



2010 Annual Report of the European Energy Regulators





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This report covers the activities of the Council of European Energy Regulators (CEER) and of the European Regulators' Group for Electricity and Gas (ERGEG) for the period 1 January 2010 to 31 December 2010.

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 2010 Annual Report of Europe's energy regulators to all members of CEER, ERGEG, the European Parliament, the Council of Ministers and the European Commission.

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I. Introduction

Background to CEER, ERGEG and ACER

Since 2000, Europe's national energy regulators have been (voluntarily) cooperating through the Council of European Energy Regulators (CEER) in an effort to improve market functioning across Europe and ensure a fair and predictable regulatory framework for market participants, ultimately to the benefit of all consumers. CEER is legally established as a not-for-profit association under Belgian law.

In recognition of the benefits of the regulators' collaborative efforts under CEER, the European Commission (in 2003) decided to establish the European Regulators' Group for Electricity and Gas (ERGEG) as its official advisory body. ERGEG supports the European Commission by advising it on regulatory issues including on draft energy legislation.

The cooperation of national regulators is harnessed through CEER/ERGEG task forces and working groups which are composed of staff members of the national regulatory authorities of Europe. Decisions are taken at the monthly CEER General Assembly meetings, and quarterly ERGEG Plenary meetings. CEER and ERGEG share the same Board and website. The Brussels-based CEER Secretariat provides administrative support to both CEER and ERGEG.

Starting in 2011, a new organisation of energy regulators will continue the work undertaken by ERGEG but through a formal European Community structure with clear competences. The Agency for the Cooperation of Energy Regulators (ACER), which was established following the entry into force of the third energy liberalisation legislative package (3rd Package) on 3 September 2009, has been assigned a series of tasks and responsibilities in relation to Europe's electricity and gas markets. ACER is a European Community body with legal personality, funded by the EU budget, with a staff of around 50 persons.

The role of regulators and the Agency for the Cooperation of Energy Regulators (ACER)

The role of regulators is central to the achievement of the objectives relating to market integration, climate change, consumer protection and security of supply. The 3rd Package changes fundamentally the role of energy regulators not only at national level but at the EU level itself, notably with the creation of a new European energy agency called the Agency for the Cooperation of Energy Regulators (ACER). Under the 3rd Package, national regulators' powers, duties and independence are also enhanced.

ACER's creation is a significant shift in energy regulation. ACER will complement at EU level the regulatory tasks of national regulators. The purpose of setting up ACER is to create the institutional basis for the framework necessary to establish an integrated European market in electricity and gas. This is needed in order to increase market integration through more efficient cross-border trading and to ensure security of supply. In order to encourage the investment needed to achieve this, investors require a predictable and stable regulatory framework. As an EU Agency, ACER provides the institutional framework for national regulators to cooperate on cross-border issues and will ensure the proper handling of cross-border disputes. The 'regulatory gap' in cross-border regulation will be filled with potentially binding new rules (so-called new EU-wide network codes) that are critical for an integrated EU energy market. ACER will also have a central role in the development of these EU-wide network codes, in particular in setting the framework guidelines with which they must comply, its oversight of the European Networks of Transmission System Operators (ENTSOs) in electricity and gas. ACER has extensive monitoring duties.

The Future – CEER and ACER

ACER becomes fully operational in March 2011, and will operate from Ljubljana, Slovenia. It will play a key role in the integration of the EU's markets in electricity and natural gas, providing a framework at EU level for national regulators to cooperate and providing greater clarity and regulatory certainty.

The European Commission has signaled its intention to discontinue ERGEG shortly after ACER assumes its full responsibilities and powers in March 2011. The year 2011 will therefore be a year of transition, marked not only by organisational overhaul but also a period of establishing the working arrangements of ACER, an independent European agency. ACER's responsibilities will include parts of the work which have so far been undertaken by ERGEG (e.g. framework guidelines and the Regional Initiatives), while some of ERGEG's other tasks (e.g. customer issues) will be taken up by CEER. CEER will continue to exist as a platform for Europe's energy regulators to develop common interests that are of pan-European or even wider significance but which do not fall within the current remit of ACER's work (e.g. international energy issues).

In building up ACER, regulators, through CEER, will provide input to the European Commission and ACER not only on institutional, practical and organisational challenges but also on the preparatory work on framework guidelines (which set the scope for EU-wide network codes in twelve different areas).

Who were the CEER/EREG Board members in 2010?



Lord Mogg
CEER President and EREG Chair

CEER Vice Presidents and EREG Vice Chairs



Walter
Boltz
(E-Control)



Johannes
Kindler
(BNetzA)



Alessandro
Ortis (AEEG)



Marko Senčar
(AGEN)



Asta Sihvonen-
Punkka (EMV)

On 4-5 May 2010, ACER held the inaugural meeting of its Board of Regulators at which Lord Mogg was elected the first Chair of ACER's Board of Regulators and Mr Walter Boltz the Vice-Chair, each appointed for a 2.5 year (renewable) period.

Mr Alberto Pototschnig was appointed the first Director of ACER.

Honorary Members of CEER

Jorge Vasconcelos, Jean Syrota, Pippo Ranci, Callum McCarthy and Asta Sihvonen-Punkka as founding members of the CEER who also served as Board members are honorary members of the CEER.

2. Chairman's Statement

The past year has seen dramatic changes in energy policy and institutional development. This annual report highlights our wide and varied contribution to the emergence of a more integrated EU energy market and our efforts to offer experience and expertise to a far wider regulatory audience.

Institutional Changes

The report spells out in considerable detail the work undertaken at all levels of the regulatory community, principally through CEER and ERGEG, to prepare for the opening of the Agency in March 2011 and in response to the policy developments initiated by the Commission. This work could not be undertaken without the high level of commitment from the Union's national regulatory bodies. I should like to make particular mention of the huge contributions made by the chairs of the working groups and pay tribute to Asta Sihvonen Punkka and Alessandro Ortis who have for many years (in Asta's case from the very earliest stages of CEER) spent many personal hours in doing forward thinking on energy issues.

The Council and Parliament's agreement to establish the Agency represented a considerable achievement for regulators who themselves gained many additional powers and responsibilities under the Third Energy Package. The Agency's opening in March 2011 will lead to major institutional adaptation and demand a continued commitment from national regulatory authorities (NRAs) to its work. We wish the Director, Alberto Pototschnig, every success in his challenging role and again pay particular thanks to our Secretary General, Fay Geitona. Like Asta, Fay has been tremendous in building a strong team in Brussels and in providing such a brilliant service to CEER and ERGEG.

Policy Highlights

We have continued our policy of empowering customers actively to participate in the smarter energy world (e.g. smart metering and smart grids). There have been significant advancements in regional market integration including the first inter-regional market coupling. In the past month or so, we have seen the first real sign of 3rd Package implementation. ERGEG has given advice about the first (non-binding) Community-wide 10 year network development plans. In pilot testing the process of developing Framework Guidelines, ERGEG has also delivered to the Commission two Framework Guidelines and has advanced work on a further four. These Framework Guidelines (and others in priorities areas) set the basis for the legally binding Network Codes that will be drawn up by the European Networks of Transmission System Operators (ENTSOs).

Energy is no longer only a national or even regional issue. A low-carbon economy, security and diversity of supply, climate change and the global nature of energy supplies such as LNG

has focused attention on international activities. Our strategy of "speaking with one voice for Europe" has governed the bilateral relationships established by CEER with regulators and regional associations of third countries (including Russia) as well as multilateral relationships in the framework of the Mediterranean working group for electricity and gas regulation (MEDREG) the Energy Community (of South East Europe) and the International Confederation of Energy Regulators (ICER). In 2010, CEER played a leading role on the global stage in particular in terms of climate change and energy efficiency.

The countdown to a hopeful future with ACER

The EU's target of having the main elements of the internal EU market in electricity in place by 2014 is challenging but necessary. 2011 looks particularly promising. We see a strong future role for the Regional Initiative to focus, among other things, on coordinating the implementation of 3rd Package measures (notably the network codes) across neighbouring borders. The proper unbundling of network operators should help deploy smart grid solutions and unlock energy efficiency measures. We are hopeful that 2011 will prove to be a milestone year for EU's energy efficiency policy framework and for energy market integrity.

And, naturally, the fact that the Agency (with its central role to play in many of these EU initiatives) will become fully operational in March leaves me with much hope for the future. ERGEG itself will no longer exist. Whilst ACER is likely to be in the limelight in the future CEER will continue to be a key component of policy development and advice on those issues that are at the heart of regulatory activity such as consumer issues, financial markets, sustainable development, gas issues, promoting education and the cross fertilization of information and experience amongst regulators themselves in the Union and at the international level. We will continue our activities around key issues including smart grids and smart meters; quality of electricity supply; renewables and energy efficiency; financial services; gas storage; LNG and the gas target model; and retail market monitoring.

As always I must finally pay tribute to all who have continued to give so much to the work of CEER & ERGEG.



Lord Mogg
CEER President and ERGEG Chair

3. First Real Signs of 3rd Package – ACER and Framework Guidelines

3rd Package – the building blocks of an integrated EU energy market

The 3rd Package aims to put in place effective unbundling of vertically integrated energy utilities, to facilitate the delivery of the massive energy investment that Europe crucially needs and to improve the functioning of markets and strengthen customer rights. The biggest change it introduces is the creation of bodies at EU level which provide the basis for a sound pan-European regulatory framework. In particular, it creates ACER and provides for harmonised rules and procedures in the form of EU-wide network codes across 12 areas of work in electricity and gas.

EU-wide network codes (which may become legally binding) will be drafted by the European TSO bodies (ENTSOs) in line with the framework guidelines set out by ACER. These EU-wide network codes are critical for an integrated EU energy market.

The EU-wide network codes of the 3rd Package and the new bodies at EU level (ACER and ENTSOs) will be a major step forward towards an integrated EU energy market. Work on key framework guidelines is well underway, with some to be introduced very quickly.

Setting up ACER

Significant progress was made during 2010 on establishing ACER. ACER comprises an Administrative Board (charged with the governance of ACER); a Board of Regulators (consisting of the national regulatory authorities and one non-voting representative of the European Commission); a Board of Appeal; and a Director responsible for its overall management. Three meetings of the Administrative Board and four of the Board of Regulators took place in 2010.

In May 2010, Mr Alberto Pototschnig was appointed ACER Director. The Director heads and manages ACER and is its legal representative. Lord Mogg was elected Chair of ACER's Board of Regulators and Mr Walter Boltz as its Vice Chair.



Inaugural meeting of ACER's Board of Regulators

The first of ACER's staff were recruited, temporarily based in Brussels until they move to ACER's seat in Ljubljana in early 2011. The Seat Agreement governing the relationship between the Slovenian Government and ACER was signed in November 2010. ACER also published its 2011 work plan.

Whilst the European Commission began the process of establishing ACER, TSOs and regulators began gearing up for their new roles and illustrating the first early positive signs of the potential impact of the 3rd Package. The regulators began preparing the institutional/governance elements (e.g. internal Board of Regulators' rules of procedure, draft guidelines for the collaboration of the National Regulatory Authorities with ACER and proposals for the modification and enforcement of network codes) for the set up of ACER. ERGEG undertook preparatory work on framework guidelines and also developed draft advice for the development of the Community-wide 10-year network development plan (in electricity and gas), as guidance for the ENTSOs work in this area. The regulators also carried out during 2010 a first review of the future ENTSOs' draft statutes, membership lists and their draft rules of procedures in preparation for ACER's role in these processes.

Scoping the new EU regulatory landscape – the framework guideline process

As far back as 2008, the European regulators signaled their intention to make as much progress as possible during the 18-month interim period (from September 2009 – March 2011) during which ACER is established but cannot formally take up its duties.

In consultation with stakeholders, ERGEG had (in 2009) set out a process for the development of framework guidelines and network codes which meets best regulatory practice. ERGEG developed framework guidelines in two steps: initial impact assessment (IIA) justification (step 1); and drafting of a framework guideline, including 2 months of public consultation (step 2). This process foresees - where necessary - the set up of ad hoc expert groups which provide expert support to the regulators in developing the framework guidelines.

Working "as if" it were ACER (i.e. respecting the deadlines and procedures set out in the 3rd Package and following the step-by-step process which the regulators had developed), ERGEG tested the framework guideline process during 2010 working on a total of 6 different framework guidelines in parallel.

Setting priorities and ensuring co-ordination between the European Commission, regulators and ENTSOs

The framework guideline process is only the first step in a process (set out in the 3rd Package) of producing binding EU-wide network codes. The codes must be drafted by the ENTSOs in line with the framework guidelines developed by the regulators, and eventually may become legally binding by going through the comitology procedure. Conscious of the inter-dependencies (as a delay in one part of the process may have a knock on effect later on), and at the suggestion of the regulators, coordination of the relevant parties at EU level was established. A 3-year plan agreed by the European Commission, ENTSOs and ERGEG set priorities for the framework guidelines and network codes process for the coming period. The aim is to increase coordination and give stakeholders an indication of the timing of framework guidelines and network codes so that they can contribute to the process. Together, the European Commission, ERGEG and ENTSOs monitor the process closely to identify areas for future improvement and to ensure the timely achievement of deliverables. Planning group meetings of high level representatives of these bodies and public reporting to Member States and industry at the Florence Forum and Madrid Forum on adherence to the 3-year plan seek to ensure that delays between the development of the framework guidelines and the subsequent network codes are minimised.

Regulators deliver in 2010 on their part of the EU-wide rules with the very first framework guidelines

In electricity, the European Energy Regulators worked during 2010 on framework guidelines on the following topics:

Electricity

- 1) electricity grid connection;
- 2) capacity allocation and congestion management; and
- 3) system operation.

With respect to gas framework guidelines the work focused on:

Gas

- 1) gas capacity allocation;
- 2) gas balancing rules; and
- 3) gas harmonised transmission tariff structures.

The result of the regulators' hard efforts on 6 areas was the finalisation and formal submission to the European Commission (in December 2010) of draft framework guidelines on two issues (gas capacity allocation and electricity grid connection). Significant progress was also made in electricity capacity allocation and congestion management and gas balancing (which were consulted upon) and in system operation. ERGEG also launched in 2010 the process to establish an overall target model for the European gas market which will consider the interaction and interdependencies of all relevant areas of the network codes.

Once the European Commission is satisfied with ACER's framework guidelines, the European Networks of Transmission System Operators have 12 months (from the time the European Commission formally invites the ENTSO) to draft the corresponding network code which may become legally binding via comitology.

The regulators' framework guidelines (and the resulting EU-wide network codes) will ensure progress towards the internal European gas and electricity markets in terms of non-discrimination, effective competition, efficient functioning and integration of markets and the enhancement of cross-border trading.

Gas Capacity Allocation Mechanism – the first gas framework guideline pilot project

In September 2009, the European Commission formally invited ERGEG to act as if it were ACER and to develop a non-binding framework guideline for gas capacity allocation within 6 months. This reflects the procedure in the new Gas Regulation.

