



2008 Annual Report

of the European Energy Regulators

Council of European Energy Regulators (CEER)

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2008 Annual Report of the European Energy Regulators



**This report covers the activities of Europe's energy regulators for the period
1 January 2008 to 31 December 2008.**

This report is made in accordance with Article 3 (8) of the European Commission Decision of 11 November 2003 (2003/796/EC), as set out in the Official Journal of the European Union, which established the European Regulators Group for Electricity and Gas (ERGEG). It is the 2008 Annual Report of Europe's energy regulators to all members of CEER, ERGEG, the European Parliament, the Council of Ministers and the European Commission.

What is the CEER?

The Council of European Energy Regulators (CEER) is the organisation in which the independent national regulators of electricity and gas in Europe voluntarily cooperate. The CEER is a not-for-profit association under Belgian law.

What is ERGEG?

The European Regulators Group for Electricity and Gas (ERGEG) is the European Commission's advisory body on internal EU energy market issues. It was set up on 11 November 2003 by a European Commission Decision (2003/796/EC)¹.

ERGEG is charged with advising and assisting the European Commission in ensuring the creation and smooth functioning of the internal energy market in Europe. In advising the European Commission, ERGEG works transparently and is committed to best regulatory practice in terms of conducting its public consultations and engaging with stakeholders.

¹Official Journal L 296 of 14.11.2003, pp. 34-35.

**ERGEG is the formal means through which the energy regulators of Europe advise the
European Commission. CEER acts as a preparatory body for ERGEG's work.**

Further information

While our formal advice to the European Commission must, by nature, be detailed and comprehensive we produce tailored communications material such as press releases and Fact Sheets in an effort to better communicate our positions and experience to a wider audience. Each month we dispatch a free, electronic newsletter entitled European Energy Regulators News to interested subscribers.

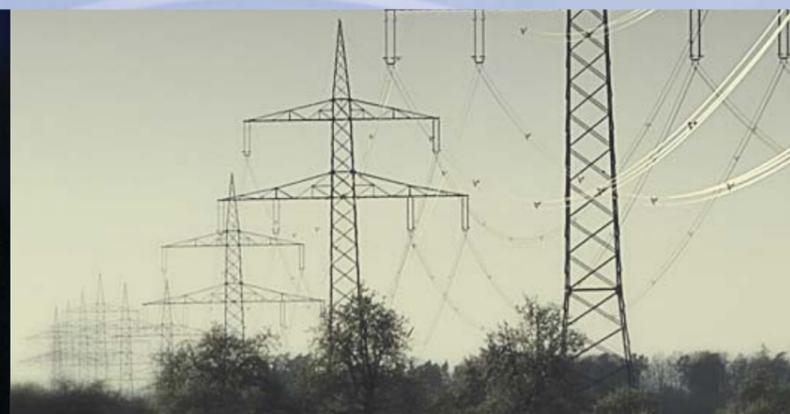
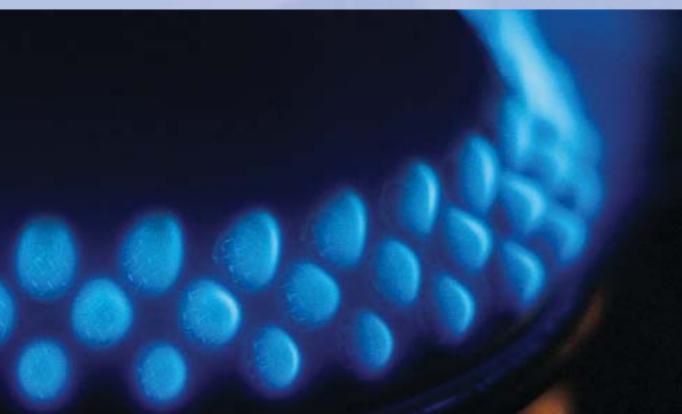
Further information on Europe's energy regulators is available on our website (www.energy-regulators.eu). The public documents of CEER and ERGEG are freely available for download from the website or can be obtained directly from the CEER Secretariat.

European Energy Regulators' News is a free, electronic, monthly newsletter. It is your gateway to press releases, public consultations, advice to the European Commission, news from the Regional Initiatives, and energy regulatory developments in Europe and beyond.

Subscribe (free) via the website and receive the European Energy Regulators' News direct to your e-mail box each month.

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Introduction

Who are the European Energy Regulators?

Europe's national energy regulators are represented at EU level through two bodies, the Council of European Energy Regulators (CEER) and the European Regulators Group for Electricity and Gas (ERGEG).

Both CEER and ERGEG share the same Board of Directors, and their membership is almost identical. The CEER Secretariat, headed up by Mrs. Fay Geitona (Secretary General), supports the work of both the Council of European Energy Regulators (CEER) and ERGEG.

Why are there two bodies (CEER and ERGEG) representing the energy regulators?

ERGEG was set up by the European Commission in 2003 as its advisory body on EU-internal energy market issues whereas CEER is an independent body formed and funded by the energy regulators themselves. ERGEG does not have any resources. CEER finances ERGEG activities and acts as a preparatory body for ERGEG's work. ERGEG is the formal means through which Europe's energy regulators advise the European Commission.

One difference in the two bodies is that the European Commission is represented at a high level at the meetings of ERGEG. The membership is also only slightly different with Norway and Iceland being members of CEER (but not ERGEG which is restricted to the regulators of EU Member States). The national energy regulators of countries which are candidates for accession to the EU and from the European Economic Area (EEA) can participate in the ERGEG meetings as observers only (but not as members).

While ERGEG inevitably focuses on a single-EU energy market, CEER's work is much broader (e.g. regulatory benchmarking of quality of supply and international cooperation).

Objectives of the European Energy Regulators

CEER and ERGEG

- promote the development of a single, competitive, efficient and sustainable market for electricity and gas in Europe;
- set up co-operation, information exchange and assistance amongst energy regulators in Europe with a view to establishing expert views for discussion with European Institutions and representative international organisations;
- facilitate consultation, coordination and cooperation in which the principles of transparency and non-discrimination are ensured; and
- contribute to a consistent application of energy legislation in all Member States.

The proposed future Agency

The European Commission proposes under its third energy legislative package (3rd Package) to set up an Agency for the Co-operation of Energy Regulators (Agency). The purpose of the Agency is to complement at Community level the increased regulatory tasks performed at national level by the regulatory authorities and, where necessary, to coordinate these tasks by providing a framework for national regulators to cooperate. The Agency will be a Community body with legal personality.

Who were the Board members in 2008?



Lord Mogg
CEER President and
ERGEG Chair

CEER Vice Presidents and ERGEG Vice Chairs



Asta Sihvonon-
Punkka (EMV)



Walter
Boltz
(E-Control)



Johannes
Kindler
(BnNetzA)



Alessandro
Ortis (AEEG)



Istvan Pataki
(HEO)

From 10th December 2008 Lord Mogg's mandate as CEER President/ERGEG Chair was renewed for two years. The mandates of Ms. Asta Sihvonon-Punkka, Mr. Walter Boltz, Mr. Alessandro Ortis, and Mr. Johannes Kindler as CEER Vice-Presidents/ERGEG Vice Chair were also renewed for two years. Mr. Marko Senčar (AGEN) became a newly appointed Board member (Vice-President) for two years, from 10th December 2008.

Honorary Members

Messrs. Jorge Vasconcelos, Jean Syrota, Pippo Ranci and Callum McCarthy, as founding Board members of the CEER, are honorary members of the CEER.

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Chairman's Statement

Energy fuels our economy. It is a basic necessity for the quality of life of Europe's citizens. Companies too need a secure supply of energy at affordable prices. It is essential for our economic growth, international competitiveness and standard of living. Recent events have underlined only too clearly the need for the Union to invest in the energy security future of Europe as a whole.

In our status review of progress towards a secure, efficient EU-energy market we have found that competition in retail gas and electricity markets is almost non-existent and that insufficient unbundling remains a major obstacle for competition and security of supply. It is unsurprising therefore that the focus of our work has been on solutions to the EU's key energy challenges.

3rd Package – towards an EU-wide energy regulatory framework

The European Commission tabled, in September 2007, the 3rd Package. It seeks to tackle the current energy regulatory gap; put in place effective unbundling; facilitate the delivery of the massive energy investment that Europe crucially needs; and improve the functioning of markets and customer rights. It should establish a sound EU-wide regulatory framework with strong, independent national regulators and an EU Agency for the Cooperation of Regulators which will act in the consumer's interest.

To maintain political momentum in the ongoing negotiations for the 3rd Package and to develop our thinking on the way the Agency will operate and how the basic spectrum of the network codes and rules will be developed, regulators launched a public consultation in Autumn 2008 on how to put some of the key elements of the 3rd Package into practice. It is essential that the 3rd Package is adopted before the end of the current European Parliament's mandate. For our part, we shall continue to work in the next year with all stakeholders to put in place the building blocks of the Agency and develop the process to deliver the Union's network codes.

Regional Initiatives – improving the pace of energy market integration

Integrating national energy markets into a single EU-energy market where competition thrives and consumers are guaranteed a secure supply of energy remains a distant dream. Through our flagship project, the ERGEG Regional Initiatives, we have sought a transformation from aspirations to reality. Significant progress has been made over the past 3 years in the seven electricity and three gas markets. Almost all have progressed with regionally-coordinated transparency improvements. There is consensus on the efficient mechanisms that should be used to relieve cross border electricity bottlenecks but reaching the target of fully efficient congestion management mechanisms requires a frontier-by-frontier approach at the borders of each region. A further success is the creation of regional auction offices in several regions. There is also a wide consensus about developing "market coupling" solutions for day-ahead allocations. Such developments will fundamentally change the future management of congestion across borders, although different issues arise. These include the governance of regional auctions offices (and of power exchanges), issues that will be tackled in our 2009 work programme.

Regulators acknowledge that market players are looking for still faster progress. In some cases governments are tardy in introducing the necessary legislative changes - in this way some Member States protect their national energy champions. The greatest successes are seen in those regions where Member State governments are genuinely committed to regional market integration. We urge all Member States to demonstrate a still stronger political commitment to regional market integration.

Energy security of supply

At the crux of the European Commission's Second Strategic Energy Review is the need for Member States' solidarity to enhance Europe's energy security. Regulators, through CEER, have already for several years spoken externally "with one voice". Our

international collaboration extends to key strategic area for the Union including the Ukraine and Euro-Mediterranean countries. Such regulatory collaboration will be reinforced and further extended to other areas such as Africa and Russia in 2009.

Increasingly, the stability and coherence of independent regulatory decisions is vital for infrastructure investment in the Union. Regulators will continue to encourage efficient and cost effective investment both within and across borders. For cross-border pipelines we recognize the risk that inconsistent decisions in granting exemptions for third party access may discourage investment in pipelines that cross several countries, and that making exemptions unduly difficult discourages investment if there is not regulatory predictability. While granting exemptions on the one hand encourages investment, on the other hand, if exemptions become the rule rather than the exception, the creation of a competitive European market for natural gas may be at jeopardy. Thus, we have worked closely with the European Commission to prepare guidance in granting Article 22 exemptions so as to ensure that necessary gas pipelines are built and are used to promote competition. Coherence in regulatory decisions across Member States should be further facilitated by the proposed new Agency.

Empowering energy customers

Regulators have as their primary goal the objective that energy consumers get the best possible deal in terms of price, choice and quality of energy supply. Progress towards a single, competitive EU market in electricity and gas will provide the driver for achieving this by allowing the consumer to have a real choice of supplier and to be empowered actively to participate in the market.

We have continued to monitor the levels of compliance with the current legislative requirements of the gas and electricity regulations, and of ERGEG's voluntary Guidelines of Good Practice (GGPs). We have unbiased facts and figures to provide to the European Commission so that it can take appropriate

action in cases of non-compliance. For the first time, we have monitored Member States' transposition of existing consumer rights into national law. The 3rd Package will reinforce such rights when the 3rd Package is agreed. Consumers are empowered by having better information and by removing the obstacles to supplier switching. We commend EU Energy and Consumer Protection Commissioners respectively, Mr. Piebalgs and Mrs. Kuneva, for their efforts to involve energy consumers more directly. Indeed the creation of the new Citizens' Energy Forum ("The London Forum") in 2008 is a step in the right direction by giving a voice to the Union's consumer associations to inform EU policy makers on the issues that are of utmost significance to energy consumers.

