

CEER

Council of European
Energy Regulators



Harmonisation in the EU and the way
forward – A Bridge to 2025

Fostering energy markets,
empowering **consumers**.

Creating an Internal Energy Market

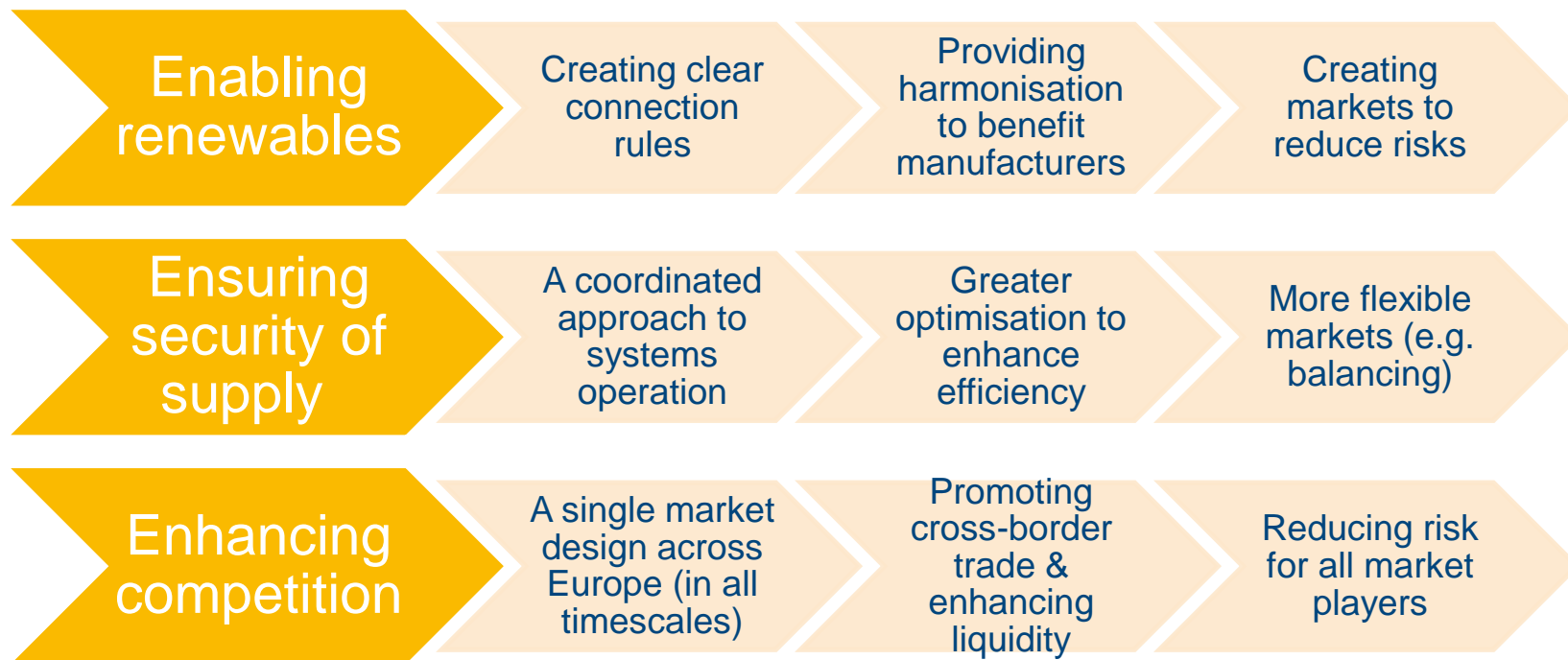
*“Is it not strange that we can book a train ticket from Portugal to Estonia and can buy our textiles and cars from all over Europe - but for energy markets we are **still stuck with our national suppliers?**”*



Guenther Oettinger,
EU Commissioner for Energy
(2010 – 2014)



Why Harmonisation?



