



EU regulatory developments since Nov.08 (New Orleans)

José Braz

CEER 3rd Package WG chair

Executive Board member, ERSE, Portugal

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- **3rd Package – main features**
- **Interim period state of play**
- **Issues for discussion:**
 - **Regional integration**
 - **More (+ Smarter) Infrastructure**
 - **Increased stakeholder involvement**
 - **Increased politicisation of regulation**

3rd Package – main features

Approved Sept 2009; 18 months for transposition; enters into effect March 3, 2011

Package consists of 5 legal instruments covering both electricity and natural gas (2 Directives and 3 Regulations)

Objectives: Reinforce EU Internal Energy Market, with

- (i) Increased **competition** and **efficiency** (easier access for new entrants; remove conflicts of interest of vertically integrated undertakings via ownership unbundling, ISOs or ITOs)
- (ii) Harmonised and reinforced powers and **independence for regulators**, to ensure predictable investment framework; cooperation via new agency
- (iii) Emphasis on cross-border interconnections and **investments** (10-yr network development plans)
- (iv) Greater attention to **consumers**, especially the vulnerable

3rd Package – main features

New institutions created: ACER (Agency for Cooperation of Energy Regulators) and ENTSOs (European Networks of TSOs) for electricity and natural gas

ACER to have own staff of 50, headed by Director (selected April, 2010), but all regulatory decisions and opinions need agreement of Board of Regulators (representing 27 EU NRAs; has met 3 times since inaugurated in April); institutional governance provided by Administrative Board, representing Council, Parliament and Commission

ENTSO-E and ENTSO-G already pre-constituted (to comprise certified TSOs), have important role in drafting codes, based on framework guidelines set by BoR

Codes become binding following comitology approval

18-month interim period being used to prepare for effective operation of ACER and ENTSOs after 3-3-2011

CEER created Agency Project Team within 3rd package WG to liaise with Commission (newly nominated late 2009) in preparing for ACER and to ensure uniformity in electricity and gas procedures as ENTSOs evolved; prepared BoR rules of procedure and analysed ENTSO draft statutes

Pilot codes in electricity and gas underway, serving to develop coordination between CEER, TSOs and Commission and to advance with preparing EU-wide network codes for swift approval once ACER and ENTSOs are effective

Intense cooperation (expert, planning, monitoring groups, AHAG) already testing the limits of resource capacities

What has changed for regulators?

3rd Package includes new reference (albeit vague) obliging regulators to consider “regional issues” - in recent years, ERGEG Regional Initiatives (7 electricity; 3 gas) already sought to promote regional integration as stepping-stone to full EU Internal energy market; Commission has promised a communication for end-2010

Questions are how to ensure consistency between regional integration and full EU integration and how to treat “market” (non-regulator) regional groupings

What is US experience?

What has changed for regulators?

Emphasis on “smarter” grids, to help meet environmental objectives, requiring greater inclusion of renewables – 3rd Package requires 2012 decision on smartmeter rollout and that ENTSOs develop 10-year network development plans; new Commission strongly promoting infrastructure investment to accelerate internal market

Problems are (i) how to balance desirable “green” goals with equally desirable energy affordability, (ii) how to avoid consumers’ refusal to pay or operators’ refusal to invest and (iii) how to develop and implement “smarter” regulation?

What is US experience?

What has changed for regulators?

Energy regulators in the EU are having to be ever more inclusive in their activity – 3rd Package requires very ample consultation, including a multitude of stakeholders, as well as special attention to consumers, namely the “vulnerable”

Problems are how to balance desirable inclusiveness with equally desirable efficiency and rapid decision-taking and how to avoid stakeholder fatigue or overloading the human resources of regulators and TSOs

What is US experience?

What has changed for regulators?

Energy has changed from technical to ideological, from boring utilities management to highly politicised topics of universal interest, such as environmental and geo-political issues

Energy regulators in EU are given greater independence in 3rd Package but the exercise of that independence is increasingly restricted by the attention demanded by political factors (e.g. related to the environment, to supply security, to consumer rights or even protection of national champions or “clusters”); current budget constraints are a further potential threat

What is US experience?

The background of the slide is a light blue and white gradient. On the left side, there is a faint, semi-transparent image of a high-voltage electricity pylon. On the right side, there is a faint, semi-transparent image of a gas stove burner with blue flames.

Thank you for your attention!

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