I should once again like to thank all those who have given support and active engagement. On behalf of the European energy regulators, I invite you to join us at the World Forum on Energy Regulation IV which we are hosting in Athens in October 2009. I cannot conclude without expressing my thanks to the members of our two organizations, CEER and ERGEG, for their unshrinking support and expertise. As always the Secretary General and her admirable staff have performed miracles to bring order into this creative maelstrom with efficiency, enthusiasm and good cheer. The task may seem daunting and the progress slower than we would all like. But progress there is and with the formal agreement of the 3rd Package I anticipate a further acceleration of the necessary integration of Europe's energy market.



Lord Mogg

CEER President and ERGEG Chair

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Regulators' work and the evolving EU energy regulatory framework

The European Energy Regulators' core objective is to facilitate the creation of a single, competitive EU market in electricity and in gas. The regulators believe that a necessary pre-condition is the full implementation of the existing EU energy legislation.

Regulators monitor Member States' compliance with existing laws

In 2008 ERGEG conducted extensive monitoring of Member States' compliance with the legally binding requirements of Regulation (EC) No 1775/2005 (Gas Regulation) and Regulation (EC) No 1228/2003 (Electricity Regulation), the results of which were presented at the 15th European Gas Regulatory Forum (Madrid Forum) and the 15th European Electricity Regulatory Forum (Florence Forum) in November 2008. ERGEG also monitored whether Member States have fully transposed into national law the consumer rights' elements of Directive 2003/55/EC (Gas Directive) and 2003/54/EC (Electricity Directive). The results of this monitoring exercise were presented at the first Citizens' Energy Forum held in London in October 2008.

Sometimes EU legislation can be ambiguous or open to interpretation in its transposition. In an effort to facilitate the proper and consistent application of energy legislation across EU Member States, ERGEG has for some years developed Guidelines of Good Practice (GGPs). ERGEG GGPs are voluntary guidelines which are developed in consultation with stakeholders and their implementation is monitored by ERGEG. Although not legally enforceable, they are designed to assist in the proper implementation of the principles set out in the current energy laws.

In 2008 ERGEG completed Guidelines of Good Practices in three areas: Third Party Access for Liquefied Natural Gas (LNG) System Operators (GGP LNG); Operational Security in Electricity (GGP-OSE); and Functional and Informational Unbundling for Distribution System Operators (GGP FIU-DSO). ERGEG also monitored the implementation of the GGP for Gas Balancing (GGP-GB).

Regulators benchmark progress at both national and EU levels

The energy regulators provided the European Commission with raw data for its annual benchmarking report on the opening of the electricity and gas markets. Since 2005, each national energy regulator produces an individual country report (whose content is coordinated with the European Commission) on how the EU energy legislation is implemented and its practical results in the country. ERGEG draws from these national reports and other sources to provide an assessment of the development of the European energy market. The ERGEG 2008 Status Review of the Liberalisation and Implementation of the Energy Regulatory Framework (2008 Status Review) and the 27 national country reports by individual regulators are available on the website (www.energy-regulators.eu).

Regulators' main findings on the development of a single EU energy market are:

- **competition in retail gas and electricity markets is almost non-existent;**
- **insufficient unbundling is a big obstacle for competition and security of supply; and**
- **political interference endangers competition.**

Despite full market opening by the 1st July 2007 deadline, competition in retail gas and electricity markets is almost non-existent. The regulators point to a number of factors: narrow geographical markets with highly concentrated retail and wholesale markets; a failure by Member States to properly implement the unbundling requirements; the persistence of artificially-low regulated prices; and some Member States' apparent lack of political commitment at present to regulatory independence or to European energy market integration. This leads to an unacceptable lack of choice for households and commercial customers in Europe.

Insufficient unbundling remains a big obstacle for competition and security of supply. There have been no major changes with regard to the unbundling (or separation) of electricity Transmission System Operators (TSOs), and few reported improvements in the unbundling of integrated gas companies. At distribution level, despite some progress, some integrated companies have not established fully-functioning independent Distribution System Operators (DSOs) capable of carrying out their business autonomously (e.g. with their own staff dedicated assets etc). DSO unbundling is key for retail market competition as the DSO must be a market facilitator providing non-discriminatory services to all energy suppliers.

There has been an improvement in the transparency of information provided by TSOs. However, these steps are not sufficient to develop competitive markets. Wholesale markets are highly concentrated and have low-levels of liquidity. The retail markets are highly concentrated, with the incumbent suppliers retaining a high-level of market power. This position is further enhanced by Member States who implement regulated prices (as opposed to free-market prices) that are below market prices, hampering competition. To develop effective competition Member States must ensure that where regulated tariffs are used as a transitional measure that they are not set below the free market prices. In gas, ERGEG considers that progress will not be achieved until appropriate rules are established for the use of infrastructure, interoperability and transparency.

Political interference in energy regulators' work was reported as a significant concern for regulators as rising energy prices have tempted some countries to use political control over prices as a remedy for presumed insufficient competition or to reach diverse social goals. Political influence has not been exerted in a transparent way, but through increased influence by ministries or parliaments on some national regulatory authorities, in terms of appointments or even individual decisions. Such political interference impacts not only on the independence of regulators, but is harmful to the development of a competitive energy market.

Regulators lead integration towards a single EU energy market with the Regional Initiatives

Since setting up the Regional Initiatives in 2006, the regulators have taken a lead role in facilitating regional market integration through the creation of seven electricity and three gas regions in Europe. These regional energy markets are a stepping stone towards the creation of a single market in Europe. In 2008, market integration continued to have a real impact through practical improvements (such as through regionally coordinated transparency requirements and congestion management) that facilitate trade in electricity and gas across neighbouring EU countries.

The third energy liberalisation legislative package ("3rd Package")

With energy topping the political agenda once again, the year kicked off with the prospect of 2008 being the year to reform Europe's current energy regulatory framework through the expected adoption of the European Commission's proposed 3rd energy liberalisation legislative package (3rd Package). The 3rd Package consists of five legislative proposals which seek to establish a new European regulatory system for energy based upon:

- effective separation (unbundling) of Transmission System Operators (TSOs) from supply and production facilities;
- an Agency for the Cooperation of Energy Regulators (Agency) which would protect the public interest; and
- the creation of European network bodies of TSOs (ENTSOs) which would require TSOs to cooperate so as to develop and operate their networks as part of a single EU grid.

With a dedicated working group on the 3rd Package, the energy regulators closely followed the negotiations

between Europe's law makers, providing independent advice on key amendments where appropriate.

By Summer 2008 the European Parliament had concluded its first reading on the 3rd Package which, in the energy regulators' view, introduced several needed improvements to the European Commission's original proposals. In particular, the regulators welcomed the Parliament's decision to strengthen the role of the Agency as a body responsible for taking binding decisions on cross-border issues, and of providing independent advice to all the EU Institutions (not just the European Commission). The regulators also endorsed the European Parliament's position that the Agency should have a key role during the process which leads to the development of the EU network codes.

The Council of the European Union also reached a political agreement in October 2008. Following the Council's adoption of a common position in early 2009, the "second reading" phase of the co-decision procedure commences in early 2009. Heading into the second reading phase, stark differences in the Commission, Parliament and Council positions remain on some issues which will have to be reconciled if the package is to be adopted by the EU law makers in 2009.

Regulators' early start on technical issues to meet the demands of the 3rd Package

The regulators believe that rapid adoption and proper implementation of the 3rd Package is a precondition to all other initiatives and measures (such as the "Climate Change and Energy Package", and the "2nd Strategic Energy Review") aimed at meeting the EU's core energy objectives of competitiveness, sustainability and security.

The 3rd Package is critical, bringing real benefits to European energy consumers and setting out the EU energy regulatory framework from which everything else will develop.

In an effort to build momentum for the timely adoption of the 3rd Package, in Autumn 2008, the regulators publicly consulted on implementing the emerging features of the 3rd Package. In this consultation paper, the regulators set out their priorities for the proposed EU network codes and a process and timetable for developing binding codes and framework guidelines. Regulators also sought views on how to ensure appropriate stakeholder involvement with the proposed new Agency. Recognising that stakeholders need clarity on how the process of co-ordination of European and regional decision-making will work, the regulators also made concrete proposals to enhance co-ordination at regional and EU level. The accompanying public hearing (in December 2008) gathered interested parties to discuss the practical steps for implementing the 3rd Package.

ERGEG and the Committee of European Securities Regulators (CESR), as advisory bodies to the European Commission on energy and securities issues respectively, provided joint advice to the Commission on the market-abuse, record-keeping and transparency aspects of the 3rd Package proposals.

The "Climate Change and Energy" Package

In 2007, the Union's leaders pledged their agreement to energy-climate objectives known as "20-20-20" i.e. a binding 20% renewable energy target by the year 2020, reducing Europe's CO₂ emissions by 20% by 2020 (and by 30% if there is an international agreement), and increasing overall energy efficiency by 20% by 2020. In January 2008 the European Commission published its "Climate Change and Energy Package", designed to meet these objectives. This package comprises several legislative proposals including a revised Directive incentivising renewables, a Directive establishing a framework for capturing carbon and storing it underground (CCS), a Directive reforming Europe's Emissions Trading Scheme (ETS) and a Directive on effort-sharing in relation to the emission reduction targets. Energy regulators will play a crucial role in implementing these provisions whether it is by authorising infrastructure and investment projects,

overseeing modifications to market rules, approving tariffs or (in some cases) managing emissions trading certificates.

The Regulators advise against a blanket requirement for priority access for renewables

In May 2008, the CEER issued a position paper expressing its views on some of the key provisions foreseen by the Climate Change and Energy Package. The proposals to reach the 20% renewables target and 10% renewables used in transport will require a huge increase in investment in generation and network infrastructure. CEER raised its concerns about a blanket requirement for priority access for renewables to the network, advocating instead that there should be scope to consider local circumstances in Member States so as to protect security of supply.

The 2nd Strategic Energy Review

The European Commission issued their second Strategic Energy Review (2nd SER) in November 2008, and also tabled a green paper "Towards a secure, sustainable and competitive European energy network" which is under consultation until March 2009.

The 2nd SER confirmed the EU's 20-20-20 strategy as the right medium-to-long term strategy for energy security and also committed the European Commission to preparing a Roadmap towards a 2050 Energy Policy.

The core umbrella document, "EU Energy Security and Solidarity Action Plan", of the 2nd SER (which was accompanied by a large number of supporting documents) proposes a five-point action plan: infrastructure needs and identification of energy supplies; the external energy relations; oil emergency stocks and gas crisis mechanisms; energy efficiency; and making the best of Europe's indigenous energy resources. The energy regulators very much welcomed the Commission's analysis and recommendations for improving energy security policy for Europe. In the regulators' view, there are a number of over-arching matters which must be addressed urgently. Chief

amongst them is the entry into force of the 3rd Package, as well as the need to develop a streamlined approach for permitting cross-border infrastructure projects which remains inadequately addressed in the 2nd SER in terms of concrete proposals, and the need to develop an overall investment strategy for Europe.

Regulators' international work supports the EU's policy on energy security and solidarity

The 2nd SER calls for a common external energy policy and for Europe to externally "speak with one voice" energy issues. Since 2000, when Europe's energy regulators voluntarily created the Council of European Energy Regulators (CEER), the national energy regulators of Europe have already spoken externally "with one voice". The 2nd SER also emphasised the importance of deepening relations and partnerships with key energy suppliers, transit countries and consumer countries. This clear message in the 2nd SER underlines the significance of the CEER's ongoing international collaboration efforts with regulators from strategic neighbouring (non-EU) countries such as Russia, the Ukraine, the Euro-Mediterranean and the South-East European countries.

4

Regional Initiatives

The Regional Initiative framework

The Regional Initiatives, launched in Spring 2006, have created seven electricity and three gas regional markets in Europe. Through the Regional Initiative framework, regulators have developed a process whereby obstacles to trading electricity and gas with neighbouring countries are considered within regions and solutions tailored so as to improve market integration, both within and across regions.

