

# **Work Programme 2006**

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## 1. INTRODUCTION

The Council of European Energy Regulators (CEER) is the organisation through which European regulators of electricity and gas come together co-operatively to pursue issues of common interest and concern. CEER prepares work for ERGEG<sup>(1)</sup>. The work of the regulators is aimed at promoting effective competition in European gas and electricity markets through successful liberalisation and the establishment of a single European energy market.

The work programme of the regulators comprises: the development of high level policy; detailed technical advice on regulation and rules; and the monitoring and reporting of the compliance with, and effectiveness of, the relevant rules and guidelines, and the state of competition, in energy markets. There are five major themes in the 2006 CEER work programme:

### 1. Cross Border Trade and Security of Supply

Regulators' objective is to ensure that the regulatory framework facilitates the maximum use of available interconnect capacity and investment in new capacity where that is needed. In 2005 CEER examined how cross border infrastructure might be efficiently promoted and reviewed how power exchanges may interact, such work being taken forward this year through ERGEG. In 2006, the CEER will look at market design issues of relevance for regional markets and for internal market efficiency. The work will address interactions between cross border congestion management and the designs of connected national markets. Furthermore, the role of regulators and TSOs in security of supply, and generation adequacy in particular will be on the agenda. CEER will build on work already started on the calculation of available capacity for gas including ensuring TSOs have the right incentives to maximise the amount of capacity that is made available to market participants – a key aspect of ensuring that access to networks is fair and non-discriminatory.

In parallel, technical rules relating to cross border flows of gas and electricity are being further developed under the ERGEG 2006 work programme, including work on a long term Inter-Transmission System Operator compensation mechanism (ITC mechanism), on transmission tariff structures, access rights, locational signals, balancing and imbalance arrangements and co-ordination between TSOs. On gas, the ERGEG work programme also includes work on interoperability, cross border trade and the charging arrangements for transit and cross border infrastructure.

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<sup>(1)</sup> ERGEG is the body through which regulators prepare formal advice for the Commission and was established by Commission Decision of 11 November 2003 on establishing the European Regulators Group for Electricity and Gas (203/796/EC).

## **2. Monitoring of Regulatory and Market Developments**

The Electricity and Gas Directives (2003/54/EC and 2003/55/EC) provide for increased reporting activities at both the European and national level from 2005 onwards. The European Commission closely monitors the implementation of the Directives through their annual benchmarking reports on the implementation of the internal market. The Commission has asked regulators to assist them in monitoring and reporting back on the degree of implementation, of the legislative and regulatory framework including any set of guidelines/recommendations issued by the ERGEG. Regulators' monitoring activities, through both CEER and ERGEG, involves careful monitoring of: the implementation of relevant legislation and voluntary agreements and compliance by market players; of the extent to which non-discriminatory network access is a reality on the ground; and the actual level of competition in energy markets.

## **3. Transparency of Information**

For competition to operate effectively it is of central importance that information is provided to the market place in a timely and efficient way so that market players can understand the basic forces which influence prices and can seek to anticipate future events. In this way they can make informed and efficient decisions. It is therefore important that information is, where possible, made public by those who hold it and that information is properly managed where it is not possible for it to be published. This is of particular importance where network companies are affiliated to participants in the competitive part of the market. For these reasons CEER's 2006 work programme will focus more on the transparency of electricity information, including the provision of information to the market place and the management of information where it cannot be published, whereas transparency issues relating to gas are addressed in the ERGEG 2006 work programme.

## **4. Regional Markets and South East Europe**

The CEER will work on regional market issues in its Electricity and Gas Working Groups. As regards electricity, market design issues related to interaction between cross border congestion management and the designs of connected national markets will be addressed. Likewise on the gas side, work will include examining how capacity should be allocated. Regional initiatives will be a central part of regulators work via ERGEG in 2006 as a follow up to the two public consultations launched in 2005 – the "Creation of Regional Electricity Markets" paper and the "Developing a roadmap towards a single competitive European Gas Market" consultation papers respectively (see ERGEG work programme).

The work of the CEER's working group on South East Europe is directly affected by the signing, on 25<sup>th</sup> October 2005, of the Energy Community Treaty (ECT) for establishing the energy market in South East Europe and of the corresponding evolutions. The CEER will continue to actively contribute to the institutional building in SEE region, the convergence of the regulatory practices, the development of regional electricity market design, and strategic aspects for the development of the gas market.

## **5. Best Practice Regulation**

CEER will consolidate its information exchange, benchmarking and monitoring activities in 2006.

In 2005 CEER produced its 3<sup>rd</sup> Benchmarking report on the quality of electricity supply. This year the work is mirrored in gas so as to produce the first gas quality of service benchmarking report. The quality issues in electricity will focus on voltage quality and best practices of quality regulation. Other initiatives by the CEER in the pursuit of best practice regulation include exchange of information on incentive based regulations and methods for efficiency benchmarking of TSOs and DSOs. The co-ordination of international co-operation activities of European regulators will be assured with the International Energy Regulation Network (IERN) project which will be launched at the 3<sup>rd</sup> Energy World Forum in Washington in 2006.

## 2. ELECTRICITY WORKING GROUP (EWG)

### Issues to be addressed

- A. Guidelines on Good Practice for Transparency and Information Management
- B. Market design issues of relevance for Regional Markets and for internal market efficiency
- C. Security of Supply -role and responsibilities of regulators and TSOs
- D. Voltage quality revision of technical standard set by EN 50160
- E. Handbook for introducing quality regulation

### Background

An effectively competitive single EU electricity market will require, at the highest level, suitably connected, integrated and reliable transmission systems and compatible wholesale market arrangements. These should facilitate trade and so promote efficient price discovery and liquid markets. A key requirement for efficient trade to happen is that all market participants have access to appropriate transmission access and wholesale market data on a non-discriminatory basis.

The CEER in 2005 therefore targeted efforts in developing views on how cross border transmission infrastructure might be efficiently promoted, reviewing how power exchanges in neighbouring markets might best interact, and beginning work on market transparency across wholesale markets. CEER also complemented this work by reviewing quality of supply on networks and producing a benchmarking report on standards and incentives for quality of supply.

The 12<sup>th</sup> Florence Forum of September 2005 underlined the importance and relevance of the transparency work. ETSO and EURELECTRIC both agreed to submit their view on the market information set required by market participants to trade and invest in EU wholesale electricity markets. CEER intends to build on this work in 2006. The EWG will develop transparency requirements in wholesale markets by working up and consulting on guidelines for information management and transparency. The work is intended to set a broad framework for the identification of information required by market parties to trade in wholesale markets and access transmission infrastructure, particularly cross border interconnectors. Appropriate market data is crucial for example to allow market participants to form price expectations and to invest efficiently in electricity wholesale markets.

The EWG's work here will result in a set of Guidelines for Good Practice on Transparency, and a first view on information management in electricity markets in general. This will be subject to formal ERGEG public consultation in the first quarter of 2006. Work here falls to topic A.

The EWG will also include further consideration of how different wholesale market designs in neighbouring markets can be efficiently integrated, that is with a view to minimizing trading distortions between them. Work here falls to topic B.

In addition to work on security of supply (topic C), quality of supply issues will be further developed by the EWG during 2006. It will be helpful for example to consider voltage issues and a handbook for quality regulation. Work here falls to topics D and E.

### **Organisation of EWG activities**

Electricity Market Design Task Force – items A, B, C

Quality of Supply Task Force – items D, E

## 2.1 Electricity Market Design Task Force

### Issues to be addressed

- Guidelines on Good Practice (GGP) on Transparency and Information Management
- Market design issues of relevance for Regional Markets and for internal market efficiency
- Security of Supply -role and responsibilities of Regulators and TSOs

### Background

The GGP on Transparency and Information Management builds upon work begun in 2005 and will, upon completion be forwarded to ERGEG for public consultation.

The market design issues of relevance to regional markets will on one hand use the deliverables of the REM TF (in particular the results of the ERGEG public consultation on “Creation of Regional Electricity Markets”) and on the other hand prepare the input including the definition the timeframe/priorities, of the market design related issues to be considered by the ERGEG ESO TF, task & deliverable ESO-3. Finally, the Security of Supply aspects will concentrate on the generation adequacy, using the results from the previous studies, experiences, as well as relying on the results of some in-depth investigations and studies performed recently (2005) by the national Regulators.

