

European Energy Regulators consult on the way for 3rd package implementation

- **Early start on many aspects of the 3rd energy legislative package**
- **Work timetable and future stakeholder involvement with the Agency**
- **Developing Framework Guidelines and prioritising network codes**
- **The coordination of regional and national issues**

With the successful first reading by the European Parliament and political agreement by the Council of the 3rd energy legislative package a new EU energy regulatory framework takes a step closer to becoming reality. To maintain momentum the European Energy Regulators¹ have **launched a public consultation** "Implementing the 3rd Energy Package" on how to put some of the key elements of the 3rd package into practice.

This consultation comes just days after political agreement was reached at the 10th October Energy Council meeting on aspects of the European Commission's 3rd energy legislative proposals².

Early start on many aspects of the 3rd energy liberalisation legislative package

The consultation paper focuses on those elements where there is sufficient clarity as to the likely outcome, and where progress can be made before the 3rd package proposals are definitively agreed.

Much preparatory work will be needed in the 18 month ("interim period") from the formal adoption of the 3rd package (hopefully early 2009) and the time the Agency is able to act (not before 2010) and the ENTSO³ are formally operational (not before 2011).

EREG Chair, Lord Mogg stated "*We have to keep up the political momentum to deliver a fully effective Agency and the network codes to meet the EU's needs. Regulators have provided an authoritative basis on which an informal debate can now take place so that we (European Commission, network operators and regulators) shall all be ready when final political agreement on the third package is delivered.*"

Regulators are consulting on:

Work timetable and future stakeholder involvement with the Agency - practical working arrangements (including ways of ensuring proper stakeholder involvement, proper public accountability) as well as a high-level timetable on work.

Developing Framework Guidelines and prioritising network codes

The 3rd package envisages the development of cross border network "codes" (across 11 areas⁴) drafted by the ENTSO. These codes will be based on higher level "Framework Guidelines" prepared by the Agency. The Agency will define the objectives and scope of the network codes in the Framework Guidelines (which ERGEG is already developing). This consultation paper further proposes that the areas be grouped into a smaller number of codes, it **prioritises the codes⁵** and **sets out a process and timetable** for developing the codes.

The coordination of regional and national approaches into the EU regulatory framework

The 3rd package proposals include a regional dimension. Stakeholders need clarity on the process of co-ordination, how it will work and how they can interact with it during the transition to a single European energy market. The regulators propose a process to enhance co-ordination at regional and EU level, including coordinated work plans of Agency and ENTSOs, and of EU work plans and those developed within the ERGEG Regional Initiatives⁶.

This public consultation closes on 31 December 2008.

21 October 2008

Ends

(see Note for Editors on next page)

Notes for Editors:

1. The European Regulators Group for Electricity and Gas (ERGEG) was established by the European Commission in 2003 as its advisory group on internal energy market issues in Europe. The Council of European Energy Regulators (CEER) was set up by regulators themselves in 2000 on their own initiative and is, based upon the voluntary cooperation of the Europe's national energy regulators. See www.energy-regulators.eu.
2. The European Commission's 3rd package proposals (currently under negotiation in the European Parliament and Council) provides for :
 - the reinforcement of the powers and independence of national regulators;
 - An **Agency** for Co-operation of Energy Regulators (ACER);
 - The establishment of European Network of Transmission System Operators (ENTSOs) in electricity and gas; and
 - Effective unbundlingSee the regulators "Key Comments on the European Commission's Third Package (ref. C07-G-36-08) on www.energy-regulators.eu
3. The regulators welcome the announcements by the gas and electricity transmission system operators to take preparatory steps to set up interim-TSO bodies ahead of the formal establishment of the European Network of Transmission System Operators (ENTSOs).
4. The European Commission's 3rd package proposals identify a number of areas (11, but this may change in the negotiations) for network codes. Although the number of areas is specified, the number of codes is not. The regulators believe that many of the codes are inter-related and for practical reasons could be grouped into a fewer number of codes.
5. Work by the TSOs to develop the codes (which may become legally binding) is expected to take some time. Work on the **network codes** will need to be undertaken in **an ordered way**, rather than all at once. This consultation papers suggests an approach for **prioritising the codes**.

For electricity;

 - Priority I: security and reliability rules; interoperability rules; and operational procedures in an emergency;
 - Priority II: grid connection and access rules; capacity allocation and congestion management rules; and transparency rules;
 - Priority III: balancing rules including reserve power rules; and data exchange and settlement rules; and
 - Priority IV: rules regarding harmonised transportation tariff structures including locational signals and inter-TSO compensation rules; energy efficiency regarding electricity networks.

For **gas**: the proposed priorities are different. In gas, the main concerns are proper access to existing infrastructure, lack of transparency, interoperability and coordination between TSOs.

 - Priority I: capacity allocation and congestion management; transparency; and balancing rules;
 - Priority II: rules regarding harmonised transmission tariff structures; interoperability rules;
 - Priority III: security and reliability rules; grid connection and access rules; data exchange (although aspects of this area may have relevance to other, higher priority areas) and settlement rules; rules for trading related to technical and operational provision of network access services and system balancing; and
 - Priority IV: operational procedures in an emergency, energy efficiency regarding gas networks.
6. The ERGEG Regional Initiatives, launched in spring 2006, created 3 gas and 7 electricity regions in Europe as an interim step to creating single European electricity and gas markets.