The Regional Initiatives provide a well-organised framework for TSOs, power exchanges and others to enhance their cooperation to promote market integration within a given area. As the Regional Initiatives are a voluntary process, the commitment of stakeholders to participate in the work and to implement the agreed solutions is critical for their success.

The Regional Initiatives are laying a firm foundation for the transition from 27 fragmented national markets to a single EU market in electricity and gas. The evidence from 2008 is that the seven electricity and three gas regions are delivering concrete results and are working in ways which foster further regional market integration.

Reporting on Progress

Through a dedicated Regional Initiatives section of the website (www.energy-regulators.eu), stakeholders are kept informed of meetings, public consultations and progress in the regions. Any interested person can become a free "online subscriber" to the website, allowing them to stay informed by subscribing to news from their selected region. A "region in the spotlight" is also a standard feature of the monthly, online newsletter, the European Energy Regulators' News.

Progress is carefully monitored (internally) by regulators at EU level. ERGEG reports on the overall progress of the Regional Initiatives to the European Commission on a regular basis. External progress

reports are also presented to the Madrid and Florence fora. In addition to the consultations held in the regions, in 2008 ERGEG publicly consulted on the coherence and convergence of the regions in the Electricity Regional Initiative.

The second Regional Initiatives Conference, held in February 2008, co-hosted by the European Commission and ERGEG, brought together Ministers, MEPs, network operators, traders and other stakeholders from the energy sector to discuss the progress and future role of the Regional Initiatives in the context of the 3rd Package.



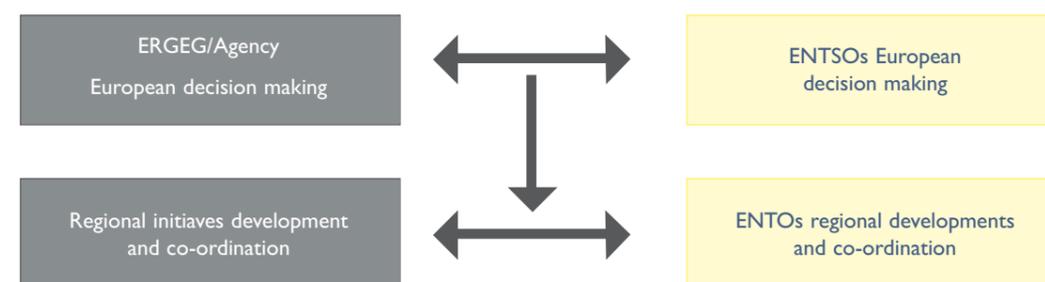
Mr. Andris Piebalgs, EU Energy Commissioner; Lord Mogg, Chair of ERGEG; and Mr. Alejo Vidal-Quadras Roca, Vice President of the European Parliament at the joint European Commission/ERGEG Regional Initiatives Conference, February 2008

Regional Initiatives and the 3rd Package

The ultimate goal of the 3rd Package is the achievement of a single European gas and electricity market. The ERGEG Regional Initiatives pursue the same objective, creating regional markets as an essential first step towards a single European energy market.

The 3rd Package proposes enhancing the duties of national regulators to meet the regulatory challenge of

Vertical and horizontal aspects of European and regional decision-making



regional markets. It also contains proposals for greater coordination of network planning and coordinated decision-making in respect of major cross-border infrastructure investments. This will require coordination between neighbouring Transmission System Operators (TSOs) and national regulators.

There are also proposals for enforcement actions to be taken by regulators in a cooperative way where the cause and effects of market or network problems are not confined to one national jurisdiction. These actions will require formalised collaboration between the relevant National Regulatory Authorities (NRAs). However, as jurisdictions are at national and EU level only, enforcement action cannot be based at a regional level.

The provisions in the 3rd Package have the potential to impose a comprehensive regulatory regime on the interactions between national gas and electricity markets, particularly as a result of the proposed EU-wide network codes. This necessitates careful co-ordination between the regulators, the European Commission and the EU Network bodies of TSO (ENTSOs), and later the new EU Agency for the Cooperation of Energy Regulators (Agency).

In Autumn 2008, the regulators launched a public consultation on implementing the emerging framework set out in the 3rd Package. One of the three key issues

consulted upon was the coordination of regional and national approaches in the European regulatory framework during the period of transition to a single European market. Some of the regulators' proposals to enhance co-ordination at regional and EU level include:

- Co-ordination of work plans at European level with those proposed in the Regional Initiatives;
- In-year monitoring of regional developments;
- Referral of disputes between regulators on cross-border related issues to the Agency for resolution (as proposed in the 3rd Package). The Agency might choose to seek advice from the relevant Regional Coordination Committee (of regulators) in the region of the Regional Initiative before reaching a view. Effective co-ordination between the work plans of the ENTSOs and those of the Agency is essential; and
- Publication of the co-ordination arrangements between the Agency and the ENTSOs.

Europe's energy regulators consider that as the 3rd Package reaches the stage of implementation, the Regional Initiatives will be a central part of the implementation process. In 2009 ERGEG, as the European Commission's advisory group, will identify best practices in regions of the Regional Initiatives that can be replicated in other regions. Priorities within the

regions will be reviewed from the top-down, with a view to establishing a roadmap for further progress and actions.

Electricity Regional Initiative – regional electricity market integration

The Electricity Regional Initiative is comprised of seven regional electricity markets namely the Baltic; Central-East, Central-South, Central-West, North, South-West and the France-UK-Ireland regions.

Electricity regions continue to deliver results

The regions are continuing their work on the three main priorities identified in 2007: harmonisation and improvements to congestion management (calculation and allocation); harmonisation of transparency requirements; and integration of balancing markets. Significant progress on achieving integration has already taken place across these core areas.

Transparency

Providing transparent information to market participants is an essential ingredient for efficient and competitive markets. However, ERGEG's monitoring confirms that significant improvements in transparency are still required, including compliance with the EU's mandatory transparency rules.

With transparency a priority issue, regulators strive to drive forward regionally-coordinated improvements through the adoption of regional Transparency Reports.

In 2007 two regions (North and Central-West) reached agreements on Transparency Reports which specify the list of information to be made available to market participants, the deadlines for publication and the means of publication. In 2008, the North region monitored the implementation of the requirements of its Transparency Report. It showed that the level of transparency in the region is high, but that there is still

room for improvement. In a similar way, almost all other regions have developed regionally-based Transparency Reports. In 2008 the Central-East and South-West regions adopted their regional Transparency Report and the Central-South region published its draft Transparency Report for consultation. As well as setting out the transparency requirements for the region, most of these reports included a baseline of the current data provision in the region against which to monitor future improvements.

There has already been a significant degree of coherence across regions on the treatment of transparency. All reports have the same basis, namely the first Transparency Report of the North region; the Congestion Management Guidelines (which aim to facilitate cross-border trade); and the (voluntary) ERGEG GGP for Information Management and Transparency in Electricity Markets (GGP-IMT) (which aim to facilitate market liquidity), but each report is progressively improved and/or adapted to the specificities of each regional market. In 2009, there is the possibility of fine-tuning transparency requirements at EU level. ERGEG considers that the requirements not yet addressed by the Congestion Management Guidelines should be made legally binding.

Congestion Management

The Congestion Management Guidelines, legally enforceable since December 2006, require cross-border transmission capacity to be allocated through either explicit or implicit auctions - with the exception of intraday where continuous allocation is also allowed.

A main achievement of the Electricity Regional Initiative is the EU-wide consensus on "target" congestion management methods, likely to guarantee the efficient use of interconnectors, which should be used in every region:

- **for allocating long-term capacity, the target mechanism is an explicit auction mechanism harmonised throughout Europe with a single set of rules; identical products on all interconnectors; and a single interface for all participants;**

- **for day-ahead capacity allocation, there is European consensus on "market coupling" for day-ahead organised markets and in the longer term the merging of those markets with separate price zones in line with congestion (market splitting); and**
- **for allocating intraday capacity, consensus has been reached on the target of a continuous centralised platform for implicit capacity allocation.**

Achieving the target of fully efficient congestion management mechanisms requires a frontier-by-frontier approach in each region. In terms of the medium and long-term allocations significant progress has already been achieved in terms of IT platforms.

In several regions, coordinated regional auction offices are being created which will help harmonise and improve the characteristics of allocated products (firmness, compensation schemes, hourly/daily, quarterly or monthly, etc).

In July 2008, a regional auction office was set up in Freising near Munich to coordinate, in the future, capacity allocation at all electricity interconnections in the Central-East region on a daily, monthly and yearly basis. It will rely on the actual physical electric power flows, thus replacing a number of different and currently poorly coordinated solutions in the region.

In the Central-West region the TSOs have entered into a joint venture and created a regional transmission company, the Capacity Allocation Service Company (CASC-CWE). Annual auctions were conducted via this auction office in Autumn 2008. In the final state the CASC-CWE will act as a single auction office, managing annual and monthly capacity auctions on the regional interconnectors based on common rules and facilitating cross-border trade. Similar projects are underway in the France-UK-Ireland, Central-South and South-West regions. Nevertheless, while all regions are offering hedging instruments against the volatility of price differentials, important progress is still needed in

order to harmonise the characteristics of these hedging instruments.

In July 2008, ERGEG published an interim position paper on the firmness of transmission capacity after nominations. The more controversial issue of firmness before nomination is currently being addressed by ERGEG. In this regard, regulators from the South-West electricity region decided to compensate curtailments of allocated capacity using market-based principles, with the introduction of caps on the Spanish-French border in an effort to limit the risk borne by tariffs. Regulators from the Central-West region have also requested TSOs to include similar arrangements in the future CWE explicit auction rules.

In terms of day-ahead allocations there is a wide consensus to develop "market coupling" (which is a decentralised approach to implicit auctions, allowing the auctions to be handled by more than one power exchange). In the South-West region there has been full implementation of implicit auctions on the Spanish-Portuguese border since July 2007. Trilateral market coupling of the Belgian, French and Dutch spot markets has existed since November 2006. An ambitious price-coupling project is ongoing to couple all markets of the Central-West region (linking Germany and



Prof. Mario Monti, EU Coordinator for the French-Spanish power link; Daniel Dobbeni, ETSO President; Mr. Torger Lien, EuroPEX President; and Mr. Heinz Hilbrecht Director, DG TREN, European Commission at the Regional Initiatives Conference, February 2008.

Luxembourg with the other three) by March 2010. This project could be extended to other regions in the future. In the North region, the European Market Coupling Company (EMCC) was created as a joint venture by the Danish and the relevant German TSOs and the Power Exchanges of both markets. In September 2008, volume market coupling between Denmark and Germany was introduced. However, due to unexpected deviations in flow and price calculations between EMCC and the Nord Pool Spot system, the volume market coupling had to be temporarily suspended in October. The region is working to harmonise calculation methodologies and market coupling is expected to resume in the first quarter of 2009.

The development of day-ahead market implicit auctions is de facto a multi-regional issue, which is challenging from both the technical (which kind of coupling solutions – price coupling or volume coupling - should be developed?) and organisational (what projects should be prioritised?) perspectives. The 15th European Electricity Regulatory Forum (Florence Forum), in

November 2008, invited ERGEG to set up a Project Coordination Group (PCG) which would develop a model for harmonising inter-regional and then EU-wide coordinated congestion management. The PCG is composed of stakeholder experts and is chaired by ERGEG. As well as preparing a roadmap with concrete measures and a detailed timeframe, the PCG also oversees a market integration design project involving TSOs and power exchanges which addresses the practical design issues.

Balancing Markets

The integration of balancing markets is progressing in three regions. In the North region, the integration of balancing markets in the Nordic market is already far-reaching, but differences between the Nordel area and Germany and Poland need to be tackled next. Within the France-UK-Ireland region, the regulators and TSOs have reached a common position on balancing proposals on the UK/France interconnector, which were issued for public consultation in November 2008. The proposals are a first step toward further

| Regions of the Electricity Regional Initiative | Lead Regulator |
|--|------------------------|
| Central-West Belgium, France, Germany, Luxembourg and the Netherlands | Belgium (CREG) |
| North Denmark, Finland, Germany, Norway, Poland and Sweden | Denmark (DERA) |
| France, UK & Ireland France, the United Kingdom and Ireland | United Kingdom (Ofgem) |
| Central-South Austria, France, Germany, Greece, Italy and Slovak Republic | Italy (AEEG) |
| South-West France, Portugal and Spain | Spain (CNE) |
| Central-East Austria, Czech Republic, Germany, Hungary, Poland, Slovak Republic and Slovenia | Austria (E-Control) |
| Baltic Estonia, Latvia and Lithuania | Latvia (PUC) |

integration of the balancing markets. Within the Baltic region, work is progressing on the development of a regional balancing market (based on the Nordel model), with balancing on an hourly basis using market-based pricing.