Following extensive consultation (including the use of an Expert Group, bi-lateral meetings with stakeholders, a public consultation and a workshop in February which provided valuable input on ERGEG's initial proposals), ERGEG submitted to the European Commission in June 2010 its first-ever pilot Framework Guideline on Gas Capacity Allocation Mechanisms (along with ERGEG's initial impact assessment on the pilot framework guideline). The European Commission then had some comments which were taken into account into the Revised Framework Guideline on Gas Capacity Allocation which was re-submitted to the European Commission in December 2010.

What problem does the Framework Guideline on Gas Capacity Allocation seek to resolve?

- Capacity products and allocation mechanisms differ widely from one EU Member State to another and sometimes from one TSO to another within a country.

- First-Come-First-Served is not an appropriate allocation mechanism in cases of congestion.
- Capacity mis-match at many interconnection points is a major obstacle to cross-border gas trading and leads to sub-optimal use of infrastructure.

Who is most seriously affected by these problems?

- New entrant shippers have limited access to pipeline capacity.
- Ultimately consumers, since operational inefficiencies hamper competition and reduce the benefits of the internal market, in terms of lower prices and more secure supply.
- It is important for TSOs that capacity management rules at interconnection points are stable and transparent (so as to avoid disputes with regulators and shippers).

What is the objective of the framework guideline?

- To harmonise the way capacity is allocated and marketed at interconnection points in Europe so as to optimise the use of gas network capacity across borders, integrate markets and enhance hub-to-hub trading.

This draft framework guideline (a) addresses the scope and level of TSO cooperation in capacity allocation; (b) sets out the framework for harmonising capacity products; and (c) sets out the tools to be applied for capacity booking procedures, the details of the allocation mechanisms to be applied and the facilitator (e.g. booking platforms) to be used. ERGEG's proposals are based on enhancing the current existing approaches to capacity allocation rather than proposing a fundamentally different approach. The scope of the framework guideline does not directly apply to new capacity, except for that which remains unsold after the initial open season procedure. However, the processes for allocating incremental capacity should be consistent with this pilot framework guideline.

The revisions to the original (June) version of the pilot framework guideline include some important clarifications, for example the relation between bundled products and virtual interconnection points. It also clarifies that auctions will be the single target model for both firm and interruptible capacity. Interruptible capacity services will not be necessarily bundled but at least aligned at every interconnection point and procedures regarding interruptions will be standardised.

The goal of the Revised Framework Guideline on Gas Capacity Allocation is to optimise the use of network

capacity across borders and at entry/exit zones, the integration of markets and the enhancement of cross-border trading. The main measures of the FG are:

- Standardisation and simplification of the set of capacity services;
- Application of auctions as the standard target model for capacity (with the possible exception of within-day capacity);
- Bundling of capacity services offered by adjacent TSOs; and
- Implementation of virtual interconnection points.

The framework guideline, once applied through corresponding network code(s), should help integrate markets and enhance hub-to-hub trading by harmonising the way capacity is offered and marketed at interconnection points. It will help overcome current difficulties such as different allocation rules on the two sides of borders, different types of capacity products and the domination of the First-Come-First-Served (FCFS) principle which is inappropriate in situations where congestion exists.

Closely related to the capacity allocation mechanism, ERGEG also prepared its input to the European Commission's proposal for amending Annex I of Gas Regulation 715/2010 to prepare a comitology guideline on congestion management procedures. In September 2010, ERGEG also submitted to the European Commission its "Recommendations on Gas Congestion Management Procedures" and an accompanying initial impact assessment.

Framework Guideline on Gas Balancing

Work on a draft Framework Guideline on Gas Balancing started in 2009. The official invitation from the European Commission to ERGEG (kicking off the 6-month deadline) was sent on 6th August 2010. At the 18th Madrid Forum in September 2010, ERGEG presented the draft Framework Guideline on Gas Balancing in which ERGEG's existing (non-binding) guidelines of good practice and a KEMA study on methodologies for gas transmission network tariffs and gas balancing fees in Europe were taken as a starting point. The goal of the framework guideline is to set out clear and objective principles for the development of network codes by ENTSOG, which in turn should seek to put the procedures in place that will enhance European market integration and introduce market-based balancing regimes. The framework guideline seeks to set out priority areas and propose ways in which these priority areas can be addressed.

The draft Framework Guideline on Gas Balancing (at consultation stage) proposes two policy objectives for gas balancing: (a) a move toward greater integration at EU level; and (b) a move towards market-based balancing mechanisms where both market users (market participants or shippers) and the TSOs have a role in balancing the gas transmission network. For market participants to be principally responsible for balancing, they would need to be able to trade out any imbalances in a liquid wholesale gas market. ERGEG believes that balancing rules cannot provide for harmonisation of balancing rules in one step. Instead, ERGEG proposes a gas balancing target model with interim steps.

What problem does the Framework Guideline on Gas Balancing seek to resolve?

- The European gas market is highly fragmented with different balancing arrangements in neighbouring markets. Differences in balancing rules and fragmentation of zones may distort trade.
- Some imbalance charges penalise new entrants or do not incentivise shippers to balance.
- Limited use of market based mechanisms for TSO procurement of balancing reduces market liquidity.
- Lack of information or access to liquid short term markets makes balancing by shippers difficult.

Who is most seriously affected by these problems?

- DG Competition's Sector Inquiry found that balancing markets often favour incumbents and create obstacles for new entrants, and that the small size of the balancing zone increases costs and protects the market power of incumbents.

What is the objective of the framework guideline?

- The dual objective is (a) a move towards greater integration at EU level; and (b) a move towards market based balancing mechanisms.

The draft Framework Guideline on Gas Balancing was developed with input from an ad hoc expert group on gas balancing and bi-lateral meetings with stakeholders, and was subject to public consultation and a public workshop in Autumn 2010. Close cooperation with ENTSG (almost monthly meetings) and other stakeholders allowed an exchange of views on the best design of the framework guideline. The final draft framework guideline will be submitted to the European Commission in Spring 2011.

Framework Guideline on Harmonised Gas Transmission Tariff Structures

At the end of 2010, ERGEG also started informally the preparation of a draft framework guideline on harmonised transmission tariff structures. As in the preparation of the previous framework guidelines, close cooperation with ENTSG and all other stakeholders and input from an Expert Group was ensured. The work will be brought forward in 2011 and handed over to ACER.

Grid Connection - the first electricity framework guideline pilot project

Electricity grid connection was chosen as ERGEG's "pilot" exercise in developing a framework guideline for electricity. The proposals cover the features and rules which the transmission and distribution grid operators, as well as the grid users, must meet in order to maintain system security, availability and the proper functioning of the electricity market from a technical point of view. It also includes principles for the exchange of information between market actors. A European grid connection regime must clearly identify and explain those areas where further harmonisation of rules in different Member States is necessary. Following the submission of the pilot Framework Guideline on Electricity Grid Connection to the European Commission in December 2010, the European Commission officially mandated ENTSO-E to begin its 'pilot' network code in this area (thereby launching the 12-month deadline for doing so as set out in the 3rd Package). Already ENTSO-E had begun preparatory work on a pilot network code for grid connection with a special emphasis on wind generation.

What problem does the Framework Guideline on Electricity Grid Connection seek to resolve?

- National grid connection rules have been developed to support national needs. The result is differing technical requirements across Europe for generators requesting connection.
- For system operation, the accuracy and binding character of rules differs between TSOs and Member States.
- With increased intermittent generation and greater interconnectedness of Member States' control areas, this lack of harmonisation is leading to unsafe and uncontrolled system operation, exposing the entire European network to further threats like the system split of UCTE experienced in November 2006.

Who is most seriously affected by these problems?

- Connected Parties: generators and customers can be seriously impacted by power disruptions.
- Network Operators are impacted by having to pay compensation to system users (generation and demand) and the costs of restoring the system after a fault.
- Without action, these grid connection problems will increase in the future. Furthermore, growing intermittent generation will further increase the pressure for an appropriate and well-defined grid connection framework in the EU.

What is the objective of the framework guideline?

- Minimum requirements for connection for all grid users.
- Promoting (real-time and other) exchange of information and improved coordination.
- Connection regime for specific grid users.

Framework Guideline on Electricity Capacity Allocation and Congestion Management

The functioning of electricity markets is strongly dependent on how (scarce) interconnection capacity is allocated and how bottlenecks in the networks are managed. The integration of national markets by means of efficient and effective use of interconnection capacity is a key step in the achievement of an internal electricity market in Europe. Indeed, capacity allocation and congestion management for electricity has been a topic on the Florence Forum agenda since the 3rd Florence Forum in 1999. An important step towards enhancing capacity allocation and congestion management was achieved with the adoption of Regulation (EC) No 1228/2003 (first Electricity Regulation) and the annexed Congestion Management Guidelines 770/2006/EC, including through voluntary projects under the ERGEG Regional Initiatives. However, one important shortcoming is the lack of coordinated congestion management between control areas. In March 2010, the European Commission invited ERGEG to draft a Framework Guideline on Electricity Capacity Allocation and Congestion Management (CACM) which will provide the basis for EU-wide network codes to be drafted by ENTSO-E.

What problem does the Framework Guideline on Electricity Capacity Allocation and Congestion Management seek to resolve?

- Inefficient and sub-optimal use of transmission network capacity between and within the control areas.

- Current CACM methods have not enabled market liquidity and formation of reliable prices in day-ahead & forward electricity markets.
- Strong adverse incentives for the TSOs to underestimate commercial available capacity have been created.
- CACM methods do not sufficiently account for large-scale variable generation (e.g. taking into account loop flows).

Who is most seriously affected by these problems?

- Customers. Reduced efficiency directly reduces customers' benefits.
- Without action, these CACM problems will increase in the future as market integration evolves and the interdependencies between the different control areas grow.

What is the objective of the framework guideline?

The overall objective is an optimal use of power generation plants and transmission across Europe.

Sub-objectives:

- Optimal Use of Transmission Capacity
- Reliable Prices and Liquidity in the Day-Ahead Market
- Efficient Forward Electricity Market
- Efficient Intraday Market

In Autumn 2010, ERGEG held a workshop and launched for public consultation its Initial Impact Assessment (IIA) and its draft Framework Guideline on CACM. The draft framework guideline addresses three timeframes of capacity allocation: forward market, day-ahead market and intraday market. Additionally, it addresses capacity calculation which is crucial to the issue of capacity allocation and congestion management.

The regulators' work built upon extensive prior consideration of this issue through the target model for electricity congestion management in Europe (developed jointly by stakeholders under the leadership of regulators for the 17th Florence Forum in December 2009). ERGEG benefitted from the support of the Ad Hoc Advisory Group of Stakeholders (AHAG), which was set up by ERGEG following the 17th Florence Forum to advise ERGEG in the development of a draft framework guideline on this issue. AHAG's implementation groups provided input in areas of day-ahead and governance, intraday and on capacity

allocation. Extensive consultation and discussion with key market participants was pursued through AHAG. ERGEG's final proposals on a draft Framework Guideline on CACM for electricity will be submitted to the European Commission in the first quarter of 2011 as input for ACER and ENTSO-E's future work.

Framework Guideline on System Operation

The third electricity framework guideline priority which ERGEG began work on in 2010 is system operation, which addresses all the aspects of synchronous operation and interworking/interaction of interconnected European transmission networks. With the integration of national and regional energy markets, the transactions and load flows in the interconnected transmission system are increasing and the system is operated closer to the stability margin. In order to maintain a necessary level of security within this system, the different operational rules of national or territorial systems have to be harmonised, including as regards issues such as load-frequency control, voltage management, data exchange and emergency procedures. Furthermore, system operation rules must be binding on all parties and it is thus very important that these rules – defined by a regulatory framework – are agreed among the system operators (TSO and DSO) and grid users (generation and consumption units). The political and economic goals must be matched by fully aligned and reliable technical system security procedures. By having coordinated control mechanisms, Europe can reduce the risks of large disturbances (such as black outs) in the power systems. Following extensive discussions with an ad hoc expert group as well as 'scoping' meetings between regulators, TSOs and the European Commission, ERGEG will present its draft proposals for a Framework Guideline on Electricity System Operation in the first quarter of 2011, again as input to ACER's future work.

Engaging stakeholders in the process which may result in binding EU rules

Each draft framework guideline was the subject of a careful and extensive initial impact assessment by the regulators. Although not formally required by the 3rd Package, ERGEG considered the initial impact assessment exercise important in order to clearly identify the problem and what could be done to resolve it.

The regulators have endeavored to develop their proposals applying the highest possible level of transparency and stakeholder involvement. Ad hoc expert groups, public workshops, public consultations, as well as informal meetings with stakeholders, formed a central part of the process.

Reviewing and improving the framework guideline process

Considering it important that the process for drafting framework guidelines is robust and provides a sound basis on which ACER can rely, during winter 2010, ERGEG conducted a review of the process itself. The aim was to gather the experiences of both the regulators and external stakeholders (such as the European Commission, ENTSOs, etc.) and to provide recommendations to the Director of ACER before ACER itself takes over the responsibility for framework guideline development.

ERGEG found that the "scoping" phase (involving the European Commission, ACER and the ENTSOs) is extremely important and should be used to determine the scope of the topic to be addressed. Given the need for proper stakeholder engagement (including public consultation), works need to be well advanced to respect the 6 month timeframe set out in the legislation. The main request from stakeholders is for early involvement in the framework guideline development process.

4. New infrastructure and smarter use of existing infrastructure

EU's energy policy goals

The primary objective of European energy policy and legislation and consequently also of the NRAs is to promote a competitive, secure and environmentally sustainable internal market in electricity and gas. The European Commission's Energy Strategy 2011-2020, focuses on 5 priorities:

1. An efficient use of energy that translates into 20% savings by 2020;
2. An integrated market, providing competitive prices, choice and security of supply;
3. Technological leadership delivering innovative and cost-efficient solutions;
4. Empowering and protecting consumers and providing them with secure and safe energy; and
5. Strong international partnerships, notably with our neighbours.

The main focus of the Energy Infrastructure Package is on the scale of investment needed in the energy sector to 2020 (and beyond), which the European Commission deems necessary in order to meet the EU's energy and climate change objectives. The European Commission, in its Energy Infrastructure Package (November 2010), anticipates that by 2020 over €1 trillion of investment is needed. Of this, about €200 billion is needed for transmission and storage. It is considered that the markets will deliver much but not all (e.g. only €100 billion of the latter €200 billion). A fundamental underlying point is that networks are generally natural monopolies, so any investment at all depends on a sound regulatory framework capable of attracting the private investment required to meet Europe's energy objectives.

