

CEER Citizens' Q&A

Status Review on Implementation of TSO and DSO Unbundling Provisions – Update and Clean Energy Package Outlook

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1 What is Unbundling?

The term unbundling describes the legal requirement imposed on energy companies obliging them to separate their generation/supply activities from network operation (networks are Distribution Systems and Transmission Systems). Even if energy markets have been liberalised, it is inefficient to duplicate network activities, so that energy transmission and distribution companies must allow third parties (new suppliers) to use their networks to provide consumers with new competitive energy offers. Hence, unbundling measures aim to avoid potential discrimination against newcomers that could occur if an energy company dealing with both generation/supply of energy and network management could favour its own suppliers on the network.

2 What Does the Status Review present?

This CEER review focuses on new developments in the unbundling practice of the Distribution System Operators (DSOs) and Transmission System Operators (TSOs) since summer 2015. The review also provides an overview of new unbundling related provisions introduced in the most recent European legislative acts – the “Clean Energy Package for All Europeans” package (CEP). The review emphasises the important role of regulators in enabling a clear and transparent unbundling process in compliance with the relevant EU legal provisions.

3 How Does it Work?

There are different models of unbundling depending on the network concerned; if the network is composed of high voltage lines (Transmission System Operators TSO) then the unbundling rules are stronger and companies are obliged either to sell their grid or isolate the management of the grid within the company through operational, legal measures. For low voltage (Distribution System Operators DSOs) networks the unbundling rules are less restrictive because the potential of discrimination is lower. Brand unbundling is also important, so that it is clear to consumers that the network operator is not the supplier.

4 What is the Impact on Energy Customers?

The aim of unbundling is to promote and maintain competition in energy markets, ensuring greater choice for consumers and thus applying pressure on energy companies to offer the best possible value and services. System operators (DSO and TSOs) are encouraged to act as neutral bodies, facilitating fair competition between suppliers. Therefore, it is essential for system operators to be independent from the commercial supply chain in order to avoid conflicts of interest and to act fairly with customers' interests in mind. Unbundling provisions allow new suppliers to compete with the incumbent in offering new products and services.