Coherence and Convergence

In September 2008, ERGEG published for consultation its second (2008) report on coherence and convergence in the Electricity Regional Initiative. This report provides an overview of the progress made (and obstacles faced) by each electricity region, in particular in terms of transparency, congestion management and balancing.

The report finds that each of the seven electricity regions encountered similar obstacles to fostering regional integration (i.e. differences in market design, lack of commitment due to overlapping projects, the number of parties involved and the regulatory gap). The report emphasised the need for continued commitment to the Regional Initiatives. It also put forward some ways to foster coherence of actions taken at regional level and overall convergence, for example the elaboration of a cross-regional action plan for the implementation of market coupling solutions. In this way, further progress on the implementation of the target mechanism for the day-ahead allocation (i.e. day-ahead implicit auctions) could be achieved by improving cross-regional coordination.

Gas Regional Initiative – regional gas market integration

The Gas Regional Initiative, established by ERGEG in 2006, creates three regional gas markets namely the North-West, South and South-South East regions. During 2008, each of the three regions made good progress in terms of shifting from action plans and consultation work to practical implementation of the priorities that yield important results for the market.

Common priorities across the three gas regions include transparency; interconnector investment and

access to pipeline capacity. The evidence in 2008 is that the Gas Regional Initiative continues to deliver results. Examples include improvements in transparency, capacity allocation; and the cooperation of stakeholders, which is a critical factor for the overall success of the Gas Regional Initiative project.

Gas regions continue to deliver results

Transparency

A key success across all three regions of the Gas Regional Initiative has been the improved transparency of capacity allocation procedures at interconnectors.

The South-South East (SSE) region has completed an assessment of information provision on the major gas transportation routes in the region, and the regulators are sharing best practice approaches and harmonising market rules. There are plans for a standardised trading platform for transmission capacity on all major transmission systems of the region, which is expected to facilitate secondary market trading for shippers.

In the North-West (NW) region, the transparency project identified seven types of data that could be provided by TSOs and that would be of use to shippers. The required information is needed for market participants to know how much capacity is available and what the actual gas flows are. Five of these data types were available by the end of 2008; and stakeholders are informed of progress via regular implementation reports. The project applies to 133 interconnection points, although 29 of them have confidentiality under the “less than three shippers” rule.

In the South region, transparency has been improved by requiring the TSOs to update information on their websites, every six months, the status of the construction of new interconnection between France and Spain. This information is also posted on the ERGEG website.

Capacity allocation

A major problem in Europe is that access to gas pipes between Member States is often only available to a few companies. Early in 2008, the NW region launched a pilot project resulting in "firm" secondary capacity being available for shippers on a day-ahead basis on one (Bunde-Oude Statenzijl) interconnector. Firmness means that shippers are now compensated if their capacity is curtailed. Similarly, from 1st January 2009 capacity is available on a firm basis at the Danish entry point on the gas interconnector between Denmark and Germany.

In the South region, much work has been done to improve capacity allocation. One of the major achievements has been the launch (October 2008) of an "open subscription procedure" (OSP) for the coordinated allocation of existing and committed long-term capacity at the cross-border point of Larrau (between France and Spain). Ten different business groups sought long-term capacity in this OSP, eight of whom were new market entrants in the region. More long-term capacity was sought than was offered, giving clear market signals that shippers want more capacity. An OSP for the allocation of short-term capacity began in November 2008 and will be held each year up until 2013.

Increasing interconnection investments

Efforts have been made in the three gas regions to improve interconnection capacity by promoting new investments at the borders.

In the NW region a website has been launched to provide information about planned investments and open seasons. There was a coordinated open season procedure at the French – Belgium border, and the region also launched a consultation on investment principles in 2008.

In the South region, in 2007 there was an assessment of the future needs (up to 2015) of the interconnection capacity which showed a need for increasing interconnection capacity between France and Spain. The development of additional capacity is

foreseen by 2013 (on the existing Larrau interconnector) and 2015 (the creation of a new interconnection point in Catalonia). The investments will be carried out on the basis of an open season procedure to evaluate shippers' needs and allocate capacity. In November 2008 the region's regulators launched a preliminary consultation in order to obtain market views in relation to the definition of the products to be offered during these open seasons.

The SSE region started work on a summary of planned investments in the region, which will identify future bottlenecks and help improve congestion management.

Cooperation of stakeholders



Participants of the Regional Initiatives Conference, February 2008

Cooperation of stakeholders is a critical factor in expanding regional gas grids and developing a single EU gas market. The NW region commissioned a review of its performance, resulting in the creation of a roadmap for future work and the setting up of a senior-level Programme Board to monitor and advise on progress within the region. After expanding when Romania and Bulgaria joined the EU in 2007, the SSE gas region has taken important steps that will foster cooperation between the various organisations in the different countries. The internet platform "SSE Regulators Network" was set up, and all except one of the regulators signed a Memorandum of Understanding (MoU) for coordination and harmonisation in June 2008. Similarly, nine (out of twelve) TSOs signed a MoU



Mr. Christopher Jones, then Deputy Head of Cabinet of Commissioner Piebalgs at the Regional Initiatives Conference, February 2008

in October 2008 to strengthen their cooperation on transparency; cross-border capacity; harmonisation of standards; and operational arrangements to facilitate cross-border gas transportation in 2009. As in the NW region, a Strategic Advisory Panel was set up in the SSE region to provide advice and guidance to the region.

Convergence towards a single gas market

ERGEG monitors the progress of the gas regions and has recently introduced an internal goal-orientated reporting system. Following a public consultation in 2007, ERGEG continues to monitor coherence and convergence of the three gas regions. The Regional Initiatives Annual Report (February 2008), the 2008 Regional Initiatives Conference and the two European Gas Regulatory Fora (Madrid Fora) in 2008 gave stakeholders an opportunity to scrutinise the progress and to contribute to future plans.

The Stakeholder Groups of the Regional Initiatives and the public consultations at both regional and EU level help inform ERGEG and the European Commission in their work of drawing the regional gas markets together towards the ultimate goal of a single European gas market.

| Regions of the Electricity Regional Initiative | Lead Regulator |
|--|-------------------------------------|
| North-West Belgium, Denmark, France, Germany, Ireland, the Netherlands, Sweden and the United Kingdom | The Netherlands (DTe) |
| South France, Portugal and Spain | Spain (CNE) |
| South-South East Austria, Czech Republic, Greece, Hungary, Italy, Poland, Slovak Republic and Slovenia | Austria (E-Control) Italy (AEEG) |

5

Electricity

In addition to preparing for the new EU regulatory framework envisaged under the 3rd Package, Europe's energy regulators continued in their efforts to improve Europe's electricity market under the existing framework, focusing their attention on monitoring the application of existing rules and on recommending ways of redressing a number of obstacles to achieve a truly single electricity market in Europe.

Compliance with the Electricity Regulation (EC) 1228/2003

Following the first compliance monitoring report (in 2007), which showed that compliance with the provisions of the Electricity Regulation (EC) 1228/2003 (in terms of congestion management, transparency, tariffication and Inter-Transmission System Operator Compensation (ITC) rules) still needed improving, the European Commission requested a similar report for 2008.

The second (2008) ERGEG monitoring report of compliance with the Electricity Regulation, shows that the mandatory provisions of both the Electricity Regulation and the annexed Congestion Management Guidelines have not yet been fully implemented.

Although some progress has been made (since 2007) amendments are necessary to the Regulation and the Congestion Management Guidelines to remove ambiguities, improve clarity and reduce the possibility of arbitrary interpretation. There is also a need to anchor reporting by the TSOs on all relevant issues so that it becomes an "inherent" and "self-explanatory" duty.

In order to achieve full compliance, the powers of national regulators need to be harmonised across the Member States. The report recommends harmonising and clarifying a number of governance issues. The regulators also advocate that "old merchant interconnectors" should be opened up to the market with a regulated Third Party Access (TPA) regime.

In addition, the 2008 report highlights the need to

improve both "intra" and "inter" regional coordination and coherence, including setting up intra-day congestion management. The report also reiterates ERGEG's 2007 call for the urgent adoption of Inter-TSO Compensation (ITC) and transmission tariffication (TT) rules and for improvements in the application of transparency provisions by TSOs.

The existing general provisions in Section 5 (Transparency) of the Congestion Management Guidelines need to be complemented with legally-binding and detailed provisions on information management and transparency. ERGEG also recommends improving the Congestion Management Guidelines so as to include detailed provisions on the treatment of curtailment and firmness of capacity; on how TSOs should maximise capacity; on when and how to use counter-trading and re-dispatching; and on TSO reporting obligations.

Harmonising rules and procedures

In order to achieve a single EU market for electricity a number of technical, economic and organisational factors need to be harmonised, or at the very least smoothly coordinated, to ensure that electricity can be traded across borders seamlessly.

To assist in the practical implementation of the principles set out in the current energy laws and to encourage harmonisation, ERGEG has developed a number of (voluntary) Guidelines of Good Practice (GGPs) in consultation with stakeholders (e.g. GGP on Operational Security completed in 2008).

Electricity balancing

In 2008, ERGEG began revising its current GGPs on electricity balancing markets integration (GGP-EBMI) to also include intra-day markets and automatically-activated reserves. The revised GGP-EBMI will be subject to an ERGEG public consultation early in 2009. ERGEG also began work on draft GGPs on Grid Connection and Access rules, which will be submitted for public consultation and finalised in 2009.

Grid operational security

Following a public consultation, in November 2008, ERGEG published GGPs for Operational Security. These GGPs set out the common required provisions and contents of the operational security rules which all Transmission System Operators (TSOs) should implement. The GGPs will serve as the basis for the future EU-wide framework supporting the technical rules and codes of the EU synchronous areas. In essence, while national/TSO grid codes will always remain to a large extent specific and related to a given control area or region, under the 3rd Package proposals, new EU-wide network codes are envisaged which will require that part of each national/TSO grid code which implements the common technical rules of a synchronous area to be compatible with the new EU-wide network codes. These EU-wide network codes will be based on higher level "Framework Guidelines", prepared by the new Agency of regulators, which will define the objectives and scope of the network codes and will guide the ENTSOs in their subsequent drafting.

Losses, harmonisation of tariffs and energy efficiency

In July 2008, the regulators held a public consultation on the treatment of losses by network operators. This work will also provide input into the future Framework Guidelines on energy efficiency that will be undertaken in 2009 and 2010. The regulators also dedicated resources to considering further harmonisation of transmission tariff structures, including locational signals and researching a common market design.

Infrastructure planning and ensuring efficient EU-grid investment

The lack of sufficient transmission infrastructure is regarded as one of the major impediments to the real integration of the European electricity market and poses problems for the EU's security of supply. ERGEG considers that simplified permitting procedures for

cross-border infrastructure investments will be necessary to ensure sufficient infrastructure investment.

Building and construction authorisation and permit processes

The most commonly cited reason by TSOs for their continuing failure to ensure that sufficient capacity is built is the problem of obtaining the required authorisations and permits. At the request of the European Commission, ERGEG conducted a status review on building and construction authorisations and permits using case examples from the electricity sector for interconnections between several Member States. This study (published in February 2008) serves to illustrate some typical timescales and requirements for new build in the electricity sector and includes the interesting fact that it is possible to build cross-border lines within five to six years. The regulators urged the European Institutions to bring forward proposals to address the building and authorisation procedures.

The European Commission's 3rd Package proposals encourage investment notably cross-border infrastructure, including providing for an EU 10-year investment plan. It is the regulators' goal to make the best use of time now to prepare the ground for the implementation of the 3rd Package proposals. In this regard, during 2008 the European energy regulators also carried out work on the issue of joint grid planning, addressing longer-term network investment planning issues, such as definition of regions, timeframes, requirements for assessing system adequacy and planning scenarios.

