTSO-G**
- New tools to harmonize market and network operation rules
- Where do we stand?

Structural separation between transmission activities and production/supply activities of vertical integrated companies “unbundling”

- 3 possible models:

General rule: OU “*Ownership Unbundling*”

If VIU: ISO “*Independent System Operator*”

ITO “*Independent Transmission System Operator*”

- Why separation between transmission activities and production/supply activities?

- Non-discriminatory access to networks is essential for fair competition between suppliers
- Stimulate investment in infrastructure

Stronger powers and independence of NRA's

Independence:

- Legally distinct and functionally independent from any private or public entity
- Separate annual budget and adequate human and financial resources

Powers:

- Binding decisions on energy undertakings
- Carry out investigations into the functioning of the energy markets, and to decide upon and impose any necessary and proportionate measures to promote effective competition
- Require **information** from energy undertakings relevant for the fulfilment of its tasks
- Impose effective, proportionate and dissuasive penalties on energy undertakings, including the power to impose penalties of up to 10% of the annual turnover of the TSO or the VIU
- Appropriate rights of investigations and relevant powers of instructions for dispute settlement (complaints against TSO's or complaints against decisions on methodologies or proposal of decision on proposed tariffs or methodologies)

Core duties

- Fixing or approving
 - Tariffs or at least their methodology
 - terms and conditions for connection and access to national networks; cross-border infrastructures, including procedures for allocation of capacity and congestion management
- Monitoring
 - Access to national networks and infrastructures
 - Level of transparency, including wholesale prices
 - Effectiveness of market opening and competition at wholesale and retail levels
 - Investment plans of TSO and their consistency with TYNDP
 - Consumer protection

New institutional framework

ACER www.acer.eu

- Key role in drafting Framework Guidelines for cross-border networks on which the TSO's will establish network codes
- Reviewing implementation of EU-wide TYNDP as well national development plans
- Deciding cross-border issues
- Monitoring the functioning of the internal market (NC's, network access for renewables, retail prices, consumer rights)

ENTSO'S (www.entsoe.eu en www.entsog.eu) :

- Key role in developing technical rules/Network codes at EU-level together with ACER and EC
- Promote regional cooperation between TSO's ensuring that results at regional level are compatible with network codes and non-binding TYNDP at EU-level;

- Transparency requirements necessary for network users to gain effective network access:
 - Services and their relevant conditions offered by TSO's
 - Detailed information on tariffs, methodology and structure
 - Information on technical, contracted and available capacities
 - *Ex ante* and *ex post* supply and demand information based on nominations, forecasts and realised flows in and out the system
 - Reasons of moves of wholesale prices
 - Production of electricity

Where do we stand

- Progress report on implementation of the 3rd Package at EU-level (situation September 2011):
 - 10 Member States have fully the gas directive and 11 Member States the electricity directive
 - Some more Member States have notified partial transposition measures, 9 (electricity) and 11 (gas) Member States have not yet notified anything
- National level:
 - Proposal of law has been deposited at Parliament on 2nd September
 - Incomplete and in contradiction with third Package

- **SOS-regulation 994/2010:**
 - Safeguarding the security of gas supply by ensuring the proper and continuous functioning of the internal market in natural gas, by allowing measures to be implemented when the market can no longer deliver the required gas supplies
 - entered into force on 2 December 2010

- **Infrastructure Package: regulation 617/2010:**
 - Common framework for European infrastructure priorities by 2020 to projects of common interest (**Financing, Permit granting, Regulation**);
 - Total investments needs in electricity and gas sector between 2010-20: over 1 trillion €
 - Financial crisis
 - Asymmetry of costs and benefits
 - Lack of coordination of cross-border investment approval process
 - More than 10 years from first planning until final commissioning / opposition of affected population / inefficient administrative procedures

- Draft Remit-regulation:
 - Defines abusive and thus illegal practices in **wholesale energy markets** (insider trading and market manipulation)
 - Obliges market participants to report details on wholesale market transactions to ACER
 - ACER and NRA's will monitor the wholesale market, in cooperation with financial regulators
 - Will contribute **to the harmonization of wholesale energy markets regulatory framework at European level**

THANKS FOR YOUR
ATTENTION