History of EU integration

Towards the Single Energy Market

1st Package
“First common
rules for the internal
market and
liberalisation”

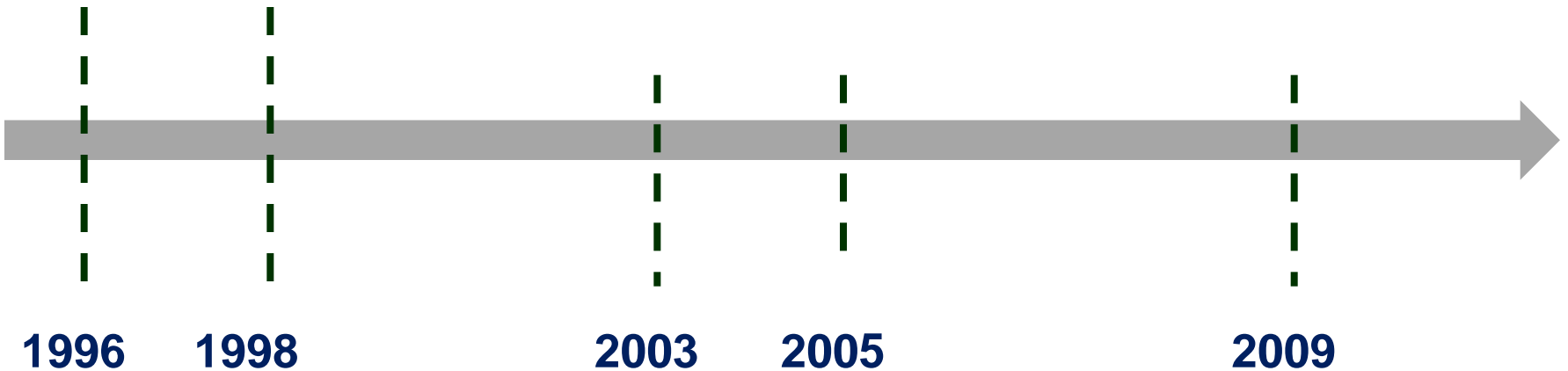
Partial liberalisation

2nd Package
“Speeding up liberalisation and
market integration”

**Full market opening; obligation for MSs
to establish NRAs independent from
industry; legal & functional unbundling**

3rd Package
“EU-wide Institutional &
Regulatory Framework”

**Reinforcing unbundling (including
ownership); harmonised cross-
border rules; strengthened NRA
independence & powers;
establishment of ACER & ENTSOs**



History of EU integration

Voluntary cooperation has shown its limits

3rd Package to fill 'regulatory gap' in cross-border framework and embed a more European approach to the IEM:

- Strengthened **NRAs' powers and independence** from public or private interests; mandate to cooperate at European level and to promote the internal energy market
- European regulatory Agency ('**ACER**') **created** to promote and support regulatory cooperation across the EU structure, coordinate NRA action where necessary and participate in EU-wide regulatory processes
- **ENTSOs created** for increased cooperation and coordination among transmission system operators (TSOs)
- **Network codes** (binding) at European level for cross-border network & market integration issues & European network planning

All aimed at
achieving

competitive IEM to
deliver real choice

for all consumers be
they citizens or
businesses

Network Codes

- ▶ The codes form a set of **harmonised rules** for cross-border trade of gas and electricity.
- ▶ The 3rd Energy Package set out a framework for these codes to be developed by the European Transmission System Operators (ENTSOs) for gas and electricity, ACER and market participants



Network Codes

What are they?

Electricity Network Codes

3 Connection Network Codes

Set requirements for:

- Generators
- Demand-side
- HVDC connections

3 Market Network Codes

Set market rules for:

- Day ahead/intraday & Capacity calculation
- Long-term timeframes
- System balancing

3 Operational Network Codes

Set common rules for:

- Assessing adequacy
- Planning outages
- System security
- Emergency situations

Gas Network Codes

5 Network Codes

Congestion Management Procedures (CMP)
Capacity Allocation Mechanisms (CAM)
Balancing

Interoperability
Harmonised tariff structures

Regional Initiatives

- To speed up the integration of Europe's national energy markets.
- Regional Initiatives create electricity and 3 gas regional markets as a staging post towards a single-EU energy market.
- The North West region was price coupled on the day-ahead time frame on 4 February 2014.
- Nordic and Baltic markets are fully integrated in all time frames (NordPool Spot)