Firmness of nominated transmission capacity

It is also essential that available capacity is efficiently used and that it is "firm" (meaning that if capacity is curtailed then compensation is paid at the full market spread, except in cases of force majeure). If TSOs bear too much risk with respect to the cost of full firmness (either physical or financial) then they may seek to reduce the level of cross-border capacity in order to reduce the financial risk.

ERGEG's paper on the firmness of interconnection capacity proposes common principles to be applied across the EU on nominated transmission capacity.

As a minimum, transmission rights should be firm after they are nominated by market participants. Even though physical firmness is preferred for nominated capacity, financial firmness is also acceptable in the case of explicit auctions.

Quality and security of electricity supply

Quality of supply



In recent years, an increasing number of regulators have introduced quality incentive regulation. Setting continuity standards and incentive/ penalty regimes firstly requires robust and reliable data.



The 4th Benchmarking Report

on Quality of Electricity Supply which analyses data from 21 European countries aims to contribute to a better understanding of quality of supply levels and policies in place in Europe. Three types of electricity quality are examined in the report: the availability of electricity (i.e. continuity of supply), its technical properties (voltage quality) and the speed and accuracy with which customer requests are handled (commercial quality).

The report provides in-depth analysis of the frequency and duration of electricity supply interruptions. It also details the number and type of customer service standards including the amount of money to be paid to customers in the case of Guaranteed Standards. Voltage quality can cause severe problems for customers and can carry heavy costs for businesses. Europe's energy

regulators are not satisfied with the European norms within this area and thus have been cooperating with CENELEC - the European Committee for Electrotechnical Standardisation - to revise the current European norm on voltage characteristics of electricity supplied by distribution networks (EN 50160) and to develop harmonised continuity indicators.

Security of supply

Energy security is an issue of common EU concern. While each Member State is naturally concerned with its own security in the first instance, from an EU perspective specific national solutions are often insufficient. The need for EU energy security and solidarity underpins the European Commission's 2nd Strategic Energy Review (November 2008). The EU Security of Supply Directive (2005/89/EC) aims to ensure high levels of security by measures to facilitate a stable investment climate and by defining the roles and responsibilities of competent authorities. In 2008, the energy regulators began examining the implementation of the Security of Supply Directive and the treatment of generation adequacy across the EU, with a view to presenting recommendations. This work will form a basis for input to future Framework Guidelines for Generation Adequacy Treatment and to Framework Guidelines on System Adequacy Forecasting.

Renewables and sustainable development

In May 2008, the regulators published their comments on the key elements of the European Commission's proposed "Climate Change and Energy Package", in particular on the proposed new Emissions Trading Scheme (ETS) and the proposed Renewables Directive.

The energy regulators published a Status Review of renewable and energy efficiency support schemes in Member States and their impact on the functioning of the electricity market.

National renewable energy resources can vary significantly across countries, as can the level of

support given to renewables. The CEER report shows that there are considerable variations in the way EU Member States have implemented the Directive on Electricity from Renewable Energy Sources (2001/77/EC). The main support scheme chosen by a vast majority of EU countries is "feed-in tariffs". The other is "green certificates". Evaluating the effectiveness and cost efficiency of the two support systems naturally depends on the criteria used. This 2008 study was a follow-up to a similar study in 2004 but with a focus on changes to the legislative arrangements; developments in terms of the deployment of renewables; an assessment of the support schemes in place for renewables across Europe; identification of barriers to the further deployment of renewables; and an assessment of the extent to which renewables have been successful in replacing conventional generation in the fuel mix. CEER also continued to examine how regulators advance work on sustainability. A Sustainable Development Report (to be published in 2009) will illustrate the relative achievements of national regulators and should facilitate the sharing of best practice.

The year ahead

Looking ahead to 2009, the main areas of work in electricity relate to the emerging new European regulatory framework following the adoption of the 3rd Package. In particular, the regulators will start to prepare input for Framework Guidelines which will provide guidance to the European Network of Transmission System Operators for Electricity (ENTSO-E) in its subsequent drafting of the detailed EU-wide Network Codes envisaged under the 3rd Package proposals. ERGEG will also continue its reporting on compliance with the EU Electricity Regulation, the Congestion Management Guidelines and its work related to security of supply and quality of supply. There is also a new area dealing with the regulatory issues related to the development of Smart Grids.

6

Gas

In 2008, the work of Europe's energy regulators has been focused on creating the building blocks to support an EU-wide gas market, specifically in relation to investment in the gas transmission networks; market transparency; balancing; and recommendations for the harmonisation of rules and procedures.

Investment and access to pipeline capacity

Sufficient cross-border pipeline capacity is essential for a competitive European gas market to develop and also for securing Europe's security of supply. However, efficient investment is dependent on the investment climate and the incentives offered to TSOs to construct cross-border gas pipelines.

Article 22 of the Gas Directive (2003/55/EC) sought to enable National Regulatory Authorities (NRAs) to grant incentives for investments in new infrastructure projects by allowing certain exemptions to third-party access (TPA) and tariff provisions (such exemptions are subject to review by the European Commission). These exemptions were intended to be used in exceptional circumstances, in instances where the NRAs considered the investment would not occur unless the exemption was granted.

However, ERGEG found from regulators' experiences with the treatment of new infrastructure found that the exemptions were being granted as a matter of course, rather than on an exceptional basis. ERGEG considers that a diverging framework can encourage "forum shopping" by investors, who might build infrastructure in countries with more favourable investment frameworks instead of building where infrastructure is actually needed. In 2008 ERGEG publicly consulted upon draft ERGEG guidelines for the application of Article 22 exemptions. This fed into the European Commission's draft staff working paper on new infrastructure exemptions, presented at the 15th European Gas Regulatory Forum (Madrid Forum) in November 2008.

While granting exemptions for third party access to pipelines on the one hand encourages investment, on the other hand they may hamper competition. If granting exemptions becomes the rule, rather than the exception, the creation of a competitive European market for natural gas may be at jeopardy. Thus, ERGEG has worked closely with the European Commission to prepare guidance in granting exemptions for third party access to gas pipelines, which should enhance regulatory predictability. Coherence in regulatory decisions across Member States should be further facilitated by the new Agency for the Cooperation of Regulators.

In 2009 ERGEG will produce an updated status review on the experience of regulators, so as to provide further practical guidance on specific remedies imposed in similar exemption cases. The aim is to provide a harmonised and transparent framework for competent authorities when deciding on exemption procedures.

Improvements in gas transparency are needed

Access to information is a necessary condition for competition. Liberalised energy markets are dependent upon a sufficient level of transparency so as to reduce barriers to entry, ensure effective competition, and facilitate market integration.

During 2007 ERGEG undertook two monitoring exercises to assess the level of TSO compliance with the requirements set out in Article 6 (transparency) of the Gas Regulation (1775/2005). These reports were subject to an ERGEG public consultation in 2008, the results of which were published in July 2008.

ERGEG's monitoring shows that European gas TSOs have not fully implemented the Gas Regulation (1775/2005) and that the current transparency requirements were not sufficient to facilitate the development of an efficient and effective market. A similar situation has been assessed for storage services.

ERGEG concludes firstly that full, harmonised implementation of the Gas Regulation (1775/2005) must be ensured and that regulators must be given clear powers to effectively enforce their implementation. Secondly, the existing transparency requirements of the Gas Regulation must be strengthened and there is a need for greater harmonisation of data publication methods among TSOs. Thirdly; additional transparency requirements should be defined and adopted so as to allow fair and non-discriminatory access to all types of natural gas infrastructure (i.e. transmission systems, LNG facilities and storage facilities) and not just transmission systems.

Harmonising rules and procedures

Currently Europe does not have a single gas market. Instead gas markets are fragmented, split into many zones, with many different rules. To achieve a single, European gas market Member States must sufficiently harmonise their rules and procedures and integrate the gas markets of Europe.

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

Lack of available firm capacity, often caused by contractual congestion, has been identified by the European Commission's (2007) sector inquiry as a major obstacle, in particular for newcomers. It poses a barrier to competition and the functioning of the single European gas market. Efficient use of scarce capacity requires TSOs to implement appropriate capacity allocation mechanisms (CAM) and congestion management procedures (CMP).

ERGEG's 2008 monitoring revealed that in many countries gas capacity may be fully booked, but only partially used. This "contractual congestion" is a barrier to entry and diminishes market liquidity.

Appropriate CAM / CMPs will minimise the occurrence of contractual congestion, allowing for more efficient use of existing capacity. Consequently in 2008 regulators began preparing a paper on ERGEG principles on capacity allocation and congestion management in natural gas transmission networks, which will be issued for consultation in 2009. The outcome of this consultation will be used as a basis for proposing modifications to the Guidelines annexed to the Gas Regulation (EC) 1775/2005 and will serve as a background paper for the Agency, which may use this information in the development of the Framework Guidelines for the EU-wide network codes.

As most storage facilities are fully booked appropriate capacity allocation mechanisms (CAM) and congestion management procedures (CMP) are also necessary for EU storage facilities. In 2008, ERGEG issued questionnaires to NRAs, TSOs and Storage System Users to gather detailed information on the CAM / CMPs currently in use within the EU. The results, presented at the 15th Madrid Forum in November, will be an input into draft ERGEG Guidelines of Good Practice for CAM / CMP for Storage, which ERGEG will publish for consultation in 2009.

Guidelines of Good Practice (GGPs) for access to LNG facilities

In May 2008, following a public consultation, ERGEG finalised its (voluntary) Guidelines of Good Practice for access to LNG facilities (GGP-LNG). The primary objective of the GGP-LNG is to establish common rules to guarantee transparent, non-discriminatory and appropriately homogeneous Third Party Access (TPA) to LNG re-gasification facilities. Implementation of the GGP-LNG should help to ensure that LNG contributes to an increasingly competitive and secure European gas market. ERGEG will monitor the

implementation of the GGP LNG in 2009 and will present the initial findings at the next Madrid Forum.

Gas balancing

The Gas Regulation requires Member States to ensure that TSOs endeavour to harmonise balancing regimes. Due to the fact that balancing rules in Europe vary widely, in 2006, ERGEG developed Guidelines of Good Practice for Gas Balancing (GGP-GB), in consultation with stakeholders. The GGP-GB seeks to assist in the implementation of Article 7 (balancing) of the Gas Regulation. In January 2008, ERGEG initiated a monitoring exercise to assess whether TSOs had implemented the GGP-GB and whether these GGP-GB meet the requirements of the shippers and transporters. Its findings were presented at the 15th Madrid Forum in November 2008.

More than 80% of gas TSOs admit that despite the introduction of the GGP-GB in 2006 (which by their nature are voluntary), they have not made any changes to their current balancing regime. The monitoring revealed that the existing GGP-GB needs to be made more prescriptive and possibly transformed into legally binding balancing guidelines.

There is a clear need for harmonised balancing regimes; the integration of balancing zones; market-based balancing; and coherence and convergence of balancing regimes in Europe. The harmonisation of balancing periods should be the first priority.

The year ahead

Looking ahead to 2009, the main area of work in gas will be input into the development of Framework Guidelines which will provide guidance to the European network body of TSOs in gas (ENTSO-G) in its subsequent drafting of the detailed EU-wide Network Codes envisaged under the 3rd Package proposals. As the proposed new gas regulation will also include rules for LNG system operators and storage system operators, work in 2009 will also address these areas.

7

Financial Services

With the emergence of liberalised markets and cross-border trading, a variety of energy products and services (derivatives) are being developed which require effective and more complex regulatory oversight to secure the integrity of energy markets. In this context, the European Commission, working with its advisory bodies of energy and securities regulators (ERGEG and CESR respectively), began considering the regulatory challenges that emerge from a convergence of energy and financial markets in 2008. The main focus of the joint work of ERGEG and CESR was to elaborate advice to the European Commission on how to promote transparency and market integrity in electricity and gas trading.

Joint advice of the energy and securities regulators

The European Commission asked ERGEG and the Committee of European Securities Regulators (CESR) to develop proposals for regulating trading in the electricity and gas markets. This included establishing the levels of transparency that market participants need before and after trading, and information which should be available to the regulators to allow for effective market oversight.