In 2010, the European Commission also showed its commitment to providing a clear direction on how the Regional Initiatives could be more integrated into the EU energy policy. The European Commission's Communication on the Future Role of the Regional Initiatives foresees an important role for the Regional Initiatives in relation to fulfilling the aims of the Infrastructure Communication.

It is the European Energy Regulators' view that the development of infrastructure should be seen against the new context of the measures put in place in the 3rd Package, and in particular the regional network plans and the ten-year network development planning process. Against this background, the need for new interconnection capacity can be assessed and its implementation encouraged where a need for new investment is identified. ERGEG also considers

that the Regional Initiatives should have an important role in co-ordinating security of supply measures on a regional basis.

The role of regulators in new infrastructure

The European Energy Regulators welcome the ambition provided by the Energy Strategy and the Energy Infrastructure communications. These issues are of great importance to regulators given the legal responsibility imposed on ACER and NRAs by the 3rd Package - which require inter alia regional coordination, oversight of infrastructure plans and ensuring efficient investments whilst protecting the interest of consumers.

Regulators have a crucial role in creating a stable regulatory framework which is essential for financing investments. National energy regulators have extensive experience of overseeing investment and ensuring that actions by TSOs are not solely based on their commercial position but reflect the benefits to society. Efficient development of infrastructure is key to tackling the challenges of climate change and security of supply but regulators stress that costs must also be managed carefully. ERGEG is following up with the European Commission on a number of issues such as cost allocation for cross-border infrastructure and innovative financing mechanisms.

There are many issues with a regulatory aspect where regulators can have a key influence on securing best possible solutions and value for money, including:

- the impact of investments/energy efficiency policies/market integration efforts on tariffs.
- regulatory incentives for TSOs and DSOs to encourage investments and operational efficiency.
- protecting consumers to ensure efficient (and useful) roll-out of smart meters, smart grids, new services (demand response/demand side management tools).
- using the framework guidelines and network code process of the 3rd Package to optimise markets and practices across Europe.

The 3rd Package provides key tools to help achieve an integrated grid in Europe, for example through EU-wide network codes, regional network plans and the Community-wide ten-year network development plans (TYNDPs), and proper unbundling of TSOs which is very important to provide the right incentives for companies in respect of investments. ACER also has a role to resolve disputes on cross-border investments, which provides an effective solution to the risk of delay, particularly where potentially

high costs are involved. Where further rules or guidelines are needed, existing tools, such as framework guidelines and network codes, provide a practical means to take this forward.

The Regional Initiatives will have a key role in identifying where priority infrastructure is needed. National regulators will need to co-operate on a regional basis in assessing new cross border infrastructure – which may be needed to achieve climate change or security of supply objectives. ACER will provide the regulatory framework necessary to establish an integrated European grid in electricity and gas in the interest of Europe's consumers.

Ten-Year Network Development Plan – ERGEG's assessment of first plans

Before the liberalisation of energy markets, TSOs developed their networks/grids mainly to meet national needs. But, to enhance cross-border trade and integrate national markets an increase in transmission capacity across borders is needed. Otherwise, congestion on borders will prohibit the efficient functioning of the market. TSOs should co-ordinate and align their network development at regional and European level. Joint network planning at European level should ascertain whether enough transmission capacity is available for national, regional and European needs and that investment is made where most needed.

The 3rd Package includes provisions on joint grid planning and requires the ENTSOs to publish a (non-binding) Community-wide 10-year network development plan (TYNDP) every two years. A key feature of the TYNDP is that it is dynamic, being updated every two years in consultation with stakeholders.

ACER has a formal role in monitoring the TYNDP and, depending on the unbundling model, national regulators have formal powers to ensure investments are made.

If ACER identifies inconsistencies between a national 10-year network development plan and the Community-wide TYNDP it may recommend amending the national or Community-wide 10-year network development plans.

Already the European energy regulators are stepping up to these new roles and responsibilities, giving guidance to the ENTSOs on their pilot TYNDPs. Additionally, in gas, the regulators are promoting a more integrated EU approach to assess gas infrastructure gaps.

ERGEG sees the TYNDP in gas (which assesses the existing infrastructure and the expected network investments) as a key tool to improve competition and security of supply. In November 2010, ERGEG published its Evaluation of

ENTSOG's first TYNDP (2010-2019) which had been published by ENTSOG in December 2009. Whilst welcoming ENTSOG's initiative in the interim period, one of ERGEG's findings was that the first gas TYNDP lacks a European perspective. In ERGEG's view, the EU-wide gas network development plan should be more than just the sum of national plans; rather it should be a shared vision of long-term EU gas dynamics. The gas TYNDP should provide a shared vision of the future to all the stakeholders. It has to be built on an assessment of the obstacles to gas transit across Europe and address priority developments and TSO projects.

In parallel to assessing the ENTSOG TYNDP, during 2010, the European Energy Regulators engaged a consultant to conduct a model-based analysis' of the EU gas system which could be used as a tool to evaluate the ENTSOG 10-year gas network development plan. It is the first study to model optimal EU gas flows and thereby look at several infrastructure and demand scenarios. It simulated supply disruptions to assess the future capacity of the network to react in case of major crisis. Additionally, the study highlights congestion which does not cause demand disruptions but which hampers physical market integration and competition.

In 2010, ERGEG also published its final recommendations on what the Community-wide ten-year electricity network development plan should contain and the criteria regulators propose to use to evaluate it. It was intended as guidance for ENTSO-E's work in this area during the interim period before ACER is fully operational. Forward planning of the shape of Europe's electricity network serves a number of purposes, including enabling security of supply, providing market certainty and transparency of TSOs' decisions and ensuring sufficient capacity is available across European borders. In December 2010, ERGEG published its analysis and opinion of ENTSO-E's pilot TYNDP. The opinion assesses the ENTSO-E pilot TYNDP based on the principles ERGEG presented in its recommendations and provides advice on possible improvements for the next TYNDP to be prepared by ENTSO-E in 2012.

ERGEG welcomed ENTSO-E's initiative to provide a pilot TYNDP and the effort to provide a comprehensive view of key drivers for the development of the transmission system whilst pointing out a number of improvements that need to be made to first "real" TYNDP in 2012 (e.g. a comprehensive assessment of system reliance and the need to apply a top-down approach to enhanced EU-wide scenario development).

The European Energy Regulators will continue to support and guide ENTSO-E and ENTSOG in the development of future ten-year network development plans. In the future, ACER will have to provide an opinion on the 10-year

network development plan and will have to control the consistency between community-wide and national investment plans. The results of ERGEG's 2010 work could serve as a basis for the later work of ACER when reviewing the ENTSOs TYNDPs. Linked to regulators' ongoing work on joint grid planning is the regulators' ongoing work on draft Guidelines of Good Practice (GGP) on generation adequacy treatment.

Making full use of existing tools (framework guidelines and Regional Initiatives) to maximise existing infrastructure

Whilst the European Commission's Infrastructure Package focuses on the strategic importance of investing in new infrastructure, faster action may be possible not only through new investment but through smarter use of existing infrastructure. Regulators' current activity, both through framework guidelines and through the regional integration efforts of the Regional Initiatives, is targeting these gains on a cross-border basis. National regulators will have the opportunity to contribute through incentives or requirements on TSOs to invest.

Considerable progress has been made through the ERGEG Regional Initiative to maximise the amount and use of cross-border capacity. For example, a Memorandum of Understanding (MoU) on the capacity allocation mechanism was signed by the Baltic TSOs in April 2010. In terms of long-term capacity allocation, two regions (Central West and Central East) have put in place single regional auction offices and others are moving in that direction (e.g. extension of the Central West auction office to the Central South region and Switzerland with the final goal of harmonising long-term auction rules). Four of the seven electricity regions published regional reports on interconnection use and management in 2010. For day-ahead allocation of interconnection capacity, several regions are working towards market coupling solutions. The Gas Regional Initiative too has played a central role in strengthening existing (and new) cross-border infrastructure, thus improving security of supply.

Regulators are strong advocates and facilitators of smart grids

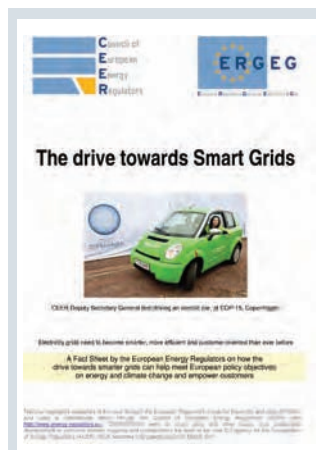
Renewal of the electricity grids is part of grids operators' general duties. However, a lack of "smartness" in the future electricity grids could eventually lead to inefficient investment decisions, lost opportunities and a failure to reach the EU's climate change challenges.

The "smartness" of the electricity grid is manifested in making better use of technologies and solutions to intelligently control generation (including low-carbon), to better plan and run existing electricity grids, and to enable new energy services and energy efficiency improvements.

Smart grids are key to reducing carbon emissions and improving energy efficiency by:

- facilitating higher penetration of renewable (e.g. wind) and distributed generation;
- reducing network losses;
- helping consumers better participate in the market not only by using their energy more efficiently (e.g. through smart metering) but also by allowing consumers to act also as producers selling back their excess electricity (e.g. CHP or plug-in electrical vehicles).

As well as helping to meet climate change objectives, smart grids can also help to guarantee higher security, quality and economic efficiency of electricity supply in particular at distribution level as well as uniform grid connection and access to all grid users. Smart grids can effectively integrate renewables and dynamically manage the mismatch between intermittent renewables (e.g. wind) and consumer demand.



A "Drive towards Smart Grids" fact sheet illustrates how smart grids can help meet climate objectives and empower customers. It includes two useful examples of how smart grids can (1) integrate more renewables and (2) drive energy savings.

In their strong belief in the benefits of smart grids, the European Energy Regulators are acting as key "facilitators" of smart grids. Activities include public consultations, workshops, providing technical and policy advice to the European Commission and engaging with European standardisation bodies (CEN, CENELEC and ETSI) and consumer associations. Regulators are fully involved in the European Commission's task force on the implementation

of Smart Grids including chairing one of its three working groups.

Regulators have a key role to play in incentivising network operators to adopt smart grid solutions and integrate new and best technologies. Smartness should ultimately result in reduced costs for society as a whole, improved efficiency and customer benefits.

Regulators continued in 2010 to raise awareness of the benefits of smart grids. A smart grid fact sheet, originally prepared for a COP-15 (Copenhagen) official side event, was updated in 2010 to reflect ongoing developments (such as CEER's participation in the EU standardisation bodies' focus group on standards for smart grids) and was distributed at the 3rd Citizen's Energy Forum in London in October 2010.

Enhancing the existing (non-binding) rules for gas storage capacity allocation and congestion management

With the 3rd Package, the regulatory framework regarding gas storage is changing. However, ERGEG is of the view that the 3rd Package provisions, per se, will not be sufficient to tackle certain problems related to capacity allocation mechanism (CAM) and congestion management procedures (CMP) (such as weak transparency in secondary markets). Hence, ERGEG began work on enhancing its existing (non-binding) Guidelines of Good Practice for Storage System Operators (GGPSSO) with respect to both CAM and CMP issues. In 2010, ERGEG publicly consulted on different proposals for capacity allocation mechanisms and congestion management procedures which could be in the GGPSSO and also sought the view of the stakeholders in a public workshop. The results of the public consultation will be published early 2011 and shall lead to an amendment of the existing GGPSSO with respect to CAM and CMP in 2011.

5. New role for Regional Initiatives in 3rd Package implementation

The Regional Initiatives enhance the integration of national energy markets

Since setting up the Regional Initiatives in 2006, the regulators have taken a leading role in facilitating regional market integration and the move towards a single energy market in Europe, so as to ultimately bring benefits to Europe's consumers. The cornerstone of the Regional Initiatives has been their ability to harness the voluntary co-operation of stakeholders who want to integrate Europe's national energy markets together with those bodies that have the power to bring about that change.

Progress is carefully monitored by ERGEG at EU level and reported to the European Commission (and to participants of the Florence and Madrid fora) to ensure coherence and convergence towards a single EU market in electricity and gas. In Autumn 2010, ERGEG published a comprehensive Status Review on the Regional Initiatives outlining both the progress (both region by region and topic by topic) during the past year as well as coherence and convergence across regions. It includes case studies and also, for the first time, policy advice from the gas and electricity Regional Initiatives' experiences.

Success stories are a major motivator

It is particularly important in a voluntary process to celebrate the achievements and work of the many stakeholders (transmission system operators, power exchanges, ministries, industry actors and regulators) who make it happen in order to maintain momentum and motivate reaching further heights.

A short fact sheet on the Regional Initiatives (December 2010) outlines (some) of the main achievements that have been facilitated by the Regional Initiatives. It is a tribute to the many stakeholders who have, since 2006, willingly dedicated huge efforts in the pursuit of enhancing regional energy market integration in Europe. It contains three useful illustrations: one on how the Regional Initiatives contribute to better security of supply and create a climate for regional gas infrastructure projects; one on improving use of existing infrastructure; and one on how market coupling improves the use of existing infrastructure and is important for market integration.



The evidence from 2010 is that there has been much progress across the (7 electricity and 3 gas) regions in areas such as regionally-coordinated approaches to gas infrastructure needs, to improving the use of existing gas and electricity interconnection and to transparency of information.

The Electricity Regional Initiative helps build a single EU electricity market

The Electricity Regional Initiative (ERI) has delivered important and concrete results particularly with regard to capacity calculation, allocation and congestion management and harmonising regional market transparency.

Improved congestion management

The ERI has greatly facilitated progress towards not only regional but also an interregional and then EU-wide coordinated congestion management. Considerable progress was made in the regions on medium and long-term capacity allocation. Harmonisation and improvement of auction rules is progressing. A single auction office at regional level is the congestion management "target" for allocating medium and long-term capacity on electricity. There are already good experiences with two such single auction offices, one in the Central-East region and the other in the Central-West region. Other regions are also working on optimising the use of their cross-border electricity transmission capacity and enhancing the integration of power markets.

ERGEG's benchmarking report on long-term capacity allocation (February 2010) show that, in recent years, there has been a gradual convergence of long-term auction rules throughout Europe, notably in the terms of conditions for participation in the auctions, characteristics of allocated products and functioning of the secondary market. Further harmonisation in auction rules, facilitated by auction platforms, is expected in the coming years, as well as a possible evolution from PTRs (Physical Transmission Rights; with UIOSI) towards Financial Transmission Rights (FTRs) when necessary prerequisites are met.

The Electricity Regional Initiative has played an important role in implementing market coupling. A key development in 2010 was the first inter-regional market coupling projects (Estonian and Nordic markets; Central-West (CWE), Nordic and Baltic markets). These first inter-regional market couplings are important steps towards pan-European price coupling by 2014. The Regional Initiatives will be able to accelerate progress in achieving full electricity market coupling across the EU once the target model and the associated rules and governance arrangements have been fully developed.