Regional Initiatives Status Review Report 2014



Progress achieved

- In addition to common market rules (network codes) and common legal requirements (3rd Package provisions)
- In 2014, single electricity day-ahead market coupling covers Strait of Gibraltar to the Barents Sea, covering 17 jurisdictions and approximately **75% of the electricity** delivered in the EU
- Price convergence is improving
- Cross-border capacity contracting becoming more short-termed (e.g. where liquid gas hubs exist)
- New joint auction offices and regional market operators, TSO cooperation bodies and possibly electricity and gas capacity allocation bodies

....but much more work still to be done!

[ACER-CEER Annual Market Monitoring Report 2014](#)



Lessons learned from voluntary projects

- It takes time
- Political backing is an absolute key
- Stakeholder involvement is important
- Prioritising the recommendations in advance can be helpful
- Governance of new market arrangements needs careful thought to reflect changes

The Bridge to 2025

The “Bridge” is a formal Recommendation from ACER to the European Parliament, the Council and the Commission; based on the challenges over the next decade of EU energy market integration.

ACER and CEER worked together to produce The Bridge to 2025 which represents a joint strategy to shape EU energy policy over the coming decade.

The Bridge is a document but also an ongoing process



Key Objectives

The Bridge Recommendation reflects regulators' ambition to achieve five key objectives for the Internal Energy Market by 2025:

1. Establishing liquid, competitive and integrated wholesale energy markets

2. Enhancing Europe's security of supply and channelling the external element of IEM

3. Moving to a low carbon society with increased renewables and smart, flexible responsive energy supply

4. Developing a functioning retail market that benefits consumers

5. Building stakeholder dialogue, cooperation and new governance arrangements

1.5 Bridge Proposals for ACER & CEER (1)

Cross-cutting proposals address the full range of energy policy - from electricity and gas, to retail and consumer to distribution networks and the overall governance for European level energy cooperation.

Some key proposals include:

- ▶ Implement fully the Third Package framework, network codes and Target Models for electricity and gas
- ▶ Develop the Gas Target Model to help manage the uncertainty about future gas demand and where appropriate the electricity Target model
- ▶ Promote security of supply and more coordinated and consistent approaches to assessing system adequacy
- ▶ Facilitate flexible response, including participation of the demand side

1.6 Bridge Proposals for ACER & CEER (2)

- ▶ Establish common criteria for a well functioning retail market and develop a roadmap aimed at competitive and innovative retail markets by 2025
- ▶ Protect and empower consumers to participate actively in energy markets through developing CEER/BEUC vision
- ▶ Establishing stakeholder panels of energy actors and consumer representative bodies
- ▶ Ensure that the market for new service providers is not foreclosed by incumbents
- ▶ Review and improved regulatory oversight of ENTSOs and of other bodies (e.g. NEMOs)

New area for EU action: Retail Markets

- A disconnect between wholesale and retail energy markets, despite lower wholesale prices retail prices has increased in many areas.
- Price regulation hampers competition and create barriers to entry
- A need to give consumers further rights and tools to empower them to participate actively in energy markets
- CEER focuses strongly in this area
- Energy Union Communication gives support to ACER/CEER views

New kid on the block: Energy Union

The way forward

Communication on Energy Union Strategy Framework

+ Communication on “The Road to Paris” (i.e. international climate negotiations) and

+ Communication on Progress towards the 10% electricity interconnectivity target

- Energy Union Communication is very much in line with the Bridge 2025
- The gap between wholesale and retail is highlighted
- New market design – what does it mean?
- New legislation is probably under way
- Regionalisation is the way forward



Energy Union Communication

Energy Union strategy composed of five mutually-reinforcing, interrelated dimensions to bring greater energy security, sustainability and competitiveness:

- Energy security, solidarity and trust
- A fully integrated European energy market
- Energy efficiency contributing to moderation of demand
- Decarbonising the economy
- Research, Innovation and Competitiveness



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Thank you for your attention

www.ceer.eu