In July 2008, ERGEG and CESR submitted facts to the European Commission on the current situation in the EU Member States with regard to pre- and post-trade transparency and supervision of trading. Following public consultations, they submitted the second part of their advice on market abuse in October, and the third part of their advice on transparency, record-keeping, and information exchange in December 2008.

In order to improve transparency in electricity and gas markets ERGEG and CESR called for a harmonised EU-wide post-trade transparency regime for "fundamental data". To better prevent market abuse in energy trading, the regulators called for legally binding disclosure obligations in energy sector-specific regulation, including sanction mechanisms.

ERGEG and CESR consider it important that all EU platforms make public harmonised post-trade information, on a trade-by-trade basis, and close to real-time for standardised electricity and gas supply contracts and derivatives traded on or cleared through these platforms.

The European Commission's 3rd Package proposals contain new obligations for supply undertakings to keep records related to their transactions. To allow an effective oversight of electricity and gas trading, ERGEG and CESR propose that supply undertakings should be able, as a minimum, to provide data derived from their records, upon request from a regulator, in an electronic format.

ERGEG and CESR recommend that in order to fulfil the tasks of energy regulators the exchange of information between financial and energy regulators needs to be launched, upon request, on a case-by-case basis so as to facilitate proper oversight of the market. This requires a sound legal basis which should be provided by European legislation.

The year ahead

In the course of 2009, the energy regulators will continue to elaborate on their work on the interdependencies between energy and financial markets including the provision of any further advice that the European Commission may require, work on the regulatory oversight of energy exchanges and gas hubs, and on trading licences.

9

International cooperation on energy regulatory issues

The European Commission's 2nd Strategic Energy Review (November 2008) underlines the need for a common European foreign policy on energy, which would enable the EU to speak with one voice and to strengthen its international position on energy matters. It also notes that relations and partnerships with key energy suppliers, transit countries and consumer countries are important and must be deepened.

These messages in the 2nd SER underline the intrinsic value of the international strategic work which the EU's energy regulators have, on their own initiative, already been pursuing for the past number of years.

In keeping with the 2nd Strategic Energy Review, through the international activities of the CEER, Europe's national energy regulators speak externally with one voice.

The CEER has developed international cooperation activities with national regulators and regulatory associations worldwide. These activities are aimed at exchanging information on best regulatory practices, benchmarking and institutional building. Since 2007, in the framework of their International Strategy Group (ISG), the European regulators have focused their collaborative activities on 3 areas of key European importance:

- supporting EU policy with regard to Security of Supply;
- supporting the implementation of Europe's "energy acquis"²; and
- structuring the dialogue with other energy regulators worldwide.

Supporting EU policy with regard to security of supply

The CEER has been deepening its regulatory cooperation activities with neighbouring (non-EU) countries.

Euro-Mediterranean countries³

With the strong support (including financial) of the CEER and the European Commission, energy regulators in 23 countries (including France, Italy, Greece, Spain, Slovenia and Portugal) formally founded MEDREG, the Mediterranean working group on electricity and natural gas regulation, in November 2007. In 2008, MEDREG's Board was appointed and it became operational.

MEDREG aims to create a stable regulatory framework in the Mediterranean area, in accordance with that of the European Union, in order to contribute to an expanded energy market. Such regulatory cooperation could also improve relationships between energy producing and energy consuming countries, in terms of security of supply and diversification of energy sources.

Supporting the implementation of the European Union's "energy acquis"

There are obvious benefits, both for the EU and its neighbours, to integrate the energy infrastructure of neighbouring states into that of the European Union. For this reason, the CEER cooperates with potential candidates for EU membership. Contacts with all Contracting Parties (Albania, Bosnia and Herzegovina, Croatia, FYROM, Montenegro, Serbia, UNMIK Kosovo) of the Energy Community of South East Europe is assured through ERGEG's active participation in the Energy Community Regulatory Board. Candidate countries to the EU can also participate in ERGEG meetings as observers.

The Energy Community- integration of South East Europe into the EU's energy market

The Energy Community of South East Europe aims to bring the Balkan States into the EU's developing single electricity and gas markets. The Energy Community Treaty, which entered into force on 1 July 2006, commits all its partners to work together to create the conditions in which their economies can be rebuilt

effectively. Ultimately, it will also support the integration of the region into the EU's internal energy market.

The CEER continues its long tradition of cooperation with the regulators from South-East Europe by developing best practices and expertise. ERGEG, in its formal advisory role to the European Commission, assists the European Commission in the Energy Community Regulatory Board (ECRB). As well as participating in the electricity and the gas fora of the Energy Community, Europe's energy regulators work with the European Commission and the ECRB to increase cooperation efforts in order to drive forward the development of the energy market in the Energy Community and to integrate it into the EU energy framework.

One key element of the process is the planned creation of a Common Auction Office (CAO) for electricity trade in the "8th" SEE region (a reference to the 7 regions foreseen in the Congestion Management Guidelines); the borders of which were decided at the Energy Community's Ministerial Council in June 2008. Discussions on the development of a Coordinated Auction Office for the region began in 2006. Since then, concrete activities have been undertaken towards the development and implementation of a common regional approach to congestion management and the harmonisation of cross-border allocation schemes, including "Dry Run" projects in preparation for the "real run" by the CAO. In parallel to the "Dry Run" project, significant progress was achieved in establishing the CAO, culminating in the drafting of a business plan and the signing by TSOs of a Memorandum of Understanding, on 11th December 2008 in Tirana.

The European Commission initiated the Energy Community Gas Forum in 2007 to promote cross-border cooperation to achieve the goals of the Energy Community Treaty and the benefits of an integrative and competitive gas market. In 2008, two fora were held in Slovenia. The April forum in Maribor and the October forum in Ljubljana reviewed market developments and the cooperation with respect to the regional gas projects and the development of the

Energy Community Gas Ring Concept.

In order to smooth the effective harmonisation of the South East region and the other seven regions of Europe's Regional Initiatives, ERGEG welcomed representatives from regulatory authorities of South-East Europe to participate as observers in its Regional Initiatives task forces for gas and electricity.

Training

A basic tool for enhanced international cooperation in energy regulation is training. The CEER continues to lend its expertise to the training programmes of the European Regulators Regional Association (ERRA), whose members come from Central European and Eurasian countries. The CEER's own training needs are channelled through the Florence School of Regulation (FSR).

The FSR was created as a joint venture of the European University Institute (EUI) in Florence and the CEER in association with the European Commission. The Florence School is not just a school for regulators, but also provides advanced training courses for experts in the wider energy sector. In addition to training courses, in 2008 FSR held workshops and conferences on market supervision, network governance in energy services, the promotion of renewables sources of energy, judicial review, industry concentration and the changing role of regulation and enhancing security of supply in Europe.

TAIEX Missions and Twinning Projects

In 2008, CEER members participated in twinning projects and in the TAIEX (Technical assistance and information exchange) programme⁴, run by the European Commission (DG Enlargement). The TAIEX programmes aim to support beneficiary countries⁵ in understanding, transposing, implementing and applying EU policies, legislation and rules (i.e. the acquis).

By way of example, through a mission to Croatia (in October 2008) the CEER shared with the Croatian regulatory authority its expertise on the independence and tasks of the regulator; the implementation of the

²The "acquis" is the body of common rights and obligations that is binding on all the Member States of the European Union. It mainly refers to the legislation (Regulations, Directives, Decisions) adopted pursuant to the Treaties.

³These include (in addition to some EU members): Albania, Algeria, Bosnia and Herzegovina, Croatia, Egypt, Israel, Jordan, Lebanon, Libya, Montenegro, Morocco, Palestine, Tunisia and Turkey.

⁴ <http://taiex.ec.europa.eu>

⁵ The Beneficiaries are two Post-accession (Bulgaria and Romania) and the Pre-accession countries (Candidate countries; Western Balkans), the Turkish-Cypriot community and those countries covered by the European Neighbourhood and Partnership Instrument (ENPI) including Russia.

Electricity Regulation; and the functioning of the market operator. In November, the CEER participated in a workshop on market reform in Belarus, sharing the European experience of electricity reforms as Belarus begins the process of unbundling its vertically-integrated utilities.

Twinning projects are another mean to provide partner countries with technical assistance. In 2008, pursuant to talks with the Ukrainian regulator (NERC), a TACIS⁶ twinning project related to the regulatory and legal capacity strengthening of natural gas regulation in the NERC was assigned to a consortium of European energy regulators, thus enhancing the relations with the Ukrainian regulatory authority⁷.

Due to the growing number of requests for CEER's expertise, in 2008 CEER developed a database of experts to help identify and select the relevant experts within CEER's member authorities to assign to the mission requests.

Structuring dialogue and sharing experiences with other regulators/regulatory associations.

Structured International Cooperation

CEER enhanced its current good relations with the International Energy Agency and with a number of regional regulatory associations. CEER participated in the Iberian-American Energy Regulatory Association (ARIAE) Conference in April, at which ARIAE members expressed their interest in a CEER/ARIAE Roundtable to discuss common areas of interest at the 2009 ARIAE conference in Peru.

CEER also shared its experience on "Protecting Customers in the EU" during the African Forum for Utility Regulators (AFUR). Following this event, two bilateral meetings were held in July and October in order to discuss potential partnership initiatives between AFUR and CEER.

The (almost annual) EU-US Energy Regulators Roundtables continue to provide the opportunity for EU and American regulators to present regulatory developments, exchange views and experience on selected topics of mutual interest, compare regulatory approaches and to discuss international developments and cooperation.

The 7th EU-US Energy Regulators Roundtable was held in New Orleans on 14-16 November 2008. As well as discussing regulatory developments in the US and EU, it focused on market monitoring, oversight and abuse; the link between energy and financial markets; climate change; and meeting natural gas demand.

World Forum on Energy Regulation (WFER IV)



During 2008, the CEER and the Greek regulatory authority, RAE, began the preparations for the Fourth World Forum on Energy Regulation (WFER IV), which will take place in Athens from 18-21 October 2009. The WFER, held every three years, is a leading international event for energy regulators, policy-makers, development agencies and energy specialists from all parts of the world. The Forum offers the unique opportunity for developed and developing countries to gather to discuss both technical and policy issues of energy regulation. More than 600 participants from some 90 countries are expected at

the WFER IV in October 2009 (www.worldforumiv.info/).

An International Programme Committee, comprised of the regional energy regulators' associations from across the globe and other representatives (industry, consumers, etc.), developed a balanced and international programme for the forthcoming WFER IV. Among the issues to be addressed are: reliability and security of supply; competitiveness and affordability; role of regulators in responding to climate change and issues of relevance to independence, powers, responsibilities and best practices of regulators.

Such international collaboration and information exchanges have been facilitated by the success of the International Energy Regulation Network (IERN) web platform (www.iern.net), launched by CEER at the last World Forum in 2006. In addition to information on more than 300 energy regulators (and their regional associations) world-wide, the IERN website offers information on training, conferences and research across the globe. Since its creation, IERN continues to expand its membership and maintain up-to-date information on each featured energy regulator, including country Fact Sheets.

⁶ The TACIS programme was dedicated to the states of Eastern Europe and Central Asia before the creation European Neighbourhood and Partnership Instrument for the period 2007 to 2013.

⁷ Some European regulators are already involved in the twinning project 'Regulatory and legal capacity strengthening of energy regulation in NERC'.

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The year ahead

The priorities for the European Energy Regulators in 2009 are threefold. Firstly, we aim to pave the way to facilitate a speedy implementation of the proposed 3rd Package. Secondly, we aim to further the development of regional energy markets through our flagship Regional Initiatives project. Thirdly, we will continue to monitor the implementation of existing legislative requirements by Member States, so as to determine whether markets are delivering for consumers.

ERGEG, as advisory group to the European Commission on internal energy market issues, will provide advice to the Commission on whatever issues it may need such as in relation to the “climate change and energy” proposals and its second Strategic Energy Review.

During Autumn 2008, the regulators consulted on implementing key aspects of the emerging framework under the 3rd Package. The regulators will begin in 2009 to implement the measures identified which require an early start, including reviewing ERGEG’s public consultation procedures and establishing an appropriate working structure for the proposed new Agency to engage with stakeholders and the new European network bodies.

