

# **Energy regulation and security of supply – the European regulators' approach –**

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# What does security of supply imply?

- There is **no common definition** of security of supply for electricity and gas at European level.
- **In Electricity:**
  - according to the Directive 2005/89/EC, “*security of electricity supply means the ability of an electricity system to supply final customers with electricity*”.
  - European energy regulators further specified this definition : “*Security of supply means that customers have access to electricity at the time they need it with the defined quality and at a transparent and cost-oriented price.*”
- **In gas:** no definition has been given yet in a legally binding text.

# The complexity of security of supply

- Security of supply as a **multi-dimensional issue**: technical, political, economical
- **Different approaches** to security of supply
  - Preventive-reactive, endogenous-exogenous risks, confluence of a variety of roles (MS, NRAs, operators, stakeholders)
- **Electricity and gas characteristics**:
  - Different nature of production (national versus mostly imported)
  - A well meshed and interconnected network in electricity, entry points and transmission corridors in gas
  - GNL and storability of gas allow for more flexibility
  - Heavy dependence on a few gas suppliers
  - Increasing interrelation (gas-fired generation)

# Challenges in infrastructure development (1/2)

- Common challenges for the electricity and the gas sectors
  - Improvement of security of supply through the **the up-grading of existing infrastructure, interconnections and development of new ones**
  - Incentives to invest in infrastructure and coordination of infrastructure planning at European level needed (financial, legal obstacles...)
- Specificities to the gas sector
  - Diversification of supply sources and routes (pipelines and LNG)
  - Development of reverse flows when justified and interconnections
  - Improving coordinated gas dispatching between adjacent TSOs
  - Article 36 of Directive 2009/73/EC provides that *“new gas infrastructure, i.e. interconnectors, LNG and storage facilities, may be exempted from the provisions [concerning third party access and tariffs if the investment enhances] competition in gas supply and security of supply”*.

## Challenges in infrastructure development (2/2)

- Specificities to the electricity sector
  - Article 16 of Directive 2009/28/EC provides that *“TSOs shall give priority to renewable energy generating units when dispatching electricity installations insofar as the secure operation of the national electricity system permits and based on transparent and non-discriminatory criteria”*
  - Power grid needs to be protected against the variability of renewable energy to prevent severe network security situations and even blackouts
    - Adaptation of the power grid to the climate issues, integration of renewables, smart grids...

# Security of supply – a EU priority

## The new legal framework

- New chapter on energy in the Lisbon Treaty (2009)
  - Article 194 TFEU creates a new basis for all energy related legislation,
  - **Principle of solidarity** between MS, **security of supply** and development of energy networks – notably of **cross-border interconnections** – as key elements of EU energy policy
- 3rd Package provisions (2009)
  - **Increased independence and competencies of NRAs**
  - Creation of a European **Agency for the cooperation of energy regulators** (ACER)
  - Stronger **cooperation between TSOs at European level** (ENTSO-E/ ENTSOG), in particular as regards investments planning (TYNDP)
- Directive 2005/89/EC on security of electricity supply
- Directive 2004/67/EC on security of gas supply → **revision ongoing**
- Regulation (EC) n°736/96 on investment notification → **revision ongoing**
- TEN-E Guidelines and European Energy Programme for Recovery
- New infrastructure package foreseen

# Security of supply

## The role of European energy regulators

- Reinforcing security of energy supply is an objective for NRAs, even if differences between MS and a key driver for the tasks of ACER
- Close voluntary cooperation of NRAs at European level is a key to tackle security of supply problems:
  - **Council of European Energy Regulators (CEER)** set up in 2000 by the NRAs as a voluntary organisation (29 members)
  - Within CEER two Task Forces deal specifically with security of supply issues in electricity and gas
- CEER uses different tools to deal with security of supply issues
  - Exchange of monitoring information and data between NRAs
  - Ensuring transparency for market participants
  - Market integration, regional initiatives, investments
  - Legally binding Guidelines (e.g. on congestion management and capacity allocation)
  - International cooperation

# CEER's recent international activities

- In 2006, CEER set up a Working Group dealing with international cooperation issues – the **International Strategy Group (ISG)**
- One ISG priority is to **support the EU policy with regard to security of supply,**
- Ongoing dialogues with non-EU gas producers and/or transit countries
  - Contacts with the **Federal Tariff Service of Russia**
  - CEER members' twinning projects with the **National Electricity Regulatory Commission of Ukraine**
  - CEER permanent participation in the **Eastern Partnership “Platform on energy security”**
- **IERN/ICER**



Thank you for your attention!

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