In terms of day-ahead capacity allocation, the regions are working towards market coupling solutions in order to enhance their capacity allocation and to promote effective regional market integration. After some well-established experience with implicit auctions on some borders within the Northern, the Central-West (CWE) and the South-West regions, a key development in 2010 was the first inter-regional dimension of market coupling projects. In 2010, the Estonian market was integrated with the Nordic one through market splitting on the day-ahead market and implicit continuous allocation for intraday market. On 9 November 2010, price coupling was extended to the CWE region (linking Germany and Luxembourg to the other three countries which had already been price coupled) and simultaneously interregional market coupling took place with interim tight volume coupling (ITVC) between the CWE, Nordic and Baltic markets.

Important harmonisation and substantial improvement on transparency

Significant work has been done through the Electricity Regional Initiative to achieve a more harmonised level of transparency both within and across regions with Regional Transparency reports in 6 of the 7 regions. TSOs are now obliged to publish required information in due time.

The Gas Regional Initiative integrates markets and reinforces security of supply

The Gas Regional Initiative's (GRI) three gas regions have made real progress in the last year with remarkable achievements in a context of voluntary cooperation. The five common priorities across the three gas regions are investment in new interconnection capacity, access to pipeline capacity, transparency, interoperability and security of supply.

Capacity building and security of supply

Facilitating cross-border gas shipping through capacity building has been a key feature of gas regional market integration. Coordinated open seasons were used to promote investment and increase interconnection capacity in the South (S) and North West (NW) regions. In the South region, two open seasons are leading to a significant increase of the cross-border capacity between France and Spain and facilitate important investments. The NW region has developed a simulation (virtual test) for cross-border pipeline development and has produced regional "policy advice" on how to improve the investment climate. Hit hardest by the 2009 Ukraine-Russia gas supply crisis, the South South-East (SSE) region has focused on improving security of supply by creating reverse-flow capabilities on

particular unidirectional gas pipelines. The SSE has further agreed on and issued a common position on costs allocation of reverse flow investments. In the S region, there has been significant effort in paving the way for an Iberian gas market (MIBGAS).

Interoperability and hub development

Interconnection Point Agreements (IPAs) and Operational Balancing Agreements (OBAs) have been successfully implemented in part of the SSE region. There are new gas exchanges connected to existing hubs (CEGHEX at the Baumgarten gas hub, Austria and P-Gas at the PSV hub, Italy). These achievements will foster integration and will create the possibility to access balancing energy right at the centre of the SSE transmission system. In December 2010, a futures exchange was also launched at Baumgarten.

Transparency

Transparency has been enhanced through voluntary commitments by TSOs to release new data on the availability and use of transmission infrastructure in all three regions. A flagship project in the NW region in 2009 requires TSOs to publish daily data on transmission capacity and flows. In the S region, a new obligation was placed on TSOs requiring the publication of regular updates on the status of new interconnection capacity. This transparency work has enabled the speedy introduction of a binding guideline.

Capacity allocation and congestion management

The NW region has strengthened primary and secondary capacity including implementation of interruptible products, the development of a secondary market and new capacity products. The SSE now offers physical reverse-flow capacity on a firm basis on some interconnectors. Regional work on capacity allocation has been a significant input to the development of ERGEG's framework guideline on gas capacity allocation.

The Regional Initiatives under the 3rd Package

The 3rd Package provides for enhanced regional cooperation including obligations on Member States and regulators as well as on grid operators to cooperate at regional level. ACER has been assigned a specific role regarding regional cooperation, including monitoring of the cooperation of national regulatory authorities (NRAs) and of the ENTSOs on the one hand, and monitoring of the progress achieved by the Regional Initiatives on the other hand.

In June 2010, ERGEG published a conclusions paper on its strategy for delivering a more integrated European energy market. It followed an ERGEG public consultation which addressed key issues such as the longer term vision for delivering a single EU energy market and how to centrally integrate Member States into the work of the Regional Initiatives. ERGEG proposed that the Regional Initiatives, under ACER, could be used in a new role to help accelerate progress by becoming the main vehicle for co-ordinating the implementation of the 3rd Package cross-border instruments (notably the policies contained in framework guidelines and in binding network codes), to continue to undertake work as test beds for new ideas and approaches, and to assist the work of ACER in monitoring progress towards a single EU market in electricity and gas.

The Regional Initiatives will have an important role in providing input to the drafting of framework guidelines and network codes and could provide a useful and rapid mechanism for the early engagement of stakeholders. Effective co-ordination through ACER will be important.

In July 2010, ERGEG and the European Commission brought together ministries, network operators, traders and other stakeholders at the (annual) Regional Initiatives conference to discuss “Europe’s energy policy objectives and regional market integration – the way forward”. At the conference, there was widespread support for the ERGEG Regional Initiatives to start facilitating the implementation of the 3rd Package cross-border rules.



Lord Mogg, Asta Sihvonon-Punkka, Fay Geitona and Alberto Pototschnig at the 2010 Regional Initiatives conference

In December 2010, the European Commission published (for consultation) a communication on the future role of Regional Initiatives. In it, the European Commission foresees an important role for the Regional Initiatives in the early implementation of the 3rd Package itself and of future legislation based on the 3rd Package with a particular cross-border dimension (e.g. network codes), and in fulfilling the aims of the European Commission’s Energy Infrastructure Communication.

The Regional Initiatives are already a key complement to the Infrastructure Package in delivering, on the ground, concrete results - e.g. methods for maximising the use of existing infrastructure and increasing physical capacity based on coordinated investment.

- Regional work on capacity allocation has been a significant input to the development of ERGEG’s Framework Guideline on Gas Capacity Allocation and the South region is planning a pilot project to test these framework guidelines for short-term capacity at the borders.
- The South region also foresees the development of a common congestion management procedure (CMP) on interconnectors, which will complement the common capacity allocation mechanisms that are already applied. This aims to implement the principles laid down in the ERGEG CMP Comitology Guideline advice to the European Commission (2010).
- Several electricity regions are already implementing the target congestion management model of the Framework Guidelines for Capacity Allocation and Congestion Management for electricity.

The European Commission’s Communication on the future role of Regional Initiatives also promotes the idea that the Regional Initiatives should act as test beds for new approaches which, if successful, can be adopted across Europe. It also gives thought to the number of gas regions. The European Commission’s proposal on the governance structure for the Regional Initiatives gives a central role to Member States through the establishment of a new “Steering Committee” which would also include the European Commission, ACER and regulators from the regions.

6. Monitoring and advising the European Commission on the need for new rules

The European energy regulators support the work of the European Commission by monitoring compliance with existing rules (be they legally binding or voluntary guidelines). ERGEG's extensive monitoring:

- provides unbiased facts and figures;
- enables the European Commission to consider appropriate action, for example whether to take legal action against Member States for not fulfilling their legal obligations or whether to introduce new stricter rules or other measures; and
- helps ensure a consistent application of EU laws or guidelines

ERGEG also advises the European Commission on the need for new legislation in a number of areas. In 2010, ERGEG provided comprehensive advice to the European Commission on guidelines (which will become legally binding legislation) in 3 areas: gas transparency, fundamental data transparency in electricity and gas congestion management procedures. Regulators have for some years developed, in consultation with stakeholders, (voluntary) ERGEG Guidelines of Good Practice (GGPs) as a tool to assist in the practical implementation of the principles set out in (current) energy laws. ERGEG's monitoring work in 2010 included monitoring compliance with ERGEG's GGP on Open Seasons; implementation of the European Commission's billing recommendation; and compliance with the legally binding rules of the Electricity Regulation. Regulators also undertook work on the interdependencies between energy and financial markets, market integrity, regulatory oversight of trading and trading licensing.

Reviewing compliance with the Electricity Regulation

As the official advisory body for the European Commission on internal energy market issues, ERGEG is charged with regularly reviewing Member States' compliance with Electricity Regulation (EC) No. 1228/2003 and the annexed Congestion Management Guidelines. The 2010 (or Third) Compliance Report focuses on:

- Co-ordination of interconnector capacity calculation and allocation
- cross-border re-dispatch and countertrade;
- intraday trading;
- transparency, in particular generation; and
- inter-TSO Compensation mechanism (ITC).

ERGEG found that whilst there are higher levels of compliance in general than in the Second (2008) Compliance Report, there are still shortcomings especially on inter- and intra-regional coordination in congestion management methods and procedures. ERGEG's report recommends a set of actions to different stakeholders in order to ensure that the requirements of the 2003 Electricity Regulation and the Congestion Management Guidelines are properly met.

Advising the European Commission on legally binding Gas Congestion Management Procedures

At the request of the European Commission, ERGEG provided its input to the European Commission's proposal for amending Chapter 2 of Annex I of Regulation (EC) no 715/2009 to prepare a comitology guidelines on congestion management procedures. Part of this entailed monitoring the gas capacity allocation measures and congestion management procedures currently applied in order to provide the European Commission and the Member States' Gas Committee with a sound basis for their comitology deliberations on the congestion management guidelines and for conducting an impact assessment.

In its monitoring exercise, ERGEG examined a number of parameters such as the booking situation, the allocation mechanism for primary capacity, the congestion management mechanism applied, the existence and role of the secondary market, existence and application of Use-It-Or-Lose-It, existence and application of day-ahead interruptible capacity, nomination procedures and the actual flows during at least one winter month and one summer month. Three key priorities were identified in order to improve the efficiency of congestion allocation mechanisms and congestion management procedures at interconnection points in Europe: to improve harmonisation; to improve secondary market trading facilities; and to increase the coordination and cooperation of TSOs and NRAs. The draft comitology guideline on congestion management procedures is closely related to the framework guideline on capacity allocation mechanism, submitted by ERGEG to the European Commission in 2010.

Regulators advise the European Commission on legally binding transparency requirements on fundamental electricity data

Following a request from the European Commission, ERGEG prepared draft comitology guidelines on fundamental electricity data transparency. Fundamental data transparency refers to the availability of information on the

relevant aspects affecting the electricity market through its impact on the behaviour of market actors (TSOs, generators, users and traders) and thus on price formation and electricity trade taking place. Insufficient transparency can have adverse effects on market competition and price formation as not all the market actors have access to the same information and an un-level playing field is created. Imperfect information leads to erroneous decisions. Asymmetric information leads to barriers to entry.

ERGEG's submitted its advice to the European Commission in December 2010. The advice was prepared by ERGEG in close cooperation with ENTSO-E and with the wide involvement of European stakeholders (including two public workshops organised jointly by ERGEG and ENTSO-E and a written public consultation). The aim of the advice on comitology guidelines is to establish a minimum common level of fundamental data that is a pre-condition to the efficient functioning of European wholesale electricity markets. Among its recommendations, ERGEG proposes a central platform for publication of data in Europe and legally binding (harmonised) European transparency requirements for publishing information on generation, load, transmission and interconnectors as well as balancing. National regulators could oversee compliance and ACER could annually review cost and efficiency of the central platform based on an ENTSO-E report.

Reinforcing gas transparency

Transparency is an essential pre-requirement for a functioning internal energy market and underpins the development of effective and efficient market functioning. The 3rd Package brought several new transparency requirements for natural gas. Furthermore, the Gas Comitology Committee agreed on a revision of Chapter 3 of Annex I of Regulation (EC) 715/2009. In 2010, the European Commission invited ERGEG to prepare a draft guideline on fundamental gas transparency (as for electricity). To evaluate the market need for further transparency requirements – exceeding the legally binding transparency requirements in Regulation (EC) 715/2009 and Directive 2009/73/EC – ERGEG compiled a list of all existing transparency requirements, which outlines the existing legally binding, soon-to-be legally binding and voluntary transparency requirements in natural gas to evaluate the markets need for additional transparency requirements. The document was publicly consulted on in Autumn 2010 and the evaluation of responses will be prepared early 2011.

Implementation of the European Commission's Good Practice Guidance for Billing

ERGEG presented at the 3rd Citizens' Energy Forum its findings on the implementation of the European Commission's Good Practice Guidance for Billing, as requested by the 2nd Citizens' Energy Forum. The Guidance sets out recommendations for consumer-friendly energy bills, both in terms of the information provided and the form of communication and design/layout of the bills themselves. ERGEG found that yearly bills are still the standard in many countries and that a majority of countries have chosen legal requirements to ensure the quality of energy bills, although often without a requirement to include information on the bill which is useful for the customer to compare offers.

Recommendations on Gas Hubs

During 2010, ERGEG assessed best practice in the regulatory oversight of natural gas hubs (at 12 European natural gas hubs). The aim of this monitoring exercise was twofold: (i) to take stock of the different oversight regimes in place and (ii) to develop ERGEG recommendations for best practice approaches to the regulatory oversight of gas hubs. ERGEG's analysis found a need for guidance in the field of transparency and the publication of information related to gas hubs. Several obstacles to the liquidity were identified, such as the lack of access to the hub; the absence of certain traded products; and the small size of the hub. ERGEG concludes that whilst multiple trading points may exist on a system, only one natural gas hub on the same balancing zone is desirable. It should be guaranteed that the hub operator is remunerated for its services in a transparent way and in a cost-reflective and fair manner. Arbitrary fee setting to become a member of or to trade on the hub should be prevented. A fee per quantity unit is the most recommendable component of a fee. As gas hub arrangements are not addressed in the 3rd Package, the recommendation made by ERGEG could serve as guidance when updating the regulatory framework.

ERGEG promotes Open Seasons as a way of coordinating investment decision

Experience in the Regional Initiatives have shown that significant progress can be (and has been) made to improve investment in new gas infrastructure by coordinating investments e.g. through open seasons procedures. In 2010, ERGEG monitored the level of compliance with ERGEG's (voluntary) Guidelines of Good Practice on Open Season (GGPOS) Procedures, (adopted by ERGEG in 2007). ERGEG found that there is a significant degree of non-compliance

with the GGPOS in terms of the transparency of the procedure and the insufficient level of coordination between NRAs and TSOs.

EREG concludes that more specific guidelines are needed at the European level on the reliability of the non-binding phase, the transparency of the whole process - more particularly on the tariffs, the economic test and the capacity allocation mechanism - and on the coordination between TSOs and NRAs. Further consideration should also be given to how to enforce the compliance of particular recommendations of the GGPOS, which actually derive from the EU regulatory framework. EREG commits to adapting the GGPOS as the market has expressed its disappointment with the outcome of several procedures and raised a number of deficiencies in the process.

Interdependencies of energy and financial markets, market integrity and regulatory oversight

In order to facilitate fair and orderly trading of energy and to enhance confidence in the integrity of the markets, adequate regulatory oversight is necessary. The supervision of energy trading is more and more important for network access regulation as energy trading and grid access are becoming ever more intertwined.

Wholesale energy markets encompass both commodity markets and derivatives markets, with price formation in both sectors interlinked. Besides enabling non-discriminatory network access, efficient market monitoring is vital to detecting and deterring market abuse on wholesale energy markets and a key factor to fostering market integrity and a level playing field.

