



European Federation of Local Energy Companies
Confédération Européenne des Entreprises Locales d'Energie

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Mrs Geitona,

Concerns : Public consultation on draft ERGEG Guidelines of Good Practice on Functional and Informational Unbundling

We have taken notice with great interest of the Public consultation paper on the Draft ERGEG Guidelines of Good Practice on Functional and Informational Unbundling.

Neutrality of the network activities is indeed one of the key issues for functioning wholesale and retail markets for electricity and gas.

However, the statement that unbundling, or the separation of the network business from the activities of production, supply and gas storage, is a pre-requisite for effective competition, seems to confound objectives with the means to reach them.

Unbundling is only an essential means, insofar its contribution to the objective weighs up to the costs that are associated with the proposed unbundling measures.

The Guidelines of Good Practice (GGP) – written in the context of the current legal framework – indeed can assist the full implementation of the current legislation.

The GGP on Functional and Informational Unbundling give guidance on how companies should comply, and how regulators shall monitor their compliance.

The fear for distribution system operators (DSO) imposing discriminatory grid charges and costs for connecting new generation capacity, for network extensions or for reinforcement, should be countered by the effective functioning of strong regulators.

Discrimination through unequal access to information (on grid operations and on customer data) or through other preferential treatment of related services & companies on distribution level, should indeed be addressed structurally by detailed measures, as they are being proposed in the GGP.

In principle, as stated on page 7, ownership unbundling would solve problems related with functional and informational unbundling. The conclusion on page 8 that "where ownership unbundling has been implemented, the described guidelines do not apply", clearly overestimates the positive effect of ownership unbundling, especially on larger DSOs that are part of vertically integrated energy companies.

The proposed measures on unbundling of function (point 2 – page 9), unbundling of professional interest (point 3 – page 10), unbundling of decisions (point 4 – page 12) and the compliance programme (point 6 – page 17) have clearly been designed with large vertically integrated energy companies in mind, where these measures indeed seem suitable.

Concerning the general application of unbundling of professional interest (point 3 - page 10), there seems to be a contradiction between "additional measures to legal unbundling" and "concerns both legally and not legally unbundled system operators". This should be clarified

Measures like G01 (geographically separated structure), G07 (new employment contract when changing from commercial to regulated company), G08-f (temporary limits on information access or even prohibition of certain function switches), G09 (separate call centres ...) seem logic for big integrated companies, but are not evident at all or even impossible to apply for small and medium sized DSOs.

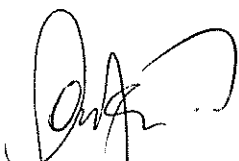
On some points (like G08-g : a priori opinion of the regulator), it is not clear what the practical impact should be of the proposed measure.

On unbundling of information (point 5 – page 14) the measures mostly seem sensible (G17 till G22) but – here again – the "guidelines on information management" (G23 & G24) are far too complex and thus relatively too costly for small and medium sized DSOs.

Given these application problems for small and medium sized DSOs, the existing exemption on unbundling for companies with less than 100 000 customers, should absolutely be maintained and respected.

Generally, there should always be made a clear trade-off between the cost of a potential measure (and its negative effect on network access tariffs and consequently on customer prices) and its necessity and potential benefit for the functioning of the market and thus for the end user price and service quality.

We stay at your disposal for any questions or further information



Gert De Block
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