The 3rd Package provides for EU Network Codes, which are key to a seamless EU grid. The codes should be based on higher level “Framework Guidelines”, prepared by the Agency. These Framework Guidelines will define the objectives and scope of the Network Codes and will guide the ENTSOs in their subsequent drafting. The main focus in electricity and gas will be on how to prepare input that could, where appropriate, be later used by the new Agency in preparing the Framework Guidelines.

The European Commission has asked ERGEG to monitor Member States’ mandatory compliance with the key aspects of the Electricity Regulation (1228/2003) and the Gas Regulation (1775/2005). In addition, the regulators will develop new ERGEG GGP for capacity allocation and management of storage facilities; for retail market monitoring; and for complaint handling. The regulators will also monitor (voluntary) compliance with a number of existing ERGEG GGPs, including on LNG, open seasons and on DSO unbundling.

Given the interdependencies between the financial and energy markets, ERGEG will continue to work closely with CESR (its equivalent in the securities sector) in advising the European Commission. Other key priorities in 2009 include work on security and reliability of electricity supply, quality of supply, and customer issues. The regulators will provide Status Reviews in a number of areas, including sustainable development; wind generation; definitions of vulnerable customers; definition of supplier of last resort; regulated end-user prices; and smart metering.

The regulators will continue to spread best regulatory practices worldwide through their international relations, focused on areas of strategic interest to the EU such as South East Europe, Russia and the Euro-Mediterranean countries.

Appendices

Appendix I

Some useful data

Electricity

| Country | Proportion of market open to competition (%) | Consumption (TWh/year) | Number of retail companies with >=5% market share | Annual switching rate in small industry and households (%) | Standard Consumer ⁸ Energy Price ⁹ (€/MWh) |
|-----------------|--|------------------------|---|--|--|
| AUSTRIA | 100 | 61.7 | 7 | 1.50 | 67.00 |
| BELGIUM | 100 | 90.1 | 4 | NA | 68.00 |
| BULGARIA | 100 | 34.7 | 3 | 0.00 | 29 |
| CYPRUS | 32 | 4.9 | 1 | 0.00 | 85.11 |
| CZECH REPUBLIC | 100 | 72.0 | 3 | 0.80 | 42.49 |
| DENMARK | 100 | 35.7 | 7 | 2.80 | 52.00 |
| ESTONIA | 13 | 8.5 | 1 | 0.00 | 28.99 |
| FINLAND | 100 | 90.3 | 4 | NA | 47.50 |
| FRANCE | 100 | 480.3 | 1 | 2.20 | 47.50 |
| GERMANY | 100 | 569.2 | 3 | 3.18 | 57.90 |
| GREECE | 90 | 55.3 | 1 | NAP | 85.49 |
| HUNGARY | 22 | 37.3 | 4 | NA | 57.17 |
| IRELAND | 100 | 28.9 | 4 | 0.40 | 132.40 |
| ITALY | 100 | 339.9 | 3 | 1.90 | 83.25 |
| LATVIA | 100 | 7.7 | 1 | 0.00 | 21.20 |
| LITHUANIA | 74 | 9.1 | 1 | 0.00 | 21.14 |
| LUXEMBOURG | 100 | 6.8 | 3 | 0.19 | 68.34 |
| NORWAY | 100 | 125.8 | 5 | 8.63 | 35.00 |
| POLAND | 100 | 154.2 | 6 | 0.00 | 40.56 |
| PORTUGAL | 100 | 50.1 | 2 | 2.20 | 62.57 |
| ROMANIA | 100 | 54.1 | 5 | 0.07 | 33.58 |
| SLOVAK REPUBLIC | 100 | 29.6 | 3 | 0.00 | NA |
| SLOVENIA | 100 | 13.9 | 7 | 0.40 | 43.42 |
| SPAIN | 100 | 276.3 | 4 | 2.00 | 57.40 |
| SWEDEN | 100 | 157.4 | 3 | 9.50 | 70.78 |
| THE NETHERLANDS | 100 | 112.0 | 4 | 8.50 | 81.58 |
| UNITED KINGDOM | 100 | 350.1 | 6 | 19.10 | 139.13 |

NA = not available, NAP = not applicable

Source: CEER

⁸Standard consumer Eurostat category Dc = annual consumption of 3500 kWh of which 1300 by night

⁹Energy Price = Total Price – Network Charges – Taxes – Levies

Gas

| Country | Proportion of market open to competition (%) | Consumption (TWh/year) | Number of retail companies with >=5% market share | Annual switching rate in small industry and households (% by number of metering points) | Standard Consumer ¹⁰ Energy Price ¹¹ (€/MWh) |
|-----------------|--|------------------------|---|---|--|
| AUSTRIA | 100 | 88.2 | 5 | 0.50 | 26.56 |
| BELGIUM | 100 | 189.3 | 4 | NAP | 24.00 |
| BULGARIA | 100 | 32.2 | 5 | 0.00 | NA |
| CYPRUS | NAP | NAP | NAP | NAP | NAP |
| CZECH REPUBLIC | 100 | 91.3 | 8 | 0.00 | NAP |
| DENMARK | 100 | 40.0 | 4 | 0.90 | 39.40 |
| ESTONIA | 100 | 9.4 | 1 | NA | 20.97 |
| FINLAND | 0 | 45.0 | 6 | NAP | NA |
| FRANCE | 100 | 498.5 | 3 | 0.50 | 26.35 |
| GERMANY | 100 | 991.2 | 4 | 1.01 | 34.90 |
| GREECE | 74 | 42.6 | 1 | 0.00 | 26.33 |
| HUNGARY | 25 | 124.3 | 7 | NA | 25.05 |
| IRELAND | 100 | 48.6 | 3 | NA | 45.09 |
| ITALY | 100 | 898.4 | 3 | 0.70 | 30.70 |
| LATVIA | NAP | 16.7 | 1 | 0.00 | NA |
| LITHUANIA | 100 | 33.1 | 2 | 0.00 | 15.00 |
| LUXEMBOURG | 100 | 15.0 | 4 | 0.00 | 27.80 |
| POLAND | 100 | 152.3 | 1 | 0.00 | 20.41 |
| PORTUGAL | 43 | 48.9 | 0 | NAP | NA |
| ROMANIA | 100 | 173.4 | 4 | NA | NA |
| SLOVAK REPUBLIC | 100 | 59.8 | 1 | NA | 24.90 |
| SLOVENIA | 100 | 11.8 | 2 | 0.00 | 24.12 |
| SPAIN | 100 | 408.0 | 5 | 5.00 | 21.12 |
| SWEDEN | 100 | 11.7 | 5 | NA | 89.50 |
| THE NETHERLANDS | 100 | 400.0 | 4 | 8.30 | 36.00 |
| UNITED KINGDOM | 100 | 1057.0 | 6 | 18.40 | 34.50 |

NA = not available, NAP = not applicable

Source: CEER

¹⁰Standard consumer Eurostat category D3 = annual consumption of 83.7 GJ

¹¹Energy Price = Total Price – Network Charges – Taxes – Levies

Appendix II

The ERGEG/CEER Reports, Public Consultation documents and Position Papers

Cross-Sectoral

- European Energy Regulators' Work Programme 2008 (C07-WPDC-10-03), 17 January 2008
- ERGEG/CESR Call for Evidence on Record Keeping, Transparency, Supply Contracts and Derivatives for Electricity and Gas (Public Consultation Ref.E08-PC-33), 18 February 2008
- The Green Package – Proposed EU ETS and Renewables Directives: A CEER Position Paper (Ref. C08-SDE-02-06), 27 May 2008
- GGP for Functional and Informational Unbundling for DSOs - Evaluation of Comments (Ref. C06-CUB-12-04a), 15 July 2008
- ERGEG/CESR Fact-Finding Results on Pre- and Post-Trade Transparency and Trading oversight(CESR/08-527), 18 July 2008
- ERGEG/CESR Public Consultation Paper on Market Abuse Issues Relating to Energy Trading(Public Consultation Ref. E08-PC-30), 21 July 2008
- ERGEG Public Consultation Paper on Implementing the 3rd Energy Package (Public Consultation Ref. E08-PC-33), 21 October 2008
- ERGEG/CESR Public Consultation Paper on Record-keeping, Transparency and Exchange of Information (Public Consultation Ref. E08-PC-34), 23 October 2008
- ERGEG/CESR Advice to the European Commission on Market Abuse - following a Public Consultation (E08-FIS-07-04), 20 October 2008
- ERGEG Evaluation of Comments/CESR Feedback Statement to the Public Consultation on Market Abuse (E08-FIS-07-04a), 20 October 2008
- ERGEG/CESR Advice to the European Commission on Record-Keeping, Transparency and Exchange of Information - following a Public Consultation(C08-FIS-07-03), 10 December 2008
- CEER Status Review of Renewable and Energy Efficiency Support Schemes in the EU(C08-SDE-05-02), 10 December 2008
- ERGEG 2008 Status Review of the Liberalisation and Implementation of the Energy Regulatory Framework (C08-URB-15-04), 10 December

- European Energy Regulators Work Programme 2009(C08-WPDC-16-03), 10 December 2008

Electricity

- ERGEG Status Review on Building and Construction Authorisation and Permit Process - Case Examples (Ref. E08-EFG-27-04), 6 February 2008
- Electricity Regional Initiative (ERI) Coherence and Convergence - An ERGEG Conclusions Paper (Ref. E08-ERI-12-04), 15 February 2008
- Electricity Regional Initiative (ERI) Coherence and Convergence – Evaluation of Comments (Ref. E08-ERI-11-03), 15 February 2008
- Obstacles to Supplier Switching in the Electricity Retail Market: Guidelines of Good Practice and Status Review (Ref. E07-RMF-06-03), 10 April 2008
- ERGEG Public Consultation Paper on Draft Guidelines of Good Practice for Operational Security in Electricity (Public Consultation Ref. E08-PC-28), 10 April 2008
- Firmness of nominated transmission capacity – An ERGEG Position Paper (Ref. E08-EFG-29-05), 15 July 2008
- ERGEG Public Consultation Paper on the Treatment of Losses by Network Operators (Public Consultation Ref. E08-PC-29), 15 July 2008
- ERGEG Public Consultation Paper on 2008 ERI Coherence and Convergence Report (Public Consultation Ref. E08-PC-31), 10 September 2008
- ERGEG Public Consultation Paper on the 2008 Compliance Monitoring of the (Electricity) Regulation 1228/2003 (Public Consultation Ref. E08-PC-32), 10 September 2008
- ERGEG Guidelines of Good Practice (GGPs) for Operational Security in Electricity- following an ERGEG Public Consultation (Ref. E08-ENM-02-04), 27 November 2008
- Draft GGP on Operational Security in Electricity – Evaluation of Comments (Ref. E08-ENM-02-04a), 27 November 2008

- CEER 4th Benchmarking Report on Quality of Electricity Supply(Ref. C08-EQS-24-04), 10 December 2008

Gas

- ERGEG 2008 Monitoring Report on the Implementation of the ERGEG Guidelines of Good Practice for Gas Balancing (Ref. E08-GMM-03-03), 10 December 2008
- ERGEG 2008 Status Review on Capacity Allocation Management and Congestion Management Procedures for Storage (Ref. E08-GST-03-03), 10 December 2008
- EFET Proposal on Regional Independent System Operator (R_ISO) - A CEER Respons (Ref. C08-GWVG-42-03), 6 February 2008
- Gas Regional Initiatives Coherence and Convergence - An ERGEG Evaluation of Comments Paper (Ref. E08-GRI-01-05a), 15 February 2008
- ERGEG Public Consultation Paper on Draft Guidelines on Article 22 -Exemptions to TPA (Public Consultation Ref. E08-PC-27), 21 March 2008
- Strategic Guidelines and Codes: Examples Related to Transparency in Natural Gas (Ref: E08-GNM-01-04), 22 April 2008
- ERGEG Guidelines of Good Practice (GGP) for Third Party Access for LNG System Operators - Evaluation of Comments (Ref. E08-LNG-06-02), 7 May 2008
- ERGEG Guidelines of Good Practice for Third Party Access for LNG System Operators (GGP-LNG) - following an ERGEG Public Consultation(Ref. E08-LNG-06-03) , 7 May 2008
- Gas Transparency Monitoring Reports - Evaluation of Comments (Ref. E08-GMM-01-03) , 7 May 2008
- Gas Regional Initiatives Coherence and Convergence Conclusions Paper (Ref. E07-GRI-01-05b), 15 July 2008
- Gas Transparency Monitoring Report - following an ERGEG Public Consultation (Ref. 05bE08-GFG-36-03), 17 July 2008
- Draft Guidelines on Article 22 -Exemptions to TPA – Evaluation of Comments (Ref. E07-GFG-31-07), 12 November 2008
- ERGEG Status Review on the Design of Security of Gas Supply Schemes and Solidarity Mechanisms (Ref. E08-GFG-40-05), 27 November 2008