Mandated by the European Commission, the energy and securities regulators (EREG and CESR) agreed, in 2008, that there have neither been sufficient regulations to protect against market abuses in electricity and gas trading nor appropriate sanction mechanisms. Due to the specificities of the two commodities, EREG and CESR advocated, not an extension of the financial market supervisory regime but rather, the need for a tailor-made sector-specific regime for energy trading for electricity and gas wholesale products. The requirements should be tailored to energy market taking account both the needs of the regulators and at the same time avoid unnecessary high burdens being put on market participants which may in the end be detrimental to competition. This EREG/CESR advice contributed greatly to the proposals by the European Commission (December 2010) for a Regulation on Energy Market Integrity and Transparency (REMIT proposals). The proposed legislation which aims at creating a framework to

protecting energy trading from market manipulation and insider dealing is under consideration. The REMIT proposal defines market abuse in the context of electricity and gas markets, sets out rules to deter it, requires transaction reporting for physical and derivative trades.

A key element of the European Commission's REMIT proposal is that it grants ACER a coordination role (as well as extra staff and financial resources) for data collection, monitoring and investigating market abuse at cross-border level and it grants additional investigatory and enforcement powers to national energy regulators.

Energy regulators have stressed that one important part of such a regime would be transparency of fundamental data, i.e. all the information that is relevant to price formation. Given the existing links between the energy markets and those of other commodities like coal, CO₂ and oil, access to such related information and transparency of fundamentals in these markets is also relevant. Besides the prevention of market manipulation and insider dealing, energy trading also needs better protection from VAT fraudsters. National regulators support the process of identifying effective means to prevent VAT fraud without creating unnecessary barriers to trading in the market. During 2010, EREG also responded to the European Commission's public consultation on the planned revisions of the Markets Abuse Directive (MAD).

More generally, the European Energy Regulators call for the European Commission to take a holistic view of all the various pieces of market integrity legislation of which there are many – Markets in Financial Instruments Directive (MiFID), MAD, REMIT, European Market Infrastructure Regulation (EMIR), Capital Requirements Directive – and the new legislation relating to emissions trading) to minimise the cases of double reporting and ensure a consistent view between the responsibilities of the European Securities and Markets Authorities (ESMA, which replaces CESR) and ACER and their related regulatory authorities.

Energy commodities are traded to a large extent by the same market participants and there are substantial interdependencies between electricity and gas markets and other markets such as emissions allowance, coals and oil markets. A position paper on the "Interdependencies of Energy Markets" will be finalised by the regulators in early 2011. It describes the relationships between different commodities pricing and their relations to the wholesale electricity markets in Europe, using a statistical analysis of prices. The regulators are also analysing the current regulatory oversight of energy exchanges (and whether there is a need for an EU regulatory framework), which similarly will be finalised in early 2011.

Trading licences – harmonising rules

At the European Commission's request, CEER examined whether there is a need to harmonise the licencing regimes for wholesale energy trading within the EU. The rationale is that existing non-harmonised national licencing regimes tend to create unnecessary bureaucratic costs and market entry barrier with negative effects not only on competition in energy trading but also for the market integrity and supervision. A harmonised/common licencing regime across the European Union may mitigate these barriers to market entry, increase competition and create a more level playing field for the envisaged Single European Energy Market. To this end, CEER engaged a consultant to conduct a study the results of which will input into the regulators' policy advice to the Commission (in mid 2011).

7. Empowering customers in a smarter energy world

Consumers at the epi-centre of energy policy

The European Energy Regulators very much welcomed the determination of the Belgian presidency of the Council of the European Union (during the second half of 2010) to give broader and a more effective role to customers across the Union. For the first time, an informal Council of Energy Ministers meeting (in September) focused on the customer related aspects of European energy policy. Commitment to this objective followed through to the December Council meeting which called on Member States to take due account of the work and recommendations of the Citizens' Energy Forum - where the national energy regulators play a key role. Much of ERGEG's 2010 work on customer issues derived from requests by the European Commission to ERGEG at the 2nd Citizens' Energy Forum ("London Forum") in September 2009. ERGEG presented the fruits of its work on smart meters, complaint handling and indicators for retail market monitoring to Member States, customer associations and customer ombudsmen at the 3rd London Forum (21-22 October 2010).

Regulators continue to promote competitive markets in the customer's interest

Regulators believe that competition benefits customers. Regulators consider that customers play a key role in stimulating competition in electricity and gas markets across Europe. The European Energy Regulators have a pro-active policy of empowering customers to actively participate in the market. It is vital, too, that final customers have properly defined and applied rights, that vulnerable customers are protected in an appropriate way, and that customers have confidence that the market will really deliver benefits for customers. In 2010, the regulators gave consideration to the practical aspect of transposing the customer elements of the 3rd Package's provisions into operational modalities, in particular by benchmarking current policies and by proposing a range of good practices. Moreover, the indicators developed by ERGEG in 2010, to measure the overall functioning of retail electricity and gas markets, demonstrate the commitment of the European Energy Regulators to ensuring that customers reap the benefits of being a part of a wider (EU and not simply national) and smarter energy market.

Regulators advocate competitive markets and an end to regulated prices

ERGEG's position is that customers should be empowered in the market, not protected from the market. Protecting vulnerable customers should not be confused with regulated end-user prices (which may be distortionary and

hamper competition). ERGEG has long been calling on EU Member States to move towards open markets without regulated end-user prices. The rationale is simple. Artificially regulated electricity and/or gas prices, which are not in line with market conditions, distort competition and ultimately act not in the customer's interest (but rather tend to favour the domestic incumbent).

ERGEG published its 4th report on end-user regulated prices in Europe, providing an overview of the state of play of energy price regulation in Europe. The status review examines whether, following market opening, there has been progress towards markets without regulated end-user prices.

The report found that, as of 1 January 2010, in a still significant number of countries - 18 in electricity and 15 in gas - end-user regulated prices persist on at least one of the various market segments: households, small businesses, medium-sized to large businesses and energy-intensive industry. Since ERGEG's previous review of the situation as of 1 January 2008, price regulation was removed (for at least one market segment) in 4 countries for electricity and 4 countries for gas. Meanwhile, a roadmap towards a competitive market without end-user price regulation was developed in 5 countries with price regulation for electricity, and in 1 country with price regulation for gas. However, in most cases these roadmaps concern business segments (the household segment is often not covered) and they do not always give a concrete removal date and time-schedule.

Regulators benchmark progress at national and EU levels

National regulators are responsible for establishing well-functioning energy markets which benefit society as a whole. As has been the practice for the past 5 years, the energy regulators provided the European Commission with raw data for its annual benchmarking report on the state of their national energy markets, including retail market and customer issues. ERGEG draws from these national reports and other sources in its Status Review on the Liberalisation and Implementation of the Energy Regulatory Framework (2010 Status Review).

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

- there has been too little progress in terms of energy markets delivering benefits for consumers;
- market concentration in wholesale electricity and gas markets remains a problem;

- regulated prices (distorting competition) persist in several countries; and
- Unbundling is insufficient and remains a barrier to competition and infrastructure development.

The main recommendation of the ERGEG Status Review (relating to 2009 data) is the need for speedy implementation of the 3rd Energy Package. Although the 28 national reports (27 EU Member States and Norway) showed some positive developments, the evolution towards a real competitive retail market is still slow, cutting off consumers from the benefits of increased efficiency on wholesale markets. Unbundling of network companies is still insufficient, remaining a big obstacle to competition, genuine market integration and infrastructure development. Indeed, despite progress, many distribution companies that are part of a vertically integrated company cannot act completely independently. As highlighted in the last ERGEG report, Distribution System Operators (DSOs) have to play a role as market facilitators. Market concentration on a national basis in wholesale electricity (as well as gas) markets remains a problem. Improved market integration might, however, alleviate the negative effects of national market concentration.

Full and quick implementation of the 3rd Package is needed in order to progress in energy market integration and deliver benefits to customers.

Increased market coupling and market integration should result in greater convergence of electricity prices. Several positive initiatives towards better market integration were reported in the national reports, mainly as regards more transparency and better allocation of capacity. Still, many of the initiatives lack speed due to their voluntary character. Stricter, common requirements will be necessary for them to achieve their goals.

Empowering customers and encouraging dissatisfied customers to complain

Customer complaints are considered a top level indicator of market functioning and data on their treatment is regularly collected at both national and European level. Data on customer complaints can contribute to monitoring markets from a customer perspective and to identifying market malfunctioning (or, conversely, an active customer base in a competitive market).

The regulators strongly encourage dissatisfied customers to complain. Complaints are an effective way of mobilising change.

In 2010, ERGEG sought to empower customers through more efficient complaint handling procedures. ERGEG produced (non-binding) guidelines of good practice (GGP) on customer complaint handling, reporting and classification, which include a proposal for complaint classification, inspired by the complaints classification system published by the European Commission. The (15) recommendations provide guidance to service providers (suppliers and DSOs) and third party bodies (alternative dispute settlement boards, ombudsmen, consumer bodies, etc.) on the 3rd Package legal provisions on customer complaints.

Regulators develop indicators to monitor whether retail markets are delivering for customers

Market monitoring is important to build consumer confidence in the market and to protect customers from abusive behaviour. The 3rd Package includes new consumer rights (e.g. on access to customer information) and provisions for better enforcement of consumer rights and vulnerable customer protection. It vests powers on the regulators to ensure consumer rights provisions are effective and enforced. It places responsibilities on national regulators and ACER to monitor competition at the wholesale and retail market levels.

Recognising the value of collecting data in a consistent format, ERGEG developed a suite of 18 indicators for retail market monitoring. These GGP on Indicators for Retail Market Monitoring aim to provide a standard way for all national regulatory authorities to evaluate and assess the development and functioning of their retail energy markets, focusing on processes in which a customer interacts with the energy markets. The four broad areas concern customer satisfaction, retail market outcomes, market structure and market condition, and Distribution System Operator services. They cover issues such as complaints, prices, diversity of contract offers, market concentration, branding, switching rates and repairs and maintenance services. Taken together, these indicators can offer a full picture of how markets are performing for customers.

Regulators seek to protect customers in a smarter energy world

Many countries are contemplating the roll-out of smart metering systems. Accurate billing and consumption information is important for customers and is closely linked to ongoing developments in smart metering for electricity and gas. Smart metering has the potential to enable customers to have better control over their energy consumption, help them to adjust their behaviour and ultimately reduce their energy bills. Furthermore, the

metering data provided to the customer could make supplier switching more efficient and easy, which would in turn encourage increased customer participation.

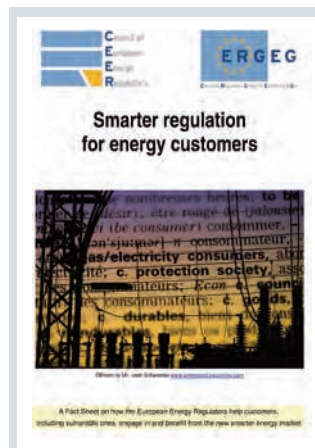
The 3rd Package calls on Member States to ensure the roll out of smart metering that assists the active participation of customers in the market. Member States have until 12 September 2012 to carry out a (non-mandatory) cost-benefit analysis in electricity. Although no deadline is specified for a cost-benefit analysis in gas, both the Electricity and Gas Directives require (if the assessment is positive) a timetable with a target of up to 10 years for the roll out of smart meters. In an effort to share best practices, regulators have in 2010 shared experiences on the cost-benefits analysis which, to date, have been carried out by Member States.

The regulators help customers, including vulnerable ones, engage in and benefit from the new smarter energy markets.

As the 3rd Package includes specific provisions for the introduction of smart meters in Europe, ERGEG felt it important to also specify the basic services that should be rendered to customers in deploying smart meters across EU Member States so that smart meters actually assist in the active participation of customers. ERGEG held a public consultation (and workshop) on (non-binding) Guidelines of Good Practice (GGP) on regulatory aspects of smart metering for electricity and gas. The recommendations cover the services for customers, cost benefit analyses, roll-outs and data security and integrity. The high number of participants in both the workshops and the consultation (54 respondents) are a reflection of just how big and timely an issue smart meters is in today's energy sector.

Smarter regulation which meets customers' expectations

Ensuring the quality of the electricity supplied to end-users is a key aspect of regulators' work. This quality refers not only to the uninterrupted availability of power (continuity of supply) but also to the technical quality of the power (voltage quality). Following up on their detailed advice to European Standardisation body, CENELEC, in 2009, the European Energy Regulators encouraged CENELEC to tighten European Standard EN 50160 on voltage quality.



A "Smarter regulation for energy customers" fact sheet outlines how the European Energy Regulators help customers to engage in and benefit from the new smarter energy market.

In 2010, CEER commissioned a consultant to help develop guidelines of good practice (GGP) for conducting cost estimation studies of customer and society costs due to electricity interruptions and voltage disturbances. The GGP are intended as guidance for regulators on conducting customer cost surveys as an input for infrastructure development and its regulation. Such surveys can be used by regulators to better understand customer satisfaction and gauge customers' willingness to pay (to get optimal service) or willingness to accept the current level of service as it is. The regulatory uses of such surveys are wide ranging from contributing to the regulatory approval of investment plans proposed by network companies, to setting performance-based incentive regulation of transmission continuity and setting compensation for customers after a long interruption.

8. Europe's regulators play their part on Climate Change and Energy Efficiency

European energy policy is currently focused on three major energy challenges: climate change, security of supply and the ongoing objective to create the European Internal Energy Market. The Union's 20-20-20 objectives are to reach, by the year 2020, a (binding) 20% renewable energy target, reducing Europe's CO₂ emissions by 20% (again a binding target) and increasing overall energy efficiency by 20%.

As well as stepping up to the climate change challenge at home, CEER is also leading other regulators on the global stage by heading up the Climate Change working group of the International Confederation of Energy Regulators (ICER). ICER is a global confederation representing more than 200 energy regulators worldwide.

Tapping into best Energy Efficiency experiences

Although the terms "energy efficiency" and "energy savings" are sometimes used interchangeably, energy efficiency is the policy area, the aim of which is to deliver energy savings. Energy savings can be made at all stages of the supply chain and across sectors (transport, buildings, industry etc). Despite progress made, for example, through the adoption of several measures (e.g. recast directive on energy performance of buildings or the national efficiency action plans required by the existing energy services Directive), it is estimated that energy savings must be tripled in order to reach the climate goals. Much of the political debate in Europe on energy efficiency in 2010 has centered on whether or not energy savings targets should be binding (in December 2010 the European Parliament adopted an own-initiative report in which it calls for a binding EU energy efficiency target) and the need for further developing energy efficiency policies at EU level. This and the overall energy efficiency framework should become clearer in 2011 with the European Commission's proposals on a revamped energy efficiency action plan.

In almost all EU Member States, the national energy regulator does not have responsibility for energy efficiency (see the ICER 2010 Energy Efficiency Report for a comprehensive overview of the role of national energy regulators in the promotion of end-user energy efficiency). Nevertheless, energy efficiency is highly pertinent to energy regulators' work. As national regulators, we play our part (to a greater or lesser extent) in a number of indirect ways, such as ensuring adequate investment in infrastructure (including smart grids), incentivising network operators to deliver savings and overseeing unbundling (which can unlock the potential of energy efficiency encouraging power providers to sell energy services rather than kWhs).

The European Energy Regulators believe that energy efficiency is indispensable for reducing CO₂ emissions. However, Europe's full energy savings potential continues to be untapped. Without strong new policy and effort, the energy efficiency target of 20% will not be met. Despite the fact that the vast majority of Europe's national regulators have no remit on energy efficiency, CEER has shown leadership in collecting data at world level on energy efficiency measures (the ICER Energy Efficiency Report 2010) and in promoting smart grids and smart metering in Europe.

Besides the direct way that smart grid solutions can save energy (e.g. reducing losses), they also help meet the EU's climate change objectives by driving energy savings through demand side management and the better integration of renewables.

Already in 2009, CEER's Sustainable Development Report assessed the progress that Europe had made in working towards sustainable energy markets. It documents the energy efficiency and other (e.g. carbon abatement, air quality, renewables) measures adopted in EU Member States in an effort to manage the transition to a low-carbon energy sector. It revealed a wide range of measures introduced across Member States. For example, a number of Member States (e.g. Italy, UK and the Flanders region of Belgium) have introduced obligations on energy companies to invest in energy efficiency (so called white certificates).

In 2010, the International Confederation of Energy Regulators (ICER) undertook (under CEER's lead) an ambitious survey of regulatory approaches for the promotion of energy efficiency across the world. The report was sent to Energy Ministers on the occasion of the G8 Summit in Muskoka, Canada in June 2010. In the context of the current debate on possible EU level measures, this ICER Energy Efficiency Report is a particularly useful reference point on regulatory practices from across the globe, allowing a comparison of energy efficiency policies between EU and other regions.

Whilst the Member States themselves are best placed to define their own strategy, taking into account the established EU objective, the CEER Sustainable Development Report (2009) and ICER Energy Efficiency Report (2010) are particularly useful for documenting experiences and allowing comparisons. Lessons can be learnt (by EU Member States or other countries) both from the most and least successful energy efficiency measures.

Integrating new and clean energy technologies in Europe's (not yet single) grid

As one of its key means for combating climate change, the EU has set an overall renewable energy target of 20% by the year 2020. As Member States come under increasing pressure to deliver low-carbon, secure forms of energy, a significant focus continues to rest on the deployment of renewable energy. Many EU countries are concentrating their efforts on increasing their deployment of wind generation.

Massive increases in wind generation create new challenges and opportunities. In response to this, in December 2009, CEER launched a public consultation to consider how best to facilitate the deployment of wind generation whilst delivering increased market integration. CEER also held an open workshop in February 2010. In its conclusions paper, CEER considers that it is no longer appropriate to consider wind generation in isolation from the rest of the market and that in addressing the issues associated with the market and network arrangements, it is preferable for wind generation to be integrated into the rest of the market and factored into policy decisions.

In terms of electricity market arrangements, as wind generation is more predictable closer to real-time, CEER urges NRAs and market participants to consider shorter gate-closure times. Market arrangements must also facilitate, in an economic and efficient manner, intraday cross-border capacity allocation. Furthermore, CEER recognises the importance of balancing intermittent generation and the opportunity for innovative solutions.

In terms of network arrangements, CEER reiterates its support for a non-discriminatory approach to market arrangements and urges national regulatory authorities (NRAs) to consider whether the network arrangements in place deliver the appropriate signals in delivering the requisite investment.

In terms of facilitating the integration of wind in European electricity markets, CEER advocates for bringing renewables into the mainstream, both in the market and in policy formulation. The 3rd Package tools (framework guidelines and TYNDP) provide the means to remove undue barriers and potentially harmonise market and network arrangements. Already many of the issues are being considered within the work on framework guidelines currently being developed by regulators. For example, ERGEG's draft framework guideline on electricity grid connection (submitted to the European Commission in December 2010) considers specific issues related to large scale intermittent generation and to distributed generation. ERGEG also collaborated with ENTSO-E who, in parallel,

has begun preparatory work on a pilot network code for Grid Connection with a special focus on wind generation. The network code must comply with the (non-binding) framework guidelines set by the regulators and may ultimately become legally binding (through comitology).

Similarly, ERGEG's work on the draft framework guideline on electricity capacity allocation responds to the increased emphasis on the role of intraday cross-border capacity allocation, and needs to propose an approach that will enable trading in response to changes in wind output both in the near-term and as the proportion of wind generation increases. The envisaged framework guideline on electricity balancing should consider the target model for electricity cross-border balancing market integration and the case for shorter gate closure times. Likewise, the national and European 10-year network development plans can indicate the investments needed to accommodate increasing wind generation.

By extension, CEER felt it was also important to analyse the impact of the EU's Climate and Energy Package on electricity markets, from the perspective of the end-users. This included evaluating the possibility for agreement on a common methodology for NRAs to measure the carbon price pass-through in power prices and the impact of the EU's emissions trading scheme on wholesale and retail markets; assessing the impact of the costs to promote renewable energy in end-users' bills; and comparing existing practices (and rules) regarding the use of 'green offers'. The results of this analysis will be published in the first quarter of 2011.

Helping meet climate change objectives by promoting smart grids and smart metering

There are several benefits to smart metering (e.g. accurate consumption data). When used with differential tariffs and customer awareness, smart meters can encourage customers to reduce their demand when prices are high or when system reliability or power quality is at risk. A more active participation by customers is not only a goal in itself, but is also a way to integrate more renewables (through distributed generation and the possibility to also produce energy themselves). Enabling a demand response by customers makes retail and wholesale markets more efficient as well as helping to meet the EU's sustainability goals (e.g. by encouraging a shift in energy consumption away from peak times).

The European Energy Regulators are acting as key facilitators of smart (electricity and gas) meters and smart grids (e.g. ERGEG's consultation and conclusion paper on the divers and opportunities of smart grids from the user's perspective). Regulators are fully involved in technical and

policy work at EU level (e.g. with the EU standardisation bodies) on interoperability, use of appropriate standards and are driving best practice.

But smart meters add complexity to the market. Thus, the impacts of smart meters (e.g. multiple time of use tariffs, appliance management deals) should not lead to greater customer confusion.

ERGEG advocates:

- (a) smart metering should provide services in an easy way that benefits the retail customer and assists their active participation in the market.
- (b) minimum functionalities at least at national (possibly EU level) are needed to guarantee a minimum level of service to customers and should be imposed on the industry (metering operator, distribution system operator and supplier).
- (c) A technical assessment and cost-benefit analysis will help ensure that customer benefits are assured by avoiding excessive costs.

EU Member States have until 2012 to conduct a (non-mandatory) cost-benefit assessment for implementing smart metering for electricity. There is no deadline for the cost-benefit assessment for smart meters for natural gas. Given that many EU countries are contemplating the roll-out of smart metering systems, ERGEG's developed guidelines of good practice which are intended to serve as guidance to Member States, regulators and industry in their consideration and deployment of smart metering systems. The regulators also devote efforts to raising awareness of how smart meters and smart regulation (e.g. time of use

tariffs and information) can help customers save energy and have more control over their energy bills, while at the same time help meet the EU's energy and climate change goals. In 2010, the regulators published a factsheet on "Smarter Regulation for Energy Customers" and a factsheet on "Smart grids and smart regulation help implement climate change objectives".

9. Strong and coordinated international cooperation on energy regulatory issues

Extending the Community's energy acquis to EU's neighbours including Russia

In recent years, Member State governments have begun to focus more on the external dimension of European energy policy, recognising that the Union needs to increase its influence on neighbouring regional and global energy markets and to protect the integrity of the EU's internal energy market and security of energy supply for all its members. For the past 10 years of its existence, CEER facilitates coordinated action, solidarity and common messages by EU's national regulators and in recent years is proving to be a formidable force on the global stage.

CEER has for some years forged strong relationships with fellow regulators from outside of Europe, offering relevant expertise to support the implementation of Europe's energy legislation to neighbouring non-EU countries. The European Energy Regulators continued their long tradition of cooperation with the regulators from the Energy Community of South-East Europe. The institutional set up of the Energy Community obliges ERGEG – in its formal advisory role to the European Commission – to assist the European Commission within the European Community Regulatory Board (ECRB). The ECRB also contributed (for the second year) an update on the Energy Community electricity region as an Annex to the ERGEG status review report on the Regional Initiatives. CEER also closely followed the work of the Euro-Mediterranean countries through the framework of MEDREG.

Structured bilateral dialogue with Russian, US and Ibero-American regulators

Regulatory cooperation is increasingly important in the context of security of supply and the treatment of third countries under the EU's 3rd Package of energy liberalisation laws. Following the first bilateral meeting between CEER and the Russian federal regulator (FTS) in May 2009, CEER broadened its structured dialogue with the Russians with a further bilateral meeting (October 2010) and actively participating in the FTS conference on "Regulation and Liberalisation of Energy Markets; Russian Experience and the EU 3rd Energy Package". The focus was on the major changes in the Russian federation legislation on electricity, the future of gas regulation and gas investment programmes and on the transparency and market monitoring in EU Member States. ERGEG is also a permanent participant in the platform on energy security of the Eastern Partnership, an EU initiative which aims to improve the political and economic trade-relations of the six post-Soviet states of "strategic importance" (namely Ukraine, Belarus, Moldova, Azerbaijan, Armenia and Georgia) with the European Union.

The 8th US-EU Energy Regulators Roundtable was held on 26-27 October in Berlin, Germany. It built on the existing structured dialogue in the framework of the previous seven roundtables, the four editions of the World Forum on Energy Regulation (WFER) and the establishment of the International Confederation of Energy Regulators (ICER). The main issues discussed at 8th EU-US Roundtable included recent regulatory developments in the EU and US; the cross-border transmission planning; energy efficiency; transparency; security of supply; structural changes in the market; and ICER.

At a bilateral meeting which took place between CEER and ARIAE (which represents the Ibero-American regulators) in April 2010, it was agreed to hold periodic roundtables of European and Ibero-American regulators with the aim of promoting the exchange of regulatory experiences in both sides of the Atlantic.

Driving forward initiatives of regulatory cooperation at international level

The next natural step, after national and regional cooperation, is international cooperation. The first step was the 2006 initiative of the CEER and the Florence School of Regulation (FSR) to create a web platform the International Energy Regulatory Network (www.IERN.net), to facilitate information exchange on electricity and natural gas market regulation. CEER was instrumental in the set up of the Florence School of Regulation itself and in 2010 continued to provide experts for FSR's training programmes on energy regulation and workshops including for example a workshop on ERGEG's Regional Initiatives and on the implementation of the 3rd Package.



A major step in global cooperation was taken (once again at the initiative of the CEER) with the creation of the International Confederation of Energy Regulators (www.icer-regulators.net) which

provides structured contacts and cooperation between energy regulators worldwide.

The International Confederation of Energy Regulators (ICER¹), established at WFER IV in October 2009, provides a framework for interaction and cooperation between energy regulators on issues of a global nature which affect energy markets. The ICER framework bridges a gap between the 3-year cycle of the WFER event by ensuring continuing contacts between regulators as they face similar challenges, irrespective of their different national circumstances or regulatory arrangements.

ICER brings together in a formal and structured dialogue the energy regulators from across all continents. It is composed of 11 regional regulatory associations as well as the regulatory authority for Australia, representing more than 200 national regulatory agencies. ICER's goal is to serve as an effective tool to help improve, worldwide, public and policy-maker awareness and understanding of energy regulation and its role in addressing a wide spectrum of socio-economic, environmental and market issues.

CEER exchanges information and best practices worldwide and contributes to the evolution towards a sustainable planet. In chairing ICER's climate change working group, CEER has shown great leadership, which produced in 2010 a comprehensive report on Energy Efficiency policies worldwide.

ICER is chaired by Lord Mogg, the President of the CEER, until the next WFER V in May 2012 in Quebec City, Canada. With four virtual working groups, ICER has been making major strides in its first year. Already, it is proving to be a useful platform to ensure the good standing of energy regulators with regulatory experts of international bodies such as the International Energy Agency and the World Bank, the European Bank for Reconstruction and Development, the International Gas Union and others. In this regard, it has also begun cooperation on events, joining forces, for example, with the Renewable Energy and Energy Efficiency Partnership (REEEP) on a conference to discuss regulation's role in the transition to a low-carbon economy. CEER representatives also spoke at major international functions, such as the World Energy Congress in September 2010 and the Bucharest Forum on renewables in July 2010.

¹ ICER brings together 11 regional associations of energy regulators worldwide, representing 200 regulatory authorities and spanning all continents: AFUR (Africa), ARIAE (Latin America), CAMPUT (Canada), CEER (Europe), EAPIRF (East Asia and the Pacific), ERRA (Energy Regulators Regional Association), MEDREG (Mediterranean countries), NARUC (USA), OOCUR (the Caribbean), RERA (Southern Africa) and SAFIR (South Asia).

10. Stakeholder trust, engagement and celebrating shared successes

Regulators' dialogue with stakeholders takes a range of different forms from formal public consultation, input by expert groups, workshops and conferences, bilateral and multi-stakeholder meetings. Also unique to the energy sector in Europe are the annual (or bi-annual) European Electricity/Gas Regulatory Forum (called Florence Forum in electricity, Madrid Forum in gas) which have been set up at EU level to enable stakeholder participation in EU energy policy development. Chaired by the European Commission, these fora have (for the past 10 years) proved to be a valuable platform for discussion between the Commission, Member State governments, industry, network operators, consumer organisations, and regulators. ERGEG, as formal advisory group to the European Commission on energy market issues, plays a central role in setting the agenda and in the substantive issues being discussed at these fora.

Stakeholder feedback helps shape the regulators' 2011 Work Programme

For the second consecutive year, CEER/ERGEG publicly consulted on their Draft Work Programme for the year ahead. The principal aim was to focus on those issues prioritised not just by the regulators and the European Commission but also by stakeholders. In response to stakeholders' feedback, CEER made a number of adaptations to its 2011 work programme.

Stakeholders' planning facilitated by Work Programme and a rolling 6-month calendar

The work programme also serves to facilitate stakeholders' planning and their contributions to our work. The regulators' annual work programme not only sets out the foreseen deliverables and their provisional timelines but also the different possibilities for stakeholder interaction (e.g. public consultations, workshops etc.) for each deliverable. Information on the publication of documents, invitations for events, launching of public consultations and opening of application period for expert groups were announced via the ERGEG website and by sending email notifications to all online subscribers to the website, and through the monthly newsletter. A rolling 6-month calendar of public consultations and of future events published on the website provides the latest information and further facilitates stakeholders' planning.

Public Consultations and reducing the burden of consultations on stakeholders

A major objective of the European energy regulators is to ensure that stakeholders are properly involved and consulted. This is particularly important in the process for developing framework guidelines and network codes as the codes may become legally binding. ERGEG has a long-standing set of principles for conducting public consultations. These good practice guidelines were also applied for the purpose of developing framework guidelines. Under the 3rd Package, ENTSOs must (as is the current practice of the regulators) conduct public consultations on the network codes. A 3-year plan coordinated by the European Commission, ENTSOs and ERGEG establishes priorities in the framework guideline and network code and coordinates processes.

A total of 18 CEER/ERGEG public consultations took place during 2010. ERGEG has also sought to reduce the burden of consultation on stakeholders through the development of a new online public consultation tool as well as a calendar of future consultation to facilitate planning. Pilot testing of the online tool during our public consultation on the 2011 work programme has showed that the tool has greatly increased the number of responses (37 in 2011 compared to 27 respondents in the year 2010) and provides an easy and straightforward process. The few improvements to the system which were suggested by stakeholders will be taken into consideration for future consultations.

Ensuring stakeholder engagement in the framework guideline process

As part of its transparent and open dialogue with stakeholders, the European Energy Regulators created ad hoc expert groups to provide expert support to ERGEG during the development of draft framework guidelines. Through an open invitation, published on the website, any interested person can apply to join these "expert groups". The selected expert groups members, from a geographical balance across Europe, have experience and expertise on the relevant topics. In 2010, ad hoc expert groups were used to assist the development of four pilot framework guidelines (electricity grid connection; electricity system operation; gas capacity allocation; and gas balancing). To ensuring transparency, minutes of the expert groups are published on the website.



CEER 10-year birthday, July 2010



Regulators also got feedback on their work on electricity capacity allocation and congestion management through an Ad Hoc Advisory Group (AHAG) of stakeholders set up by ERGEG following the December 2009 Florence Forum. AHAG's constitution is different to that of the expert groups as AHAG's membership is explicitly representative of stakeholder organisations, whereas expert group members were selected by ERGEG 'ad personam' for their individual expertise.

Monitoring stakeholder trust of the framework guideline process

CEER also conducted a comprehensive review of the framework guidelines process in an effort to determine the level of stakeholder trust in a process which the regulators had developed and tested. The objective was to provide input to ACER to enable ACER to develop and improve the process going forward. As well as an internal assessment of how regulators themselves see the process, it contained an external assessment of how the outside world trusts the process, how effective respondents judge the process to be and how transparent the process is perceived by stakeholders. The outcome will be reported to the ACER Director in March 2011. The key conclusions and lessons learned will be presented at the next (2011) Florence and Madrid Fora.

Transparency - decisions publicly available

Recognising that decisions reached by regulators at EU level may be of wider interest, the agenda and minutes of the CEER General Assembly and ERGEG Plenary meetings are publicly available on our website (www.energy-regulators.eu). ACER too publishes the agenda and decisions of its (Board of Regulator and Administrative Board) meetings.

Conference and workshops

For the past four years, ERGEG and the European Commission (DG ENER) have held an annual Regional Initiatives conference. The conference has become much more about listening to stakeholders (through panel discussions and participation by audience) than about the regulators showcasing the achievements of the regions. For the first time ever, the Regional Initiatives conference was web streamed. Some other workshops were also web

streamed (free) for interested parties who wished to follow the proceedings.

During 2010, CEER/ERGEG held a total of 16 public workshops on a variety of topics ranging from the 10-year network development plan, or transparency comitology guideline for electricity to customer complaint handling and smart meters. In an effort to minimise the burden on interested parties, a number workshops were either co-hosted or coordinated with ENTSO-E or ENTSG events. Particularly for events which focus on customer issues, we deliberately sought out participation by consumer representative bodies (e.g. at the smart metering, complaint handling and retail market indicators workshops) and publicly elected representatives (Members of European Parliament) so that we can assist them help the citizens they represent.

Celebrating our shared successes

As a tribute to the many stakeholders who have, over the past four years, willingly (in a voluntary process) put huge efforts into the pursuit of enhancing regional energy market integration in Europe, a short Fact Sheet outlining some of the main achievements that have been facilitated by the Regional Initiatives was dedicated to the stakeholders and distributed to participants of the December 2010 Florence Forum and at several regional meetings. This Fact Sheet is a token of regulators' appreciation to their collaborative efforts towards the shared goal of an integrated EU electricity and gas market.



CEER 10-year birthday, July 2010



Appendix I

Useful Data (2009)

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 in small households (% by number of metering points)	Ownership unbundled TSOs	Net load flows (imports – exports, GWh)
AUSTRIA	100	69	6	1.3	0	780
BELGIUM	100	83.328	2	NA	0	- 1837
BULGARIA	100	32.3	3	0	0	- 5100
CYPRUS	67	5.133	1	0.00	0	0
CZECH REPUBLIC	100	68.6	3	1.5	1	- 13644
DENMARK	100	34.8	7	6.1	1	300
ESTONIA	28	7.996	1	0	0	82
FINLAND	100	80.8	4	8.1	1	12100
FRANCE	100	486.4	1	3.6	0	- 26000
GERMANY	100	538.9	3	4.7	2	- 14800
GREAT BRITAIN	100	373.87	NA	18.4*	1	2860
GREECE	NA	52.44	1	0.03	0	4368
HUNGARY	100	35.25	4	NA	0	5513
IRELAND	100	26.8	4	20.39	1	725
ITALY	100	320.3	2	12.2	1	44960
LATVIA	100	7.22	1	0	0	1654
LITHUANIA	100	8.9	1	0	0	- 3221.6
LUXEMBOURG	100	6.220	3	0.17	0	3418
MALTA	0	.05	1	0	0	0
NORTHERN IRELAND	100	8.3	4	10	1	943
NORWAY	100	123.8	5	8.1	1	- 9220
POLAND	100	148.6	6	NA	1	- 2195
PORTUGAL	100	49.87	3	2.2	1	4777
ROMANIA	100	50.62	6	0.004	1	- 2478
SLOVAK REPUBLIC	100	25.43	3	0.88	1	1312
SLOVENIA	100	11.23	6	1.4	1	- 3126
SPAIN	100	268.9	4	NA	1	- 8090
SWEDEN	100	157.6	3	11.4	1	4700
THE NETHERLANDS	100	117.1	4	11	1	4900

NA = not available, NAP = not applicable, * = for switching rate for household customers

Source: CEER

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)	Ownership unbundled TSOs	Net load flows (imports – exports, GWh)
AUSTRIA	100	91.54	5	0.9	0	84.25
BELGIUM	100	195.3	4	NA	0	195
BULGARIA	100	23.88	5	0	0	NAP
CYPRUS	0	NAP	NAP	NAP	NAP	NAP
CZECH REPUBLIC	100	86.10	6	1.15	0	NA
DENMARK	100	39	5	0.3	1	- 29
ESTONIA	100	6.10	1	NA	0	6.10
FINLAND	0*	41	6	NAP	0	NAP
FRANCE	100	494.49	2	4	0	387
GERMANY	100	913.78	3	3.47	1	955.22
GREAT BRITAIN	100	1012.65	NA	17.3*	1	208.11
GREECE	86	37.34	1	0.00	0	28.84
HUNGARY	100	117.152	8	NA	0	84.58
IRELAND	100	55.56	3	1.27	0	NA
ITALY	100	807.73	4	1.9	1	700.91
LATVIA	0	14.26	1	0.00	0	15.47
LITHUANIA	100	25.3	2	0.00	0	25
LUXEMBOURG	100	14.4	5	0.01	0	14.4
MALTA						
NORTHERN IRELAND	100	16.32	4	0.1	2	16.32
POLAND	100	147.7	1	0.00	1	99.8
PORTUGAL	100	50.6	2	NA	1	55.6
ROMANIA	100	140.05	6	NA	1	NAP
SLOVAK REPUBLIC	100	56.1	1	0	0	73.83
SLOVENIA	100	10.697	3	0.00012	0	10.7
SPAIN	100	402.5	6	5.6	1	93.44
SWEDEN	100	11.8	5	0.5	2	15
THE NETHERLANDS	100	421	3	11.8	1	- 328

NA = not available, NAP = not applicable, * = for switching rate for household customers

* Finland has a derogation.

Source: CEER

Appendix II

ERGEG and CEER 2010 documents

Cross-Sectoral

- Strategy for Delivering a More Integrated European Energy Market: The Role of the ERGEG Regional Initiatives. An ERGEG Conclusions Paper (E10-RIG-10-04), 21 May 2010
- Regional Initiatives Progress Report. An ERGEG Conclusions Paper (E10-RIG-09-03), 10 June 2010
- European Energy Regulators' Response to the European Commission's Public Consultation on "Initiative for the Integrity of Traded Energy Markets" (C10-GA-62-04), 21 July 2010
- European Energy Regulators' Response to the European Commission's Public Consultation on "A Revision of the Market Abuse Directive (MAD)" (C10-FIS-19-04), 29 July 2010
- Draft European Energy Regulators 2011 Work Programme. A CEER Public Consultation Paper (C10-WPDC-20-07), 8 September 2010
- Status Review on the ERGEG Regional Initiatives 2010 (E10-RIG-11-03), 8 November 2010
- European Energy Regulators' 2011 Work Programme (C10-WPDC-20-07), 6 December 2010
- ERGEG 2010 Status Review on the Liberalisation and Implementation of the Regulatory Framework (C10-URB-34-04), 7 December 2010
- Fact Sheet: The Regional Initiatives – a Major Step Towards Integrating Europe's National Energy Markets (FS-10-03), December 2010

Electricity

Community-wide Ten Year Electricity Network Development Plan

- Final Advice on the Community-wide Ten Year Electricity Network Development Plan (E10-ENM-22-03), 10 June 2010
- ERGEG Public Consultation on Draft Advice on the Community-wide Ten Year Electricity Network Development Plan: Evaluation of Responses (E10-ENM-22-03a), 10 June 2010
- ERGEG Opinion on the ENTSO-E Pilot Community-wide Ten Year Electricity Network Development Plan (E10-ENM-22-04), 7 December 2010

Smart Grids

- Position Paper on Smart Grids. An ERGEG Conclusions Paper (E10-EQS-38-05), 10 June 2010
- Position Paper on Smart Grids. An ERGEG Conclusions Paper. Annex 3: Evaluation of Responses (E10-EQS-38-05a), 10 June 2010
- Fact Sheet: The Drive Towards Smart Grids (FS-10-01), October 2010

Wind Generation

- Regulatory Aspects of the Integration of Wind Generation in European Electricity Markets. A CEER Conclusions Paper (C10-SDE-16-03), 7 July 2010
- Regulatory Aspects of the Integration of Wind Generation in European Electricity Markets: Evaluation of Responses (C10-SDE-16-03a), 7 July 2010

Framework Guidelines on Electricity Grid Connection

- Pilot Framework Guidelines on Electricity Grid Connection. An Initial Impact Assessment (E09-ENM-18-03), 12 July 2010

- ERGEG Public Consultation on Pilot Framework Guidelines on Electricity Grid Connection (E09-ENM-18-04), 12 July 2010
- Final ERGEG Pilot Framework Guidelines on Electricity Grid Connection (E10-ENM-18-04), 7 December 2010
- ERGEG Public Consultation on Draft Pilot Framework Guidelines on Electricity Grid Connection: Evaluation of Responses (E10-ENM-18-04a), 7 December 2010

Framework Guidelines on Capacity Allocation and Congestion Management

- Draft Benchmarking Report on Medium and Long-term Electricity Transmission Capacity Allocation Rules. An ERGEG Public Consultation Paper (E09-ERI-23-03), 26 February 2010
- Draft Framework Guidelines on Capacity Allocation and Congestion Management for Electricity. An Initial Impact Assessment (E10-ENM-20-04), 8 September 2010
- ERGEG Public Consultation on Draft Framework Guidelines on Capacity Allocation and Congestion Management for Electricity (E10-ENM-20-03), 8 September 2010
- Benchmarking report on medium and long-term electricity transmission capacity allocation rules (E10-ERI-27-03), 11 November 2010

Comitology Guidelines on Fundamental Electricity Data Transparency

- Draft Comitology Guideline on Fundamental Electricity Data Transparency. An Initial Impact Assessment (E10-ENM-05-01), 8 September 2010
- ERGEG Public Consultation on Draft Comitology Guideline on Fundamental Electricity Data Transparency (E10-ENM-02-07), 8 September 2010

- ERGEG Final Advice on Comitology Guidelines on Fundamental Electricity Data Transparency (E10-ENM-27-03), 7 December 2010

- ERGEG Public Consultation on Fundamental Electricity Data Transparency - Evaluation of Responses (E10-ENM-27-03a), 7 December 2010

Compliance Monitoring

- Electricity Regulation (EC) 1228/2003 - Compliance Monitoring, 3rd Report 2010 (E10-ENM-04-15), 7 December 2010

Electricity Interruptions and Voltage Disturbances

- Guidelines of Good Practice on Estimation of Costs due to Electricity Interruptions and Voltage Disturbances, (C10-EQS-41-03) 7 December 2010

Gas

Capacity Allocation and Congestion Management Procedures for Gas Storage

- Status Review 2009 on Capacity Allocation Management and Congestion Management Procedures for Storage (E10-GST-09-03), 16 April 2010
- Status Report 2009 on Capacity Allocation Management and Congestion Management Procedures for Storage. Annex 2: Results of the questionnaire to storage users (E10-GST-09-03), March 2010
- Assessment of Capacity Allocation Mechanisms and Congestion Management Procedures for effective Access to Storage and Proposals for the Amendment of the GGPSSO: An ERGEG Public Consultation Paper (E10-GST-09-06), 28 July 2010
- ERGEG Study on Congestion Management Procedures & Anti-hoarding Mechanisms in the European LNG terminals (E10-LNG-11-03), 15 November 2010

Capacity Allocation on European Gas Transmission Networks

- Capacity Allocation on European Gas Transmission Networks. Pilot Framework Guideline (E10-GWG-66-03), 10 June 2010
- Pilot Framework Guideline on Capacity Allocation Mechanisms Public Consultation: Evaluation of Comments (E10-GWG-67-03), 29 June 2010
- Congestion Management Procedures: ERGEG Recommendations for Guidelines to be adopted via a Comitology Procedure (E10-GWG-67-04), 8 September 2010
- Revised ERGEG Recommendations on Congestion Management Procedure (CMP) Comitology Guidelines: Evaluation of Responses (E10-GWG-67-04a), 8 September 2010
- Revised Final Pilot Framework Guideline on Capacity Allocation Mechanism (E10-GWG-71-03), 7 December 2010