### Approach

- Guidelines on Good Practice for Transparency and Information Management

There is a need to consider more widely and consult on how general requirements on market transparency should be framed and enforced. At the XII<sup>th</sup> Florence Forum (September 2005) ETSO promised to provide, to ERGEG by November 2005, a list of data that TSOs need to ensure an optimal use of the existing infrastructure. EURELECTRIC agreed to provide a list of information that it considers market agents need in order to trade efficiently. Whereas the ETSO deliverables are of more concern for the ERGEG ESO-5 deliverable (cooperation between the TSOs) and to the operational security, the EURELECTRIC inputs are a significant basis for the GGP on Transparency and Information Management.

This work on GGP for Transparency and Information Management by CEER will also investigate if any further transparency issues need to be considered in light of regional and inter-regional markets.



It will, if necessary, expand on the transparency issues related to the power exchanges (based on the deliverables from the EMD-1-2005).

It is planned to publicly consult by way of an ERGEG public consultation on GGP on Transparency and Information Management in 2006, following which the GGP could come into effect in Q2 2006, be presented in the XIII<sup>th</sup> Florence Forum and further used as necessary (e.g. ERGEG advice to the European Commission).

- Market design issues of relevance for Regional Markets and for internal market efficiency

The work will address market design issues of relevance for regional markets and for internal market efficiency and competitiveness, notably:

- Interaction between cross border congestion management and the designs of connected national markets,
- Fair co-existence between bilateral exchange arrangements and organized wholesale markets.

This task might be influenced by the responses to the ERGEG “Creation of Regional Electricity Markets” public consultation paper. The deliverable will be an internal CEER recommendation paper that is primarily intended as a basis and inputs for expanding the focus of the mini-fora from congestion management to other market design related issues which are relevant for regional market integration, in line with the conclusions of XII<sup>th</sup> Florence Forum in September 2005 (see ERGEG Work Programme – Deliverable ESO-3).

- Security of Supply -roles and responsibilities of Regulators and TSOs

This work is partly a roll over from 2005, namely the description of the approach to generation adequacy in some countries as well as new issues arising from the Security of Supply Directive and the European Commission’s expected Green Paper on Security of Supply. Key issues to be addressed will be the role and responsibility of regulators and TSOs in security of supply, and generation adequacy in particular. For this purpose, where appropriate, the results from the CEER Report on Security of Electricity Supply 2004 (distributed at the XI Florence Forum in September 2004) will also be used.

## 2.2 Electricity Quality of Service and Supply Task Force

### Issues to be addressed

- Voltage quality requirements regarding revision of technical standard set by EN 50160
- Handbook for introducing quality regulation
- Regulation of severe weather events and risk management

### Background

CEER's intention is to publish a Benchmarking of Quality of Supply every two years. In 2005 the 3<sup>rd</sup> Benchmarking Report on Quality of Supply was produced, thus the focus of the Quality of Supply issues in 2006 is on the voltage quality issues and best practices of quality regulation.

### Approach

- Voltage quality requirements regarding technical standard set by EN 50160

The 3<sup>rd</sup> benchmarking exercise highlights the necessity to have a common CEER position on the potential review of the EN 50160 standard for voltage quality limits which seems to be loose especially for short interruptions and voltage dips. Some regulators have already set voltage quality standards different from the EN 50160 ones (especially Norway, but also Hungary and other countries). This kind of work should include the dialogue with the CENELEC working group on harmonisation of technical standards due to liberalisation.

- Handbook for introducing quality regulation

Many countries are interested in introducing some form of incentive regulation for quality of electricity supply. An introductory Handbook of Good Practice on Quality Regulation which documents indicators and practices could form a basis for enhanced harmonisation. The most common issues to be included in the handbook could be:

- - Calculation of continuity indicators, data collection (SAIDI; SAIFI, MAIFI, ENS, etc.)
- - Count of the customers interrupted
- - Audit on quality data

- Incentive/penalty mechanism/regimes
- Implement continuity regulation linked to network charge regulation
- Practical implementation of the quality regulation scheme)
- Regulation exclusions: force majeure, external causes
- Potential elements of commercial quality measurement

This would require the work of the countries with more experience, but those who benefit mainly, would be the countries with less experience.

- Regulation of severe weather events and risk management

The impact of exceptional events on the distribution networks is increasing, also due to climate change. Regulators can do something, as the British case teaches. In many countries the proposal for new standards, applicable also under severe weather condition, is raising (for instance in Sweden and Italy). Beside the new standards, some thought is needed also about the regulatory incentives for investments aimed to reduce network risks and increase resilience to exceptional events.

## Deliverables of the Electricity Working Group

Point	Issues to be addressed	Deliverables
<b>Electricity Market Design TF (EMD)</b>		
EMD-1	<p>Guidelines on Good Practice for Transparency and Information Management – consider more widely and consult on how general requirements on market transparency should be framed and enforced.</p> <p>Investigation if any further transparency issues need to be considered in light of regional and inter-regional markets.</p> <p>If necessary expand on the transparency issues related to the power exchanges.</p>	<p>EMD TF Internal view on Guidelines for Good Practice on Transparency</p> <p>Assessment of extent to which high level guidelines on Information Management are required, including :</p> <ul style="list-style-type: none"> <li>- General requirement on transparency</li> <li>- Monitoring / enforcing powers</li> <li>- Restrictions on dissemination of information by network businesses</li> <li>- Review of any barriers to TSOs publishing information</li> <li>- Transparency between TSOs (ETSO commitment in Florence Forum)</li> <li>- Transparency for market participants from EURELECTRIC view (Florence Forum)</li> </ul> <p>EREG public consultation, including GGP on Transparency</p> <p>Redraft of GGP in light of consultation</p> <p>Implement and monitor GGP</p>
EMD-2	<p>Market design issues of relevance for regional markets and for internal market efficiency and competitiveness, notably :</p> <ul style="list-style-type: none"> <li>- Interaction between cross border congestion management and the designs of connected national markets,</li> <li>- Fair co-existence between bilateral exchange arrangements and organized wholesale markets.</li> </ul> <p>This task might be influenced by the EWG further responsibilities regarding the REM Paper.</p>	<p>Internal CEER recommendation paper.</p>
EMD-3	<p>Security of supply related market design</p> <p>This will describe the approach to generation adequacy in some countries and the issues arising from the new Security of Supply Directive and Green Paper on Security of Supply.</p>	<p>Continuation of description of generation adequacy treatment in illustrative Member States</p> <p>Paper on the role and responsibility of regulators and TSOs in security of supply</p>
EMD-4	<p>Refinement and further development of recommendations on the approach to the use of power exchanges (cf. 2005 EMD-1 deliverable), addressing for example the following additional issues:</p> <ul style="list-style-type: none"> <li>- intra-day markets</li> <li>- balancing</li> <li>- integrating (national / regional) markets together (inputs/coherence with the mini fora developments shall be achieved, etc.)</li> <li>- etc. (identifying any other issue of relevance for the power exchanges role in</li> </ul>	<p>Within this deliverable, the ultimate goal is the description with recommendations and options for the role of power exchanges in the market design (therefore to be combined and closely related with the 2006 task EMD-2)</p> <p>This deliverable is intended exclusively for the CEER internal use first and shall not be disclosed to the public</p>

Point	Issues to be addressed	Deliverables
	the market)	
Quality of Service and Supply TF (EQS)		
EQS-1	Voltage quality requirements regarding technical standard set by EN 50160	CEER Position paper reviewing standard EN 50160
EQS-2	Handbook for introducing quality regulation	Handbook for Good Practice which documents indicators and practices (including incentives) used and which could form a basis for enhanced harmonisation,
EQS-3	Regulation of severe weather events and risk management	Proposal for new standards and regulatory incentives for investments

### **3. GAS WORKING GROUP (GWG)**

#### **Issues to be addressed**

- A. Capacity
- B. Benchmarking of transmission tariffs
- C. Gas quality of service – benchmarking performance and regulatory arrangements

On security of supply, a Task Force would not be created but the GWG would expect to react with resources/input if required to do so (for example, in the case of an upcoming event that raises security issues) – the nature of any response would clearly depend on the nature of the situation.