Appendix III

Press Release and Factsheets 2008

Press Releases

- Making the 3rd Package more effective (Ref. PR-08-01), 16 January 2008
- The Regional Initiatives - Europe's key to energy market integration (Ref. PR-08-02), 27 February 2008
- Making the Green Package proposals more effective (Ref. PR-08-03), 5 June 2008
- European Energy Regulators welcome the European Parliament's vision (Ref. PR-08-04), 25 June 2008
- ERGEG and CESR consult on a proposed EU market abuse framework for energy markets (Ref. PR-08-05), 21 July 2008
- ERGEG inspires better Supplier Switching processes (Ref. PR-08-06), 23 September 2008
- ERGEG and CESR advocate a tailored market abuse framework for energy markets in their advice to the European Commission (Ref. PR-08-07), 1 October 2008
- European Energy Regulators consult on the way for 3rd Package implementation (Ref. PR-08-08), 21 October 2008
- Empowering Consumers – First Citizens' Energy Forum (Ref. PR-08-09), 27 October 2008
- ERGEG Status Review for 2008 shows market opening is not delivering for energy consumers (Ref. PR-08-10), 15 December 2008

Fact Sheets

- 3rd energy package and creating an effective EU Agency (ACER) in the consumer's interest (Ref. FS-08-01), 20 February 2008
- European Energy Regulators put consumers first (Ref. FS-08-02), October 2008
- ERGEG public consultation; first thoughts on implementing the 3rd Package (Ref. FS-08-03), November 2008

Appendix IV

Presentations by the European Energy Regulators

Presentations

- BOLTZ, Walter, CEER Vice President, 2nd annual conference on developing European gas supply infrastructure, How much unbundling is necessary for market integration?, "Panel discussion: Regulators versus TSOs", Vienna, 3 November 2008
- BOLTZ, Walter, CEER Vice President, European Transmission System Operators (ETSO) conference, "Regulatory independence, competence and coordination: milestones on the road to perfect wholesale energy competition?", Bonn, 2 April 2008
- BOLTZ, Walter, CEER Vice President, Gas and Energy Markets Conference, "Is the EU's energy sector fit for the future? Investment, diversification and security of supply", Brussels, 7 February 2008
- BOLTZ, Walter, CEER Vice President, SMi's Gas Storage Conference, "Regulation of gas storage", London, 29-30 June 2008
- BRAZ, José, Chair of CEER Energy Package Working Group, 5th International Conference on the European Electricity Market (EEM '08), "Regulation of electricity market", Lisbon, 28-30 May 2008
- BRAZ, José, Chair of CEER Energy Package Working Group, Informal meeting of the ITRE Committee of the European Parliament, "Third Energy Package - European Energy Regulators' views", Strasbourg, 19 February 2008.
- BRAZ, José, Chair of CEER Energy Package Working Group, 7th US-EU Energy Regulators Roundtable, "Recent Regulatory Developments in the USA & EU", New Orleans, Louisiana, 14-16 November 2008.
- COSTA CAMPI, María Teresa, CEER General Assembly Member, Endesa - III International Seminar on Power Sector Regulation, "Institutional aspects of energy sectors"; Madrid, 20 October 2008
- CREA, Carlo, Participant of CEER General Assembly meetings, 8th Annual Italian Energy Summit, "Competition and liberalisation for a sustainable energy system: the role of independent authorities", Milan, 29-30 September 2008
- CROUCH, Martin, CEER General Assembly Member, DECX Europe 2008, "Green energy package and the impact on the decentralised energy market", Amsterdam, 28-29 October 2008
- CROUCH, Martin, CEER General Assembly Member, SMi Sustainable Energy Conference – "EU regulation: forming a Europe-wide framework to sustainable, competitive and secure energy supply", London, 28-29 April 2008
- De LADOUCETTE, Philippe and BRAZ, Jose, CEER General Assembly members, Symposium organised by the Assemblée Nationale (Paris), "L'Europe de l'énergie: de la libéralisation a l'interconnexion des marchés", Paris, 23 January 2008
- De SUZZONI, Patricia, Chair of the ERGEG Customer Working Group, 1st meeting of the Citizens' Energy Forum, "Supplier switching in electricity and gas markets", London, 27-28 October 2008
- De SUZZONI, Patricia, Chair of the ERGEG Customer Working Group, European Parliament Public Hearing, "European charter on the rights of energy consumers", Brussels, 26 May 2008

- DYEVRE, Eric, Participant of CEER General Assembly meetings, 5th AFUR Annual Conference, "Regulatory non-discrimination, Promotion of Competition and the Protection of Investors", Ghana, 27-30 April 2008
- DYEVRE, Eric, Participant of CEER General Assembly meetings, 7th US- EU Regulators Roundtable, "Natural Gas demand", News Orleans, Louisiana, 14-16 November 2008
- DYEVRE, Eric, Participant of CEER General Assembly meetings, European Economic and Social Committee (EESC), "External dimension of EU's energy policy – 1st hearing", Open debate participation, Brussels, 1 October 2008
- GEITONA, Fay, CEER Secretary General, European Economic and Social Committee Hearing, "3rd liberalisation package: CEER key comments", Brussels, 11 February 2008
- GEITONA, Fay, CEER Secretary General and GROEBEL, Annegret, Workshop on European Networks of Regulatory Agencies: Current Solutions and Future Models Regulatory Network Governance, "Strengths and weakness of a network of European Regulators, Brussels, 10 June 2008
- HALLDEARN, David, Participant of CEER General Assembly meetings, House of Lords European Union Committee, "Inquiry into the EU's 20% Renewable Energy Target", Brussels, 5 June 2008
- HALLDEARN, David, Participant of CEER General Assembly meetings, EURELECTRIC Workshop, "TSO unbundling models", Brussels, 31 March 2008
- HALLDEARN, David, Participant of CEER General Assembly meetings, World Services Group Energy Seminar, "ERGEG's views/insight on issues as to regulatory framework", London, 28 February 2008
- HALLDEARN, David, Participant of CEER General Assembly meetings, Energinet.dk Conference, "How will the 3rd Package influence the framework of the regulators?", Copenhagen, 12 March 2008
- HIRVONEN, Ritva, Co-Chair of the ERGEG Electricity Market Task Force, UCTE Workshop, "Compliance monitoring and enforcement", Brussels, 25 January 2008
- KAPETANOVIC, Tahir, Co-Chair of the ERGEG Electricity Market Task Force, Transmission and Distribution Europe 2008, "Can Regulation Encourage Investment in the European Networks?", Amsterdam, 11-13 March 2008
- KAPETANOVIC, Tahir, Co-Chair of the ERGEG Electricity Market Task Force and KINDLER, Johannes, CEER Vice President, European Transmission and Distribution Summit 2008, Regulating European Transmission and Distribution Networks: Latest developments and future expectations, "Powering-up the SmartGrid: Technology and Applications for Security, Sustainability and Market", Geneva, 5-7 May 2008
- KAPETANOVIC, Tahir, Co-Chair of the ERGEG Electricity Market Task Force, Energyforum Conference, Session Chair on "Cross border power trading", Copenhagen, 14-15 May 2008
- KINDLER, Johannes, CEER Vice President, Claeys & Casteels and the European Energy Institute Conference on The 3rd liberalisation Package: Towards an Agreement, Keynote presentation, Brussels, 9 June 2008
- Lord MOGG, John (KCMG), CEER President and BOLTZ, Walter, CEER Vice President, Claeys & Casteels Conferences on Internal Energy Market – the 3rd Liberalisation Package, Brussels, 17-18 January 2008

- Lord MOGG, John (KCMG), CEER President, Irish Institute of European Affairs, "European Energy Regulators' views on the 3rd Package", Dublin, 7 February 2008
- Lord MOGG, John (KCMG), CEER President, APX Symposium, "Do we need more or better regulation to reduce the impact of market concentration in power and gas?", Brussels, 16 April 2008
- Lord MOGG, John (KCMG), CEER President, EurActiv workshop, "Liberalising Europe's energy sector – prices, markets and trading", Brussels, 16 April 2008
- Lord MOGG, John (KCMG), CEER President, European Commission workshop, "Protection of the European Rights of Energy Consumers", Brussels, 6 May 2008
- Lord MOGG, John (KCMG), CEER President, Renewable Energy Grid Integration Summit, "Connecting and integrating Wind and Renewable Energy Projects into Electricity Networks", London, 24-25 June 2008
- Lord MOGG, John (KCMG), CEER President, Public Hearing on The Agency for the Co-operation of Energy Regulators organised by the ITRE Committee of the European Parliament, 24 January 2008
- Lord MOGG, John (KCMG), CEER President, Bird & Bird Workshop on Third Energy Package, Dusseldorf, 10 January 2008
- MAYER, Johannes, Chair of the ERGEG Unbundling, Reporting and Benchmarking Task Force, Eurogas Distribution Committee Meeting, "Forthcoming guidelines on unbundling for DSO networks under the 3rd Package", Budapest, 26 May 2008
- OLAND, Gunn, Chair of the ERGEG Retail Market Functioning Task Force, Inoventa's 4th Annual European Utilities Intelligent Metering, "European Opportunities and Solutions - Perspectives from CEER/ERGEG", Amsterdam, 27 February 2008
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Appendix V

Membership of the ERGEG

| | |
|-----------------|---|
| Austria | Energy Control Ltd (E-Control) |
| Belgium | Commission for the Regulation of Electricity and Gas (CREG) |
| Bulgaria | State Energy & Water Regulatory Commission (SERC) |
| Cyprus | Cyprus Energy Regulatory Authority (CERA) |
| Czech Republic | Energy Regulatory Office (ERU) |
| Denmark | Danish Energy Regulatory Authority (DERA) |
| Estonia | Estonian Competition Authority (ECII) |
| Finland | Energy Market Authority (EMV) |
| France | Commission for the Regulation of Energy (CRE) |
| Germany | Federal Network Agency for Electricity, Gas, Telecommunications, Posts and Railway (BNetzA) |
| Greece | Regulatory Authority for Energy (RAE) |
| Hungary | Hungarian Energy Office (HEO) |
| Ireland | Commission for Energy Regulation (CER) |
| Italy | Italian Regulatory Authority for Electricity and Gas (AEEG) |
| Latvia | Public Utilities Commission (PUC) |
| Lithuania | National Control Commission for Prices and Energy (NCC) |
| Luxemburg | Luxembourg Institute of Regulation (ILR) |
| Malta | Malta Resources Authority (MRA) |
| The Netherlands | Office of Energy Regulation (Energiekamer) |
| Poland | Energy Regulatory Office (ERO) |
| Portugal | Energy Services Regulatory Authority (ERSE) |
| Romania | Romanian Energy Regulatory Authority (ANRE) |
| Slovak Republic | Regulatory Office for Network Industries (URSO) |
| Slovenia | Energy Agency of the Republic of Slovenia (AGEN) |
| Spain | National Energy Commission (CNE) |
| Sweden | Energy Markets Inspectorate (EI) |
| United Kingdom | Office of Gas and Electricity Markets (Ofgem) |

Observers:

| | |
|---------|--|
| Croatia | DKER |
| Iceland | National Energy Authority (Orkustofnun) |
| Norway | Norwegian Water Resources & Energy Directorate (NVE) |
| Turkey | Energy Market Regulatory Authority of Turkey (EMRA) |

Appendix VI

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