

### European Energy Regulators welcome the European Parliament's Vision

- **A strong and independent Agency, along with increased powers for national energy regulators, will help to secure an internal energy market**
- **The enhanced process for developing network codes will help provide certainty for market players**
- **Proposals for regional cooperation reinforce ERGEG's long-standing efforts for achieving full market integration through its Regional Initiatives**
- **Regulators reiterate their support for the Parliament's position on "ownership unbundling" of transmission system operators**

European Energy Regulators welcome the outcome of the European Parliament's Plenary Vote on three of the proposals<sup>1</sup> on the internal energy market as needed improvements to the European Commission's original proposals.

In particular, regulators support the Parliament's call for a strong and independent Agency for the Cooperation of Energy Regulators (ACER), empowered to oversee and steer Europe's gas and electricity markets towards a truly free and single market, based on clear market rules and a level playing field for all parties. The governance arrangements foreseen for the Agency by the Parliament (a leaner and more efficient Administrative Board; the clarification of the respective roles of the Board of Regulators which is entrusted with sole responsibility for regulatory issues, and of the Director, who is "bound" by the decisions of the Board of Regulators) represent a significant step forward.

ERGEG Chair, Lord Mogg stated "A strong and independent Agency will play a key role in integrating Europe's energy market and the European Parliament has seen fit to endow energy regulators with the tools necessary for achieving this goal."

Regulators also welcome the Parliament's decision to strengthen the role of the Agency as a body in charge of taking binding decisions on cross-border issues, and of providing independent advice to all institutions. It is important that the Agency is equipped with real monitoring and enforcement powers. Regulators accept that increased powers should be accompanied by greater accountability to all institutions, increased transparency and careful monitoring and reporting by regulators.

The enhanced process for the adoption of network codes, which lie at the centre of the European grid, is a positive development. The Agency's power to define the basic principles and scope of network codes, based upon which the TSOs will develop the draft codes which will then be approved by the Agency, is a significant improvement to the original proposals. The process for making the codes binding, following the recommendation of the Agency, is vital to providing regulatory certainty for investors, to develop the infrastructure that Europe needs and to avoid compromising market functioning.

Regulators also support the focus placed on regional cooperation. ERGEG has already been laying the foundation for a single market by removing barriers to trade through its Regional Initiatives. The regional cooperation approach emerging from the Third Package, building on ERGEG's existing practices, should strengthen the framework for producing concrete results, whilst ensuring regulatory oversight and coordination at the highest level by the Agency.

Finally, regulators reiterate their support for the Parliament's position on "ownership unbundling" of transmission system operators. The key is to deliver effective solutions as soon as possible. Fair and equal access to the networks and appropriate investment incentives on transmission system operators are essential to Europe-wide security of supply. As we have stated previously, ownership unbundling is the most effective means of avoiding discrimination. Moreover, the greater the degree of unbundling the less additional, intrusive regulation is needed. In its advice to the European Commission, ERGEG advocated that the model required in the 3<sup>rd</sup> package is in principle ownership unbundling and that there is no justification for less unbundling in gas than in electricity, as the potential for discrimination does not differ.

**(see Note to Editors on next page)**

**Notes to Editors:**

1. See Key Comments on the European Commission's Third Package (ref. C07-GA-36-08) on [www.energy-regulators.eu](http://www.energy-regulators.eu)
2. The European Regulators Group for Electricity and Gas (EREGG) was established by the European Commission in 2003 as its advisory group on Internal Energy Market issues.
3. The EREGG 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.

**Table: Electricity and Gas Regions of the EREGG Regional Initiatives**
*(lead regulator(s) in italics)*

<b>Electricity Regional Energy Markets (REMs)</b>	
<b>Central-West</b>	<i>Belgium, France, Germany, Luxembourg and The Netherlands</i>
<b>Central-East</b>	<i>Austria, Czech Republic, Germany, Hungary, Poland, Slovakia and Slovenia</i>
<b>Central-South</b>	<i>Italy, Austria, France, Germany, Greece, and Slovenia</i>
<b>Northern</b>	<i>Denmark, Finland, Germany, Norway, Poland and Sweden</i>
<b>South-West</b>	<i>Spain, France and Portugal</i>
<b>Baltic</b>	<i>Latvia, Estonia and Lithuania</i>
<b>France-UK-Ireland</b>	<i>Great Britain, France, Republic of Ireland and Northern Ireland,</i>
<b>Gas Regional Energy Markets (REMs)</b>	
<b>North-West</b>	<i>The Netherlands, Belgium, Denmark, France, Germany, Ireland, Sweden and Great Britain, Northern Ireland and Norway (observer)</i>
<b>South</b>	<i>Spain, France and Portugal,</i>
<b>South-South East</b>	<i>Austria, Italy, Bulgaria, Czech Republic, Greece, Hungary, Poland, Romania, Slovakia and Slovenia</i>

4. Examples of concrete results in the electricity REMs include:
  - Central West: Plans are in place for "market coupling" on interconnectors by 2009; auction rules to be harmonised; and regional transparency improvements agreed.
  - Central-East: Regional transparency improvements agreed; efforts to move towards a flow-based capacity calculation system; and a common auction office is to be established (near Munich) for capacity allocations.
  - Central-South: Progress with coordinated explicit auctions implemented at the main interconnections points (Italy-Slovenia since Sept. 2007, Italy-Switzerland since January 2008) and further harmonisation sought; market coupling is in focus; transparency work is underway and the creation of a single auction office is being considered.

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<sup>1</sup> On 18 June 2008, the European Parliament adopted its position on the Commission Proposals for 1) Directive amending Directive 2003/54/EC concerning common rules for the internal market for electricity (COM(2007)0528); 2) Regulation amending Regulation 1228/2003 on conditions for access to the network for cross-border exchanges in electricity (COM(2007)0531) and 3) Regulation establishing an Agency for the cooperation of energy regulators (COM(2007)0530).