#### **Background**

The key areas for the GWG in 2006 will build on important work already undertaken during 2005, such as on the calculation of available capacity. The next step is to ensure that TSOs have the right incentives to maximise the amount of capacity that is made available to market participants – a key aspect of ensuring that access to networks is fair and non-discriminatory.

A lot of work has also been undertaken on benchmarking transmission tariffs in 2005 – including appointing consultants to assist CEER in developing a cost efficiency benchmarking model. This work will be finalised in the first half of 2006.

The final area of work identified for the GWG is on gas quality of service (e.g. the number of interruptions experienced by consumers). Quality of service is a key aspect of performance that consumers are concerned about. In electricity, CEER undertook in 2005 a benchmarking study to better understand how performance differs across Europe. A similar piece of work is envisaged for gas quality of service in 2006.

#### **Organisation of GWG activities**

Capacity Task Force - item A

Benchmarking of Transmission Tariffs Task Force - item B

Quality of Service Task Force – item C

## 3.1 Capacity Task Force

### Issues to be addressed

- Provision of capacity

### Background

Allocating capacity in networks between users is an important aspect of a transparent and non-discriminatory access regime. Good progress was made in 2005 in examining how capacity should be calculated and trying to ensure that TSOs make available transparent and accurate information to market participants. Transparency in this respect has two advantages: (i) it gives a better knowledge to the market on how reliable the firm capacity is; (which level of risk is accepted by the TSOs), and (ii) it reduces the fear of the market players that TSOs could abuse their power to discriminate network users. Transparency can mean in some cases that the information is known by the regulators, without being publicly available. Obviously, knowledge of the true capacity of the network and how much capacity is made available on the market are concerns in the establishment of an efficient, non-discriminatory and transparent third party access (TPA) regime.

### Approach

- Capacity

The work on capacity issues in 2006 will build on that already undertaken during 2005. CEER will look at how TSOs should be incentivised to ensure that the maximum amount of capacity is made available to market participants on a fair and non-discriminatory basis. It is also necessary to consider what arrangements need to be in place to deal with situations where capacity availability is withdrawn (i.e. interrupted). It is also important that there are effective “use it or lose it” (UIOLI) and congestion management arrangements and the right regulatory/market arrangements are in place.

The regulators propose to issue a paper for consultation with stakeholders outlining the key issues and, depending on responses, they will consider whether any further work needs to be undertaken – including the development of guidelines for good practice.

## 3.2 Benchmarking of Transmission Tariffs Task Force

### Issue to be addressed

- Benchmarking of transmission tariffs

### Background

In 2005 CEER, with the aid of consultants, began a comparison of transmission tariffs all-in (including balancing) for standard consumption patterns. The primary focus of the work is on the structure and values of transmission tariffs. On tariff structure, information about the split between entry/exit and capacity/commodity part will be collected. On a highly aggregated level, a benchmark on the costs of the network will be done by developing a simple “basic” tool/model for the comparison of the costs of the TSOs with their output.

### Approach

- Benchmarking of transmission tariffs

In 2005, regulators began work to understand better what drives differences in the tariffs charged by TSOs for use of their networks. The work envisaged for 2006 carries over from 2005. This work has been broken down into 2 main parts – a study on the tariff structures and levels of various TSOs and also an efficiency study of TSO costs. The latter of these tasks is being supported by external consultants, the Electricity Policy Research Group (ERPG) from Cambridge University, who were appointed following an open tender process. Given the importance of completing the work as soon as possible there will be a 6-month roll over of this Task Force for 2006 during which time all outstanding work must be completed.



### 3.3 Gas Quality of Service and Supply Task Force

#### Issues to be addressed

- First Benchmarking Report on Gas Quality of Service

#### Background

Quality of service (e.g. the number of interruptions experienced by consumers) is an important aspect of the service provided by network operators. In 2005, CEER undertook a benchmarking study to better understand the differences in quality of service performance in electricity – a similar piece of work is envisaged for gas in 2006. This will serve to identify how performance differs across Europe which will be a useful tool for regulators in considering the form of any incentives that could be provided to network operators to improve performance.

#### Approach

- Benchmarking Report on Gas Quality of Service

The first benchmarking report on gas quality of service will be focused on the benchmarking of existing performance across Europe. This benchmarking study will focus on key measures of performance (e.g. the number of interruptions experienced by consumers). The results will need to be interpreted carefully to understand how technical, network and regulatory differences could impact on the performance of the network operators. The work will also need to identify the nature and frequency of any future benchmarking studies on gas quality of service – and the most efficient way that this work could be undertaken. The focus of the benchmarking will be on relevant quality factors, such as:

- Commercial quality for distribution and supply
- Standards for prompt intervention performance
- Gas composition, calorific value, pressure
- Safety in gas distribution (odorization, network inspections, etc)

## Deliverables of the Gas Working Group

Point	Issues to be addressed	Deliverables
<b>Capacity TF (CAP)</b>		
CAP-1	This work will look at how TSOs should provide capacity that ensures that the maximum amount is made available to market participants on a fair and non-discriminatory basis – this includes the provision of capacity from existing networks and also where necessary new investments. This work will also consider what arrangements need to be in place to deal with situations where capacity availability is interrupted/reduced. It is also important that there are effective use it or lose it (UIOLI) and congestion management arrangements in place and it is important that the right regulatory/market arrangements are in place to ensure that this is the case.	<p>Consultation on issues for capacity provision</p> <p>Possibly development of guidelines for good practice (GGP) for capacity (building on the consultation in Q1) :</p> <p>Initial version of GGP for capacity</p> <p>Final version of GGP for capacity</p>
<b>Benchmarking of Transmission Tariffs TF (BTT)</b>		
BTT-1	This work will finish any outstanding items from the 2005 workplan.	<p>Initial paper on gas tariff structures/cost benchmarking</p> <p>Final paper on gas tariff structures/cost benchmarking</p>
<b>Gas Quality of Service and Supply TF (GQS)</b>		
GQS-1	Benchmarking study on gas quality of service.	Benchmarking study of gas quality of service

## **4. SINGLE ENERGY MARKET WORKING GROUP (SEM)**

### **Issues to be addressed**

- A Analysing the impact of Emissions Trading Scheme (ETS) on energy market
- B Energy Efficiency
- C Indicators on a regional level and agreed set of indicators
- D Compliance Programme

### **Background**

In 2005 regulators witnessed a challenging exercise to evaluate the present status of market liberalisation. The European Commission's Progress report which is due to be released in late 2005 and the (DG COMP) sector inquiry which will be published in 2006 are milestones in that exercise. CEER contributed to both exercises in a cooperative way. In 2006, monitoring has been assigned to a specific "Monitoring and Reporting TF" within the ITB Working Group, which as a first step will evaluate and further improve the tools and procedures for data collection and analysis.

At the same time the European Commission initiatives (proposed new draft legislation or discussion papers) in the field of environmental and energy policy have been launched in 2005. The draft Directive on Energy Services and the Green Paper on Energy Efficiency will be examined by the CEER. Furthermore the development in the electricity market has been influenced by the implementation of the Emission Trading Scheme.

### **Organisation of SEM WG activities**

- Environment Task Force – items A, B
- Competition and Unbundling Task Force – items C, D

## 4.1 Environment Task Force

### Issues to be addressed

- Analysing the impact of Emission Trading Scheme (ETS) on the energy market
- Energy Efficiency

### Background

In 2005 the first trading period of the Emissions Trading Scheme (ETS) started. As there is a strong dependency between prices for electricity and CO<sub>2</sub>-allowances, an analysis on the influence of the ETS scheme on the electricity market is needed. The analysis will focus on potential barriers for new power producers and impact on the merit order in Europe and the resulting price effects.