10 Year Network Development Plan for Gas

- Ten Year Network Development Plan for Gas. Final ERGEG Recommendations (E10-GIF-01-03), 13 July 2010
- Evaluation of ENTSOG's European Ten Year Network Development Plan 2010-2019 (E10-GIF-01-04), 11 November 2010
- Summary and Evaluation of Comments Received on EWI study (E10-GWG-71-04), 7 December 2010

Gas Balancing

- Gas Balancing Rules on European Gas Transmission Networks: Draft Pilot Framework Guideline (E10-GNM-13-03), 18 August 2010

- Gas Balancing Rules on European Gas Transmission Networks: Draft Pilot Framework Guideline - Initial Impact Assessment (E10-GNM-13-04), 18 August 2010

Transparency

- ERGEG Public Consultation on Existing Transparency Requirements for Natural Gas (E10-GWG-68-03), 8 September 2010

Gas Hubs

- Gas Hub Monitoring Report 2010 (E10-GMM-11-03), 15 October 2010
- Annexes to the Gas Hub Monitoring Report 2010 (E10-GMM-11-03a), 15 October 2010

Open Season Procedures

- Monitoring Report 2010 on Compliance with the Guidelines of Good Practice of Open Season Procedures (E10-GMM-11-04), 7 December 2010

Customers

- Fact Sheet: Smarter Regulation for Energy Customers (FS-10-02), October 2010

Market Monitoring

- Final Guidelines of Good Practice on Indicators for Retail Market Monitoring for Electricity and Gas (E10-RMF-27-03), 12 October 2010
- Guidelines of Good Practice on Indicators for Retail Market Monitoring for Electricity and Gas - Evaluation of Responses (E10-RMF-27-03a), 12 October 2010
- An ERGEG Public Consultation Paper on Draft Guidelines of Good Practice on Indicators for Retail Market Monitoring (E09-RMF-14-04), 16 April 2010

Complaint Handling

- Guidelines of Good Practice (GGP) on Customer Complaint Handling, Reporting and Classification (E10-CEM-33-05), 10 June 2010
- ERGEG Public Consultation on Draft Advice on Customer Complaint Handling, Reporting and Classification: Evaluation of Responses (E10-CEM-33-05a), 10 June 2010

End-User Price Regulation

- Status Review of End-User Price Regulation as of 1 January 2010 (E10-CEM-34-03), 8 September 2010

Billing

- Status Review of the Implementation of European Commission's Good Practice Guidance for Billing (E10-CEM-36-03), 8 September 2010

Smart Metering

- An ERGEG Public Consultation Paper on Draft Guidelines of Good Practice on Regulatory Aspects of Smart Metering for Electricity and Gas (E10-RMF-23-03), 10 June 2010

Appendix III

Press Releases and Fact Sheets 2010

Press Releases

- State of play of Europe's energy markets: Market integration is a key to effective delivery for energy consumers (PR-10-01), 14 January 2010
- Member States set to impose long needed transparency requirements on gas pipeline operators (PR-10-02), 26 April 2010
- EU Strategy towards a more integrated EU energy market (PR-10-03), 7 June 2010
- Regulators promote integrated EU approach to assessing gas infrastructure gaps (PR-10-04), 14 June 2010
- Gas Capacity Allocation Framework Guideline starts 3rd Package implementation (PR-10-05), 21 June 2010
- New role for Regional Initiatives in 3rd Package implementation (PR-10-06), 8 July 2010
- Regulators' new market monitoring approach to test benefits to customers launched today at the London (PR-10-07), 22 October 2010
- Success in regional and inter-regional energy market integration (PR-10-08), 10 November 2010
- European Energy Regulators welcome the European Commission's Communication on Infrastructure (PR-10-09), 19 November 2010
- Transparency to be enhanced and wholesale energy markets to be properly monitored (PR-10-10), 8 December 2010
- 3rd Package implementation is needed to deliver benefits to energy consumers (PR-10-11), 10 December 2010

Factsheets

- Fact Sheet: The drive towards Smart Grids (FS-10-01), October 2010
- Fact Sheet: Smarter regulation for energy customers (FS-10-02), October 2010
- Fact Sheet: The Regional Initiatives – a major step towards integrating Europe's national energy markets (FS-10-03), December 2010

Appendix IV – Presentations by the European Energy Regulators 2010

Presentations

- KINDLER, Johannes, CEER Vice President, Axpo Management Meeting, “EU Energiebinnenmarkt und die Schweiz”, Pfäffikon, 26 January 2010
- KINDLER, Johannes, CEER Vice President, Gas Transport and Storage Summit, “The Regulators’ view on security of supply”, Düsseldorf, 28-29 January 2010
- SIHVONEN-PUNKKA, Asta, CEER Vice President, FSR Workshop on ERGEG Regional Initiatives and the 3rd Legislative Package, “The work of the PCG: can we travel the extra/final mile?”, Fiesole, 29 January 2010
- de SUZZONI, Patricia, Chair of Customer Working Group, High Level event on ICT for Energy Efficiency 2010, “Regulatory views towards a smart metering policy -”, Brussels, 23 February 2010
- CROUCH, Martin, Co-Chair of Sustainable Development Task Force, Eurelectric Conference: Building a Secure and Sustainable Future: How Can Market Integration Contribute?, “ERGEG strategy towards integration of wind generation into European electricity market: the regulatory challenges”, Brussels, 17 March 2010
- GEORGE, Cécile, Member of Electricity Working Group, Eurelectric Conference: Building a Secure and Sustainable Future: How Can Market Integration Contribute?, “Will the European target model for electricity markets be enough to ensure coordinated regions and prompt quicker progress?”, Brussels, 17 March 2010
- SIHVONEN-PUNKKA, Asta, CEER Vice President, Eurelectric Conference: Building a Secure and Sustainable Future: How Can Market Integration Contribute?, Member of panel, “How to move towards consistent regional markets”, Brussels, 17 March 2010
- GRAS, Sebastian, Observer of Customer Working Group, Getting to Grips with Energy Poverty: From EU Cities to Homes, “ERGEG’S view on Energy Poverty and Vulnerable Customers”, Brussels, 24 March 2010
- KINDLER, Johannes, CEER Vice President, Barclays Capital/Fleishman-Hillard conference on Financing Europe’s Energy Needs and Climate Action in the 21st Century, “Financing Europe’s and the World’s energy needs”, Brussels, 24 March 2010
- ESTEVES, Jorge, Observer of Electricity Quality of Supply Task Force, Transmission and Distribution Europe 2010, “The European energy regulators and voltage quality monitoring”, Amsterdam, 29-31 March 2010
- BREKKE, Karstein, Co-Chair of Electricity Quality of Supply Task Force, Transmission and Distribution Europe 2010, “The European energy regulators and voltage quality monitoring”, Amsterdam, 29-31 March 2010
- BOLTZ, Walter, CEER Vice President, Transmission and Distribution Europe 2010, “Practical implementation of the 3rd Package - implications on network operation and market development”, Amsterdam, 29-31 March 2010
- SIHVONEN-PUNKKA, Asta, CEER Vice President, CEEPEX Workshop, “Target model for European congestion management”, Vienna, 12 April 2010
- de SUZZONI, Patricia, Chair of Customer Working Group, Eurelectric Workshop: How will smart grids change the face of Europe’s electricity distribution and consumption?, Member of panel, Brussels, 13-14 April 2010
- PASSAMONTI, Lucia, Co-Chair of Sustainable Development Task Force, 9th ERRA Energy Investment and Regulation Conference “Energy Investment and Regulation”, Budapest, 19-20 April 2010
- CROUCH, Martin, Co-Chair of Sustainable Development Task Force, European Wind Energy Conference and Exhibition (EWEC 2010), “Offshore grids for wind power integration”, Warsaw, 20-23 April 2010
- LIIKANEN, Marielle, Chair of Retail Market Functioning Task Force, CEDEC Congress, Member of panel, “Intelligent metering systems – local energy companies between markets, legislators and regulators”, Brussels, 29 April 2010

- GEORGE, Cécile, Member of Electricity Working Group, ENARD / IEA Grid Policy Workshop, "Electricity grids: a key enabler in the delivery of a sustainable energy policy", Paris, 28 April 2010
- BRAZ, José, Chair of Energy Package Working Group, EU-China Smart Grid Conference, "The role of regulators in the EU's cleaner energy agenda", Beijing, 28-29 April 2010
- GEITONA, Fay, CEER Secretary General, Latest Developments in Renewable Energy Conference, "The role of ACER in regulating the European energy sector and its consequences for the design of a new market organisation" Brussels, 3 May 2010
- BOLTZ, Walter, CEER Vice President, FSR Annual Conference, "Relevant Parameters and Key-Points of Incentive-based Regulation in Austria (Electricity Distribution)", Fiesole, 6 May 2010
- GEITONA, Fay, CEER Secretary General, Geode VII Spring Seminar: Energy: The Future Paradigm. European Trends, "What comes after the 3rd Package", Brussels, 11 May 2010
- CROUCH, Martin, Co-Chair of Sustainable Development Task Force, Conference on Adapting Electricity Markets to Large Amounts of Renewable Energy, "Regulatory perspectives on wind integration", Brussels, 21 May 2010
- Lord MOGG, John, CEER President, European Energy Infrastructure: Perspectives for a new European Energy Security and Infrastructure Instrument, "Regulatory needs at EU level", Madrid, 28 May 2010
- LIIKANEN, Marielle, Chair of Retail Market Functioning Task Force, Smart Metering Europe 2010 Summit, "Work done within ERGEG regarding smart metering", Amsterdam, 7-8 June 2010
- de SUZZONI, Patricia, Chair of Customer Working Group, From Smart Metering Towards Smart Grids / Smart Energy Systems, Member of panel "D'une introduction réussie de compteurs intelligents à la préparation au lancement de réseaux intelligents", Berlin, 8 June 2010
- KORR, Andrea, Member of Financial Services Working Group, Energy Trading in Central and South East Europe, "Energy market supervision: The need for a sector-specific market integrity and transparency regime", Warsaw, 9 June 2010
- CROUCH, Martin, Co-Chair of Sustainable Development Task Force, Eurelectric Annual Conference: New Energy World, Member of panel "The clean energy paradigm: meeting the climate challenge together", Dublin, 14-15 June 2010
- CROUCH, Martin, Co-Chair of Sustainable Development Task Force, SBGI Smarter Energy Seminar, "A European perspective", London, 27 April 2010
- PRIETO, Rocío, Chair of LNG Task Force, World LNG Markets, "Commercial restrictions on LNG trade", London, 16-17 June 2010
- SEMERDJIEV, Angel, CEER General Assembly Member, Bulgarian Energy Day, "Independence of the national energy regulatory bodies - how to reach it?", Sofia, 18 June 2010
- BOLTZ, Walter, CEER Vice President, Wilton Park Event, Transitioning to a low carbon economy: how to make successful policy and regulation happen, Speaker, "Linkage between economic development, energy security and future energy matrix of a country", 21-24 June 2010
- KINDLER, Johannes, CEER Vice President, Public Hearing on MiFID Review, "How to improve regulation, functioning and transparency of financial and commodity markets to address excessive commodity price volatility?", Brussels, 20-21 September 2010
- de SUZZONI, Patricia, Chair of Customer Working Group, "Improving billing services – the importance of proper regulation", Metering Billing/CRM Europe, Vienna, 22 September 2010
- SIHVONEN-PUNKKA, Asta, CEER Vice President, Utility Summit, "EU Electricity Network and Market Vision", Izmir, 28-29 September 2010

- SIHVONEN-PUNKKA, Asta, CEER Vice President, Baltic Mini-Forum, “ERGEG draft Framework Guidelines on Capacity Allocation and Congestion Management: the role of NRAs in Congestion Management”, Jurmala, 1 October 2010
- SIHVONEN-PUNKKA, Asta, CEER Vice President, Baltic Mini-Forum, “ACER – the new institutional tool for NRA coordination and market integration”, Jurmala, 1 October 2010
- BRAZ, José, CEER 3rd Package WG chair, ExpoEnergia5, Lisboa, “Energy Regulation and Market Harmonisation”, Lisbon, 9 November 2010
- SIHVONEN-PUNKKA, Asta, CEER Vice President, 4th St.Gallen International Energy Forum “And now for real – implementing the 3rd Package”, St.Gallen, 11-12 November 2010

Appendix V

Membership of ERGEG

Austria	E-Control GmbH (E-Control)
Belgium	Commission for the Regulation of Electricity and Gas (CREG)
Bulgaria	State Energy & Water Regulatory Commission (SEWRC)
Cyprus	Cyprus Energy Regulatory Authority (CERA)
Czech Republic	Energy Regulatory Office (ERO)
Denmark	Danish Energy Regulatory Authority (DERA)
Estonia	Estonian Competition Authority (ECA)
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	Dutch Office of Energy Regulation (NMa)
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	Croatian Energy Regulatory Agency (HERA)
Iceland	National Energy Authority (Orkustofnun)
Norway	Norwegian Water Resources & Energy Directorate (NVE)
Turkey	Energy Market Regulatory Authority of Turkey (EMRA)

Appendix VI

Membership of CEER

Austria	E-Control GmbH (E-Control)
Belgium	Commission for the Regulation of Electricity and Gas (CREG)
Bulgaria	State Energy & Water Regulatory Commission (SEWRC)
Cyprus	Cyprus Energy Regulatory Authority (CERA)
Czech Republic	Energy Regulatory Office (ERU)
Denmark	Danish Energy Regulatory Authority (DERA)
Estonia	Estonian Competition Authority (ECA)
Finland	Energy Market Authority (EMV)
France	Commission for the Regulation of Energy (CRE)
Germany	Federal Network Agency for Electricity, Gas, Telecommunications, Posts and Railways (BNetzA)
Greece	Regulatory Authority for Energy (RAE)
Hungary	Hungarian Energy Office (HEO)
Iceland	National Energy Authority (Orkustofnun)
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)
Luxembourg	Luxembourg Institute of Regulation (ILR)
Malta	Malta Resources Authority (MRA)
The Netherlands	Dutch Office of Energy Regulation (NMa)
Norway	Norwegian Water Resources & Energy Directorate (NVE)
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	The National Energy Commission (CNE)
Sweden	Energy Markets Inspectorate (EI)
United Kingdom	Office of Gas and Electricity Markets (Ofgem)



How to contact the European energy regulators

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.

While our work can be technical and detailed, we produce tailored communications material such as press releases and non-technical fact sheets in an effort to better communicate with a wider audience.

Each month we dispatch a free, electronic newsletter, *European Energy Regulator's News*, directly to the e-mail of interested subscribers. It provides a brief overview of key regulatory developments (public consultations, events, press releases, reports and advice issued to the European Commission) at EU and international level. As it is an easy way to stay abreast of energy regulatory developments, we encourage interested parties to subscribe, on our homepage to this free monthly newsletter.

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.

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