In June 2005 the European Commission launched a Green Paper on Energy Efficiency and started a public consultation process, following which an action plan is expected to be published. In order to avoid potential distortions in the energy market, TF ENV will participate in the discussion process and will follow the process of implementing accurate actions. Regulators are invited in the Green Paper on Energy Efficiency to work on Guidelines for Good Practice (GGP) on network tariffs and energy efficiency.

### Approach

- Emissions Trading Scheme

The TF will collect the experiences made by national regulatory authorities and will summarise these in a report. The analysis will focus on potential barriers for new power producers and potential impact on the merit order in Europe and the resulting price effects. The TF will draft a CEER position paper on how to minimize potentially distorting effects of the ETS.

- Energy Efficiency

The TF will draft a CEER position paper on the Green Paper on Energy Efficiency. This will include the aspects of white certificates as well as the aspect of network tariffs and energy efficiency.

## 4.2 Competition and Unbundling Task Force

### Issues to be addressed

- Indicators on a regional level
- Compliance Programme for unbundling

### Background

Analysis of markets in terms of competition and efficiency are the main task of the CUB Task Force. The TF will provide the tools for competition analysis and monitoring/reporting, for usage and implementation by the Monitoring and Reporting TF.

The European Commission's 2005 Progress Report shows that there is a rising need for integrated regional market monitoring of wholesale markets (especially in electricity). Indicators and a procedure for regulators in terms of how to organize the work are necessary prerequisites.

Unbundling was a major part of the Commission's Progress Report on the internal energy market, where the Commission launched an extensive case study on the implementation of the requirements of the two directives. According to Art 10 d and Art 15 d of Electricity Directive (2003/54/EC) as well as Art 9d and 13d of Gas Directive (2003/55/EC) compliance programmes by transmission and distribution companies are required.

### Approach

- Indicators on a regional level

A large list of possible market indicators and regulatory indicators has been identified. The TF will evaluate the use and usefulness of these indicators. A minimum set of indicators with harmonised data and definition should be discussed and recommended. Furthermore the list shall be extended to specific regional indicators.

- Compliance Programme

The TF will draft a practice report on compliance programmes dealing with unbundling.

## Deliverables of the Single Energy Market Working Group

Point	Issues to be addressed	Deliverables
<b>Environment</b>		
ENV-1	Monitoring of the Emissions Trading Scheme (ETS)	Monitoring and CEER Position paper on ETS
ENV-2	Energy Efficiency	Follow up and CEER Position paper on the Green Paper on Energy Efficiency
<b>Competition &amp; Unbundling (CUB)</b>		
CUB-1	Indicators on a regional level, evaluate and agree on a set of indicators	List of Indicators – follow up to 2005 (internal paper→ for use by the Monitoring and Reporting TF)
CUB-2	Compliance Programme	Best Practices Compliance Programme

## 5. SOUTH EAST EUROPE ENERGY REGULATION WORKING GROUP (SEEER)

### Issues to be addressed

- A. Monitoring and reporting on developments on the Institutional building in South East European (SEE) region
- B. Convergence of regulatory practices among the regulatory frameworks in the countries of SEE region
- C. Elaborate and propose actions for the improvement of the competencies of the regulatory authorities among the countries of SEE region
- D. Follow-up of the implementation of SEE CBT mechanism with the aim to integrate EU-CBT and SEE-CBT mechanism
- E. Adoption and Implementation of the Regulation 1228/2003 in SEE countries
- F. Firming and monitoring of the transparency guidelines implementation process and monitoring of the congestion management mechanisms - application throughout the SEE countries
- G. Tariffs Benchmarking in SEE
- H. Further elaborate on options and strategies with respect to the development of the SEE regional electricity market and the appropriate transitional steps
- I. Elaborate on the appropriate generation capacity support mechanisms in SEE
- J. Monitoring of the evolutions related to the legal framework for the establishment of the Energy Community and the corresponding institutional building
- K. Work on the establishment of the Regulatory Board
- L. Follow-up of the evolutions regarding regulation of long distance gas transmission pipelines in the SEE region
- M. Follow-up of the evolutions regarding the establishment of the SEE regional gas market<sup>1</sup>

### Background

The Energy Community Treaty (ECT) for the establishment of the Energy Community in South East Europe SEE was signed on 25<sup>th</sup> October 2005. The Treaty will enter into force once the European Community and six contracting parties from SEE have ratified the Treaty. The European Commission presumes the Treaty to become operational within the first semester of 2006. The Regulatory Board of the Energy Community will be established during the same period and will then resume the regulatory work under the Treaty. The work of the SEEER WG is directly affected by corresponding evolutions, since interactions with other stakeholders are in the core of such work. Given the

uncertainty regarding the timing of ratification of the Treaty (6-12 months) and of the following full start up of the operations of the Regulatory Board, it is advisable to foresee a yearly work plan for the SEER WG that will operate under the present organizational structure.

Following the establishment and the full operational start-up of the Regulatory Board, the CEER working group for SEE in its current form, i.e. with the participation of the representatives of the Regulatory Authorities of the SEE countries, shall change. According to the Council Decision on the conclusion by the European Community of the Energy Community Treaty (Art 4 (6) ERGEG will be consulted before a proposal of the European Commission is tabled before the European Council on the position of the European Community is taken within the Regulatory Board. The final Community position will be decided by the European Council.

Regarding gas, the European Commission has proposed, and the Permanent High Level Group (PHLG) has accepted, that regulatory issues regarding the development of the gas market in SEE will be dealt with by a separate working group of the SEE Regulatory Authorities. This working group (Gas Regulation Group, GRG) has already been established. The main task the GRG is to propose guidelines concerning the regulation of long-distance gas transmission infrastructures in the SEE, since different and very important projects are under discussion and/or development. On the other end the Gas TF of the SEER WG will intensify its work by starting work on strategic aspects, providing advice to the European Commission and dealing directly with the standard market design and institutional compliance aspects.

Regarding institutional building, a Preparatory Committee, co-chaired by the Italian and Bulgarian Regulators has been established, following again the initiative of the European Commission, with the task to prepare the initial draft rules of procedure for the Regulatory Board. Members of this Committee were the existing members of the SEER WG. The corresponding work will be finalized once the Regulatory Board is established which, according to the Energy Community Treaty, will approve its internal rules by a procedural Act.

Both of these work-streams had been foreseen under the working program of the SEER WG for 2006.



### **Organisation of SEER activities**

- Institutional Compliance Task Force
- Internal Market Task Force
- Market and Investment Facilitation Task Force
- Institutional Building Task Force
- Gas Task Force

Depending on the developments of the Energy Community Process, the structure outlined above may have to be amended.

## 5.1. Institutional Compliance Task Force

### Issues to be addressed

- Monitoring and reporting on developments on the regulatory frameworks including institutional developments in SEE region
- Convergence of regulatory practices among the regulatory authorities of the countries of SEE region
- Elaborate and propose actions for the improvement of the competencies of the regulatory authorities of the countries of SEE region (Follow-up the 3rd Regulatory benchmarking report in the South East European region)

### Background

During 2005 the main tasks were to monitor and report on developments on the institutional building in the SEE region. These focused in particular on the establishment of the regulatory authorities with sufficient competences and independence which was reflected to the 3<sup>rd</sup> Benchmarking Report presented to the 7<sup>th</sup> Athens Forum, and most importantly on the establishment of the TSOs in the region and proper functioning of the TPA regime, with the view to report to the governments, the European Commission and the Forum on the necessary steps for the enhancement of the open access to the grids. This, as well as the work on convergence of regulatory practices among the regulatory authorities of SEE, will continue in 2006.

### Approach

In 2006, the work will focus on the monitoring of the regulatory frameworks and improved regulatory practices, in accordance with the specific areas identified in the 3<sup>rd</sup> Benchmarking Report, with the view also to report on progress achieved in the next Benchmarking Report. This will also involve elaborating and proposing actions for the improvements in the competencies of the regulatory authorities of the countries of the region as well as training activities. Training initiatives undertaken in the EU-wide context will have to be extended to the interest of SEE Regulators, including appropriate twinning programmes and organisation of workshops with the view to strengthen regulators independence and their effective operation. Appropriate actions will be systematically pursued through co-ordination of training activities. A co-ordination meeting to co-ordinate and organise training activities within 2006 will be held.

## 5.2. Internal Market Task Force

### Issues to be addressed

- Follow-up of the implementation of SEE ITC mechanism with the aim to integrate the EU-ITC and SEE-ITC mechanisms
- Implementation of the Regulation 1228/2003 in SEE countries
- Implementation of the transparency and congestion management guidelines throughout the SEE countries
- Monitoring and reporting about the tariffs and tariff setting procedures in SEE countries

### Background

The TSOs of South-East Europe (SEE), under the umbrella of ETSO, adopted on July 30, 2004 a cross-border trade mechanism for 2004 following the principles of 2004 ETSO mechanism applied in the European Union. This mechanism, the first ever applied in SEE region, is operated from the 1st of July 2004 by the majority of the TSOs in SEE, but still not all of them. Serious problems with the CBT mechanism in SEE have been identified during its implementation. Nevertheless, the addendum to the 2004 and 2005 Inter Transmission System Operator Compensation (ITC) mechanism agreement was signed. Merging of ETSO and SETSO funds will not be possible for 2006 and thus an interim solution for 2006 should be found with the aim to achieve ultimately a common ITC system in the Energy Community starting from January 2007. To this end preparatory work will entail strong cooperation between the CEER, ETSO and the European Commission and will furthermore take into account the developments on the ITC guidelines currently under discussion at the EU level.

SETSO is currently working on a “dry run” for the explicit flow based coordinated auctions in SEE. Dry-run mechanism is planned to start in January 2006. In 2006 close co-operation between SETSO and the CEER WG SEEER regarding the intermediate results of the dry run will be strengthened.

Work on Tariffs Benchmarking will be intensified within 2006 with the view to prepare an interim tariff Benchmarking report for SEE by March 2006.

## Approach

During 2006, the main tasks of the Internal Market TF will be:

- to closely follow the implementation of the SEE CBT mechanism as defined in the 2006 agreement as well as to finalise all appropriate work for the integration of the EU-CBT and SEE-CBT mechanism from 2007,
- to follow the evolutions resulting from the eventual implementation of the Regulation 1228/2003, to the Energy Community in close collaboration with SETSO and EC,
- to form and monitor the implementation of the transparency guidelines and to monitor the imposition of congestion management mechanisms throughout the SEE countries; to contribute to the implementation of a coordinated auction mechanism in the countries of the SEE region,
- collaborate with ETSO (SETSO) and UCTE for the implementation of the above. A series of meetings is already discussed between InMa TF and SETSO for these reasons.
- Monitoring and reporting about the tariffs and tariff setting procedures in SEE countries with the view to prepare an interim Tariffs Benchmarking Report by March 2006 to be presented in the 8<sup>th</sup> Athens Forum.

### 5.3. Market and Investment Facilitation Task Force

#### Issues to be addressed

- Further elaborate on the options and strategies for the development of the SEE regional energy Market and the transitional steps towards this end
- Follow-up of the evolutions and the work performed by other SEE regional stakeholders, which may have an impact on regional developments on market design
- Collaboration with other regional stakeholders on the development of the SEE regional energy market options and the transitional steps
- Investments and capacity support mechanisms for the SEE will be looked into. The TF will draft a paper in collaboration with the TSOs about the necessary generation capacity support mechanisms in SEE.

#### Background

A strong discussion is underway on the very important issue of the transitional path to the establishment of the fully operational integrated regional electricity market in SEE (the so-called Athens or Energy Community Process). This discussion has been initiated by the SEEER WG during the last two years, with the introduction of the concept of a Standard Market Design (SMD), the development of the basic principles that this Standard Market Design should be based on and the introduction of a proposal of an Action Plan for the implementation of this SMD in a regional level. All these initiatives of the SEEER WG have been widely accepted and have caused very intensive discussions on the way forward. Since the 6th Athens Forum in June the Commission has taken the leadership in the market design issues in terms of co-ordinating the actions needed with respect to options on market design. In this context, the Commission presented the 3rd version of the options paper on SEE electricity market during the 7th Athens Forum. During the SEE mini Forum on 6 and 7 October 2005, and the last 7<sup>th</sup> Athens Forum market design options were addressed, and participants agreed upon a list of various actions to be undertaken by the different stakeholders with the view to elaborate more on the discussions and present concrete outcomes in the next 8th Athens Forum, for the establishment of a fully integrated regional electricity market by 2008 and for the necessary transitional steps. These actions include issues related to credit support to electricity trading, spot markets, compatibility of market rules, balancing markets and arrangements, investment support mechanisms, congestion management and ITC mechanisms. The work of the TF has therefore

focused on closely monitoring these developments and on providing regulators' input and reaction to the abovementioned evolutions. Furthermore, following the discussion of the 7th Athens Forum, the TF will focus on the issue of investments and capacity support mechanisms for the SEE and will draft a paper in collaboration with the TSOs about the necessary capacity support in SEE.

### **Approach**

During 2006, the main tasks of the Market and Investment Facilitation (MInF) TF will be to further provide the regulators' input on the strategy and the specific actions undertaken with respect to the development of the SEE regional Market Design, with the view to contribute to the transitional steps towards the development of the regional energy market in SEE. Deeper investigation of the interaction between national and regional market arrangements will be performed, with the view to prepare the input for the development of the detailed market rules for the regional electricity market.

## 5.4. Institutional Building Task Force

### Issues to be addressed

- Monitoring of the evolutions related to the legal framework for the establishment of the Energy Community Treaty and the corresponding EU Council Decision on the conclusion of the Treaty with respect to the institutional building
- Work on the establishment of the Regulatory Board under the Energy Community Treaty

### Background

During 2005 the main tasks related to monitoring and reporting on developments with respect to the Energy Community Treaty and the regional Institutions provided therein, on the basis of the outcome of the discussions undertaken within the Energy Working Group and the COREPER. In this framework, work has focused on developments on the finalisation of the text of the Energy Community Treaty, as well as on the Council Decision on the conclusion of the Energy Community Treaty, in particular in relation to the Regulatory Board's role and competences, as well as to the representation of the European Community (ERGEG and the regulatory authorities of the participants) within the Regulatory Board. Actions have also focused on preparatory work related to the establishment of the Regulatory Board.

### Approach

In order to avoid any overlapping between tasks of Institutional Compliance TF & Institutional Building TF, it should be clearly underlined that Institutional Building TF is dedicated only to deal with the Regulatory Board, as well as the other regional institutions provided for in the Energy Community Treaty. The institutional building under the Energy Community Treaty provides for the creation of various Institutions of the Energy Community to support its objectives and activities. The establishment of the Regulatory Board, where the European Community is represented by the Commission, regulators of the Participants as well as ERGEG, its operation as well as its inter-action with the other Treaty Institutions, needs to be monitored with the view to ensure the coherency between the Regulatory Board and its counterparts at the European level.

## 5.5. Gas Task Force

### Issues to be addressed

- Follow-up of the evolutions regarding regulation of long distance gas transmission pipelines in SEE region
- Follow-up of the evolutions regarding the establishment of the SEE regional gas market

### Background

This Task Force was established in 2004. At this stage the TF has provided an assessment of the existing situation in the national gas markets in SEE (the outcome has been a CEER study available on the website). An important issue related to the work of this TF is that so far the evolutions on the gas market in SEE are lagging behind corresponding evolutions on the electricity market. Nevertheless, since the European Commission has decided to create a separate Gas Forum (Istanbul Forum) for South East Europe which will probably meet beginning of 2006, this will surely affect the future work of the Gas TF.

Moreover, the Gas TF of the SEEER WG will expand and intensify its work by starting work on strategic aspects giving its input to the European Commission (discussion and consultation note on gas transition strategy) and to all stakeholders of the SEE region (the World Bank will start a study – SEE gasification study – and, as previewed by the Terms of Reference the regulators will closely work with the consultant that will carry out the work), dealing directly with the standard market design and institutional compliance aspects (a benchmarking for the gas issues will probably be developed). The Gas TF will also update the CEER 2005 gas study since the SEE region is under a very dynamic evolution process (mostly Institutional and Market aspects).

### Approach

The work on the regulation of long distance gas transmission pipelines in SEE region of this TF has already been assigned by the PHLG to the Gas Regulatory Group (GRG) for SEE. Members of the GRG are identical to the members of the SEEER WG, however, the work will be done outside the scope of CEER or ERGEG, at least at the initial stages and the current state-of-play.



## Deliverables of the South East European Energy Regulation Working Group

Point	Issues to be addressed	Deliverables
<b>Institutional Compliance TF (ICO)</b>		
ICO-1	Monitoring and reporting on developments on the institutional building in SEE region under the Energy Community Treaty	Benchmarking reports for the ongoing developments regarding the SEE Regulatory Authorities and other Institutions related to the liberalisation process in SEE
ICO-2	Convergence of regulatory practices among the regulatory authorities of the countries of SEE region	Training activities, in collaboration with institutions which are providing training for regulatory authorities (e.g. Florence School of Regulation, ERRA, etc.).
<b>Internal Market TF (IMA)</b>		
IMA-1	Follow-up of the implementation of SEE CBT mechanism,	Follow-up and implementation of the 2006 SEE CBT agreement. Elaborate on the appropriate remedies for the ITC mechanism for 2006 in co-operation with the EC and SETSO. Preparation of the merging of the EU and SEE ITC funds in collaboration with the EC and SETSO in 2007 also in the context of ITC guidelines currently under discussion within the EU.
IMA-2	Follow-up and implementation of congestion management and transparency guidelines in SEE	Intermediate results of a dry run on co-ordinated auctions in SEE will be presented and discussed in a meeting with SETSO in January. The TF will ensure the overall co-ordination with SETSO on the implementation of transparency requirements and congestion management guidelines in SEE
IMA-3	Tariffs' Benchmarking	Interim Tariffs Benchmarking Report to be presented in the next Athens Forum in June 2006
<b>Market and Investment Facilitation Task Force (MIF)</b>		
MIF-1	Further elaborate on the options and transitional steps for the development of the SEE regional Electricity Market, through participation to the "steering group" of the study on the analysis and elaboration of the existing market rules in SEE	Prepare Regulators' contribution to the actions to be undertaken to this end
MIF-2	Elaborate on generation capacity support mechanisms in SEE	Prepare paper in collaboration with the TSOs about the necessary generation capacity support in SEE
<b>Institutional Building TF (IBU)</b>		
IBU-1	Monitoring of the evolutions related to the entry into force of the Energy Community Treaty and the corresponding institutional building	Continuous monitoring of the legislative and institutional developments regarding the Energy Community Treaty and its entry into force following its ratification.
IBU-2	Work on the establishment of the Regulatory Board under the Energy Community Treaty	Active participation in the formulation of the Internal Rules of the Regulatory Board.
<b>Gas Task Force (SEG)</b>		
SEG-1	Follow-up on evolutions regarding regulation of long distance gas transmission pipelines in the SEE region.	
SEG-2	Follow-up on evolutions regarding the establishment of the SEE regional gas market	Discussion paper on the way forward for the development of the SEE natural gas market. Close collaboration with the European Commission and regional stakeholders on the issue

## 6. INFORMATION, TRAINING AND BENCHMARKING WORKING GROUP (ITB)

### Issues to be addressed

- A. Completion of 2005 tasks
- B. Collaboration with Commission on all information projects (EMOS, the Inputs Indicator Study and the Comparative study on Energy and Transport Regulators)
- C. Collaboration with Eurostat on international price statistics
- D. Workstream: information exchange on models of incentive-based regulation and efficiency benchmarking.
- E. Development, in collaboration with Florence School of Regulation (FSR) and ERRA, of a database on training and international collaboration of regulators
- F. Workshop with EUROMED regulators
- G. International cooperation platform – International Energy Regulation Network (IERN) web project
- H. Practical information exchange workshops (“peer to peer” workshops)
- I. Co-ordination of Monitoring requirements
- J. Collaboration with DG Research
- K. Collection of data for National Reports and assessment of the submissions

### Background

The core activities of ITB WG concerns the implementation of a set of CEER databases of information, monitoring and benchmarking and the coordination of the training needs and international collaboration activities of CEER Members.

Information exchange, benchmarking and peer-reviews were the issues that originally motivated European regulators to promote CEER on a more institutional basis; there is a need to consolidate the efforts made in 2005 on these issues in order that information and relevant statistics collected or monitored are up-dated to meet the needs of CEER members. Internal data collection and maintenance with the support of the Secretariat and close collaboration to the European Community initiatives in this field (European Commission projects and EUROSTAT) in order to guarantee rigorous and significant data are collected and diffused will, for 2006, form the core activities of this WG.

The 2003 Gas and Electricity Directives provide for increased reporting activities at both the European and national level from 2005 onwards. These efforts will need coherent follow up and collaboration. The requirements of the monitoring activities carried on by the WG/TF need a specific coordination.

A better co-ordination and information sharing of the training and international collaboration activities of individual CEER Members presents important economies of scope for CEER: it could help the international activities of individual regulators and at the same time start shaping and structuring extra CEER relations (i.e. ERRA, NARUC and other regional associations of regulators). Training needs of regulators officials and senior personnel will be monitored and developed in collaboration with the FSR and with the support of ERRA. The coordination of international cooperative activities of European regulators will be assured for 2006 with the development of the International Energy Regulators Network (IERN) web based project to be presented at the 3<sup>rd</sup> World Energy Regulatory Forum in Washington in October 2006. Ten years after the Barcelona Declaration which started the Euromed partnership and in the light of the successful experience of the development of the SEE Energy Community, the collaboration in the energy sector with the countries of the Southern Mediterranean basin and the development of a collaborative dialogue on regulatory issues will become a priority for European regulators in the coming years.

### **Organisation of ITB activities**

- Information Exchange and Benchmarking Task Force – items A, B, C, D
- Training and International Co-operation Task Force - items E, F, G, H
- Monitoring and Reporting Task Force – items I, J, K

## 6.1. Information Exchange and Benchmarking Task Force

### Issues to be addressed

- Complete tasks under the work programme 2005 (i.e. database)
- Collaborate with the Commission on all Information projects (EMOS, Energy Indicators; Observatory on energy prices and comparative study on Energy and transport Regulators)
- Collaboration with EUROSTAT on the new methodology of electricity and energy prices and the draft Regulation that will be proposed to the Commission
- Exchange information on models of incentive-based regulation and efficiency benchmarking.

### Background

The European Commission (DG TREN) is in the process of launching a number of initiatives regarding the collection of statistics, data and information on the energy sector in Europe which CEER needs to monitor closely for a twofold reason: provide appropriate advice on the methodologies and type of data and access to useful information on the energy sector.

The EUROSTAT test exercise for a new methodology for the collection of gas and electricity prices has come to an end and EUROSTAT will shortly propose to the European Commission a new Regulation on data collection (that will replace Directive 90/377/EC on Transparency on gas and electricity prices) and would benefit from inputs by regulators through CEER and ERGEG.

Network tariff regulation is a key task for regulatory authorities. A number of CEER members use methodologies for tariff regulation that provide incentives for network operators to increase efficiency. As these approaches to tariff-setting form a crucial part of CEER members' regulatory activity, a workstream was established dealing with efficiency benchmarking.

### Approach

- Follow up of 2005 tasks

This mainly concerns the implementation of a statistics database at the CEER Secretariat.

- Collaborate with the European Commission on all Information projects (EMOS, Energy Indicators; Observatory on energy prices and comparative study on Energy and transport Regulators).

Regarding the collaboration with the European Commission on information projects, the IEB TF has been monitoring and contributing in 2005 to the establishment of an Energy Market Observation System (EMOS) which is intended to become a user-friendly, reliable, consistent and centralized source of data and qualitative information covering the oil, natural gas and electricity sectors.

The TF should follow up on these steps with the specific aim to help build a rigorous and efficient database.

Other activities carried on by the European Commission (DG TREN-Unit 1) which will be monitored by the IEB TF are: a) study on the development of general indicators, (first workshop with stakeholders on 23 September 2005); b) comparative study on Energy and Transport Regulators; c) monitoring service of energy prices under the Oil and Gas Market Observatory Unit to be established in the next future.

- Collaboration with EUROSTAT on the new methodology of electricity and energy prices and the draft Regulation that will be proposed to the European Commission

The TF will provide EUROSTAT with comments on behalf of regulators on the new methodology for the collection of gas and electricity prices.

- Exchange information on models of incentive-based regulation and efficiency benchmarking

As a first step the workstream on incentive based regulation will provide a discussion forum for CEER's experts dealing with incentive based regulation including the legal basis for applying these in the respective countries. The main issues discussed will concern:

- the concept selected: price- or revenue-cap/hybrids;
- the methods applied of efficiency benchmarking, such as:
- the parameters used within the benchmarking exercise and their determination;
- the software tools applied;
- the determination of general productivity rise rates (general X-factor) and of individual targets (individual X-factors), i.e. the transformation of benchmarking results into X-factors.

Practical experience gained by regulators with applying incentive regulation should give insight into what problems arose and how they were solved (i.e. data collection requirements; data verification, quality control; procedural issues such as consultation of stakeholders and independent experts in the

concept preparation / decision-making and the acceptance of efficiency benchmarking procedure; duration of the regulatory period; modification of parameters over time. The outcome of the discussion will develop into an overview on incentive-based regulation to be circulated as an internal paper.

The second step will define concrete projects of cooperation among CEER members and analysis. For example, an international OPEX-benchmarking of TSOs and/or DSOs on the basis of previously defined cost drivers of international relevance could be performed. The purpose of this exercise would not be to produce a single regulatory model across Europe, but to learn from each other; in other words, to consider the various methods employed today and the practical implications of using them.

## 6.2. Training & International Co-operation Task Force

### Issues to be addressed

- Collaboration with the Florence School of Regulation and ERRA on the development of a database of regulators training activities and international collaboration
- Development of the International Energy Regulation Network (IERN) web-based project with the scientific coordination of the FSR in view of a presentation to the 3<sup>rd</sup> World Forum on Energy Regulation;
- Development of regulatory collaboration with the Euro-med countries
- Organisation of practical “peer to peer” workshops on the basis of Members’ needs

### Background

The aim of the TIC TF is to coordinate all training activities of regulators and international collaboration activities in collaboration with the FSR and the support of ERRA. These include the gradual definition of a training concept and strategy for regulatory staff and the implementation of a database or web reserved area in which information on such issues is made available to all CEER members. The coordination of different international collaborative activities undertaken by regulators that should lead substantial gains in efficiency is one of the main rationale of the establishment of CEER; the IERN initiative and the start-up of collaborations with the Euromed countries go in this direction.

### Approach

- Database of regulators training activities and international collaboration

The TF TIC will collaborate with the FSR and ERRA in order to develop a Training strategy for regulatory staff (junior and senior) for EU and non-EU members. All training activities for CEER will take place through the Florence School of Regulation (FSR). It will also coordinate training and technical collaboration activities of CEER with non EU regulators and association of regulators (i.e. EU programmes, Twinning, technical collaborations).

The TF will develop a database of training and international collaboration activities including:

- current and pending co-operation projects run by CEER members, their staffing, resources, and financing;
- availability of trainers, staff for field activities, hosting of internships, study visits etc.; and

- requests from non European Member States for co-operation
- survey of financial sources available for regulatory staff training

- Development of IERN project

An International Energy Regulation Network (IERN) web project is being developed and will be launched at the 3<sup>rd</sup> World Forum on Energy Regulation, in Washington in October 2006.

- Development of regulatory collaboration with the Euro-med countries

Collaboration in the energy sector among the Mediterranean regulators of the Northern (Portugal, Spain, France, Italy, Slovenia, Greece, Croatia, Malta, Cyprus and Turkey) and Southern (Morocco, Tunisia, Algeria, Libya, Egypt, Albania, Israel, Palestine and Jordan) countries is gaining strategic importance for all EU Members. CEER members are starting to develop a common ground of dialogue and collaboration with their counterpart in the Maghreb and possibly Mashreq region. In order to foster the dialogue and start developing a common strategy, a workshop will be organized by the first quarter 2006 with CEER and Maghreb and Mashreq regulators. If useful, an action plan for further workshops for the rest of the year 2006 will be developed.

- Organisation of practical “peer to peer” workshops on the basis of Members’ needs

Finally the TIC TF proposes the organisation of practical “peer to peer” workshops on issues identified on the basis of Members’ needs. These one day/half-day workshops should promote “peer to peer” dialogue on relevant regulatory issues by CEER Members. They are designed to up-date Members on relevant issues which are of interest to sub-groups of CEER Members and which do not fall in the activity of any working group.



### 6.3. Monitoring and Reporting Task Force

#### Issues to be Addressed

- National Reports under the Directives and input to DG TREN annual benchmarking report
- Planning and co-ordination of all questionnaires and monitoring/benchmarking activities, including what data is to be collected within a given year and its timing.
- Co-ordination of inputs to DG Research

#### Background

CEER and ERGEG co-ordinates and provides a number of reports and information to the European Commission and stakeholders. In 2005 an *ad hoc* Reporting Task Force was established under ERGEG to deal specifically with the National Reports by NRAs required under the Directives. In 2006, a dedicated Monitoring and Reporting TF has been set up to carry out these tasks more efficiently.

#### Approach

- National Reports under the Directives and input to DG TREN benchmarking report

In 2006, a Monitoring and Reporting Task Force (MOR) is created under the ITB WG to deal, *inter alia*, with the national reports by NRAs required under the Directive from 2005 onwards. Technical work relating to monitoring (e.g. congestion management) will be carried out by relevant working groups of CEER/ERGEG, but passed to the dedicated MOR TF for final dissemination.

- Planning and co-ordination of all questionnaires and monitoring/benchmarking activities

By centralizing the majority of monitoring work within a dedicated group, a number of gains are likely to emerge:

- The burden placed on industry and regulators would be appropriately managed. For example, it is important that relevant information requests are spread over the whole year and adhere to a common user-friendly format.
- Best practice for compliance monitoring could be developed drawing on experience both of electricity/ gas but also from other sectors.

- Comprehensive overview of all the compliance issues that can be used to identify specific issues and/ or priorities – for example the monitoring group could produce an end of year short overarching report that reviewed compliance. This would be particularly useful as input to development of any further legislation.
- Ability to learn from a range of monitoring experiences will help to promote efficient ways of working.
- The TF would quickly develop expertise in undertaking compliance work which would mean that efficiency and quality of reports could be improved.

The dedicated Monitoring and Reporting TF will be able to draw on the relevant expertise of Gas and Electricity WG members as required. Of course, there may be very specialized areas where it would make sense for the specialist Monitoring and Reporting TF to undertake monitoring work, such as the national reports.

- Co-ordination of inputs to DG Research

The CEER 2004 Annual Report expresses CEER's intention to strengthen relations with DG Research. In 2005, this was done on an ad hoc basis.

The Monitoring and Reporting TF will have responsibility for interactions with DG Research.

## Deliverables of the Information, Training and Benchmarking Working Group

Point	Issues to be addressed	Deliverables
<b>Information Exchange and Benchmarking TF (IEB)</b>		
IEB-1	Completion of 2005 tasks	CEER database of information and statistics
IEB-2	Collaboration with Commission on all information projects (EMOS, indicators study, comparative analysis of regulators)	Internal recommendation on studies and implications for CEER/ERGEG
IEB-3	Collaboration with Eurostat on international price statistics	Comments on new methodology Advice on new regulation on transparency in energy prices
IEB-4	Workstream: Information exchange on models of incentive-based regulation and efficiency benchmarking Initial task: Provide an overview on the different concepts of incentive-based regulation including the legal basis for applying these in the respective countries	Discussion Forum internal to CEER members
<b>Training &amp; International co-operation (TIC)</b>		
TIC-1	Web based data collection on training and international collaborations by regulators	Establishment of an International Training and Collaboration Network in collaboration with the FSR and ERRA and of a training strategy for regulatory staff.
TIC-2	Workshop with EUROMED regulators	Exchange of views and definition of potential common projects.
TIC-3	International cooperation platform – International Energy Regulation Network (IERN)	Development and launch of IERN web project
TIC-4	Practical Information exchange workshops	Organisation of workshops on predefined topics
<b>Monitoring and Reporting TF (MOR)</b>		
MOR-1	Follow up National Reports under the Directives and input to DG TREN benchmarking report	Review structure, indicators used in the 2005 national reports and agree methodology and timing for 2006 reports Report on practical experience of last benchmarking report Collect and collate data submitted by Members for the National Reports Prepare an Assessment of the National Reports
MOR-2	Co-ordination of inputs with DG Research	Track and report on important Research initiatives and provide necessary responses/inputs
MOR-3	Co-ordinate CEER/ERGEG monitoring work	Planning and co-ordination of all questionnaires and monitoring/benchmarking activities of CEER/ERGEG including preparation of questionnaires, collection and storing results.

## Appendix 1 – CEER Expected Deliverables 2006

Point	Issues To Be Addressed	Deliverables
Electricity Working Group		
EMD-1	<p>Guidelines on Good Practice for Transparency and Information Management – consider more widely and consult on how general requirements on market transparency should be framed and enforced.</p> <p>Investigation if any further transparency issues need to be considered in light of regional and inter-regional markets.</p> <p>If necessary expand on the transparency issues related to the power exchanges.</p>	<p>EMD TF Internal view on Guidelines for Good Practice on Transparency.</p> <p>Assessment of extent to which high level guidelines on Information Management are required, including :</p> <ul style="list-style-type: none"> <li>- General requirement on transparency</li> <li>- Monitoring / enforcing powers</li> <li>- Restrictions on dissemination of information by network businesses</li> <li>- Review of any barriers to TSOs publishing information</li> <li>- Transparency between TSOs (ETSO commitment in Florence Forum)</li> <li>- Transparency for market participants from EURELECTRIC view (Florence Forum)</li> </ul> <p>EREG public consultation, including GGP on Transparency</p> <p>Redraft of GGP in light of consultation</p> <p>Implement and monitor GGP</p>
EMD-2	<p>Market design issues of relevance for regional markets and for internal market efficiency and competitiveness, notably :</p> <ul style="list-style-type: none"> <li>- Interaction between cross border congestion management and the designs of connected national markets,</li> <li>- Fair co-existence between bilateral exchange arrangements and organized wholesale markets.</li> </ul> <p>This task might be influenced by the EWG further responsibilities regarding the REM Paper.</p>	<p>Internal CEER recommendation paper</p>
EMD-3	<p>Security of supply related market design</p> <p>This will describe the approach to generation adequacy in some countries and the issues arising from the new</p> <p>Security of Supply Directive and Green Paper on Security of Supply.</p>	<p>Continuation of description of generation adequacy treatment in illustrative Member States</p> <p>Paper on the role and responsibility of regulators and TSOs in security of supply</p>
EMD-4	<p>Refinement and further development of recommendations on the approach to the use of power exchanges (cf. 2005 EMD-1 deliverable), addressing for example the following additional issues:</p> <ul style="list-style-type: none"> <li>- intra-day markets</li> <li>- balancing</li> <li>- integrating (national / regional) markets together (inputs/coherence with the mini fora developments shall be achieved, etc.)</li> </ul> <p>etc. (identifying any other issue of relevance for the power exchanges role in the market)</p>	<p>Within this deliverable, the ultimate goal is the description with recommendations and options for the role of power exchanges in the market design (therefore to be combined and closely related with the 2006 task EMD-2)</p> <p>This deliverable is intended exclusively for the CEER internal use first and shall not be disclosed to the public</p>

Point	Issues To Be Addressed	Deliverables
EQS-1	Voltage quality requirements regarding technical standard set by EN 50160	CEER Position paper reviewing standard EN 50160
EQS-2	Handbook for introducing quality regulation	Handbook for Good Practice which documents indicators and practices (including incentives) used and which could form a basis for enhanced harmonisation,
EQS-3	Regulation of severe weather events and risk management	Proposal for new standards and regulatory incentives for investments
<b>Gas Working Group</b>		
CAP-1	This work will look at how TSOs should provide capacity that ensures that the maximum amount is made available to market participants on a fair and non-discriminatory basis – this includes the provision of capacity from existing networks and also where necessary new investments. This work will also consider what arrangements need to be in place to deal with situations where capacity availability is interrupted/reduced. It is also important that there are effective use it or lose it (UIOLI) and congestion management arrangements in place and it is important that the right regulatory/market arrangements are in place to ensure that this is the case.	Consultation on issues for capacity provision  Possibly development of guidelines for good practice (GGP) for capacity (building on the consultation in Q1) :
BTT-1	This work will finish any outstanding items from the 2005 workplan on the benchmarking of gas transmission tariffs	Initial paper on gas tariff structures/cost benchmarking Final paper on gas tariff structures/cost benchmarking
GQS-1	Benchmarking study.	Benchmarking study of gas quality of service.
<b>Single Energy Market Working Group</b>		
ENV-1	Monitoring of the Emissions Trading Scheme (ETS)	Monitoring and CEER Position paper on ETS
ENV-2	Energy Efficiency	Follow up and CEER Position paper on the Green Paper on Energy Efficiency
CUB-1	Indicators on a regional level, evaluate and agree on a set of indicators	List of Indicators – follow up to 2005 (internal paper→ for use by Monitoring and Reporting TF)
CUB-2	Compliance Programme	Best Practices Compliance Programme
<b>South East Europe Energy Regulation Working Group</b>		
ICO-1	Monitoring and reporting on developments on the institutional building in SEE region under the Athens MoU of 2002 and 2003 and the ECSEE Treaty	Benchmarking reports for the ongoing developments regarding the SEE Regulatory Authorities and other Institutions related to the process in SEE
ICO-2	Convergence of regulatory practices among the regulatory authorities of the countries of SEE region	Training activities, in collaboration with institutions which are providing training for regulatory authorities (e.g. Florence School of Regulation, ERRA, etc.).
IMA-1	Follow-up of the implementation of SEE CBT mechanism,	Follow-up and implementation of the 2006 SEE CBT agreement. Elaborate on the appropriate remedies for the ITC mechanism for 2006 in co-operation with the EC and SETSO.  Preparation of the merging of the EU and SEE ITC funds in collaboration with the EC and SETSO in 2007also in the context of ITC guidelines currently under discussion within the EU.

Point	Issues To Be Addressed	Deliverables
IMA-2	Follow-up and implementation of congestion management and transparency guidelines in SEE	Intermediate results of a dry run on co-ordinated auctions in SEE will be presented and discussed in a meeting with SETSO in January. The TF will ensure the overall co-ordination with SETSO on the implementation of transparency requirements and congestion management guidelines in SEE
IMA-3	Tariffs' Benchmarking	Interim Tariffs Benchmarking Report to be presented in the next Athens Forum in June 2006
MIF-1	Further elaborate on the options and transitional steps for the development of the SEE regional Electricity Market, through participation to the "steering group" of the study on the analysis and elaboration of the existing market rules in SEE	Prepare Regulators' contribution to the actions to be undertaken to this end
MIF-2	Elaborate on generation capacity support mechanisms in SEE	Prepare paper in collaboration with the TSOs about the necessary generation capacity support
IBU-1	Monitoring of the evolutions related to the entry into force of the Energy Community Treaty and the corresponding institutional building	Continuous monitoring of the legislative and institutional developments regarding the Energy Community Treaty and its entry into force following its ratification
IBU-2	Work on the establishment of the Regulatory Board under the Energy Community Treaty	Active participation in the formulation of the Internal Rules of the Regulatory Board
SEG-1	Follow-up on evolutions regarding regulation of long distance gas transmission pipelines in the SEE region	
SEG-2	Follow-up on evolutions regarding the establishment of the SEE regional gas market	Discussion paper on the way forward for the development of the SEE natural gas market. Close collaboration with the European Commission and regional stakeholders on the issue.
Information, Training and Benchmarking Working Group		
IEB-1	Completion of 2005 tasks	CEER database of information and statistics
IEB-2	Collaboration with Commission on all information projects (EMOS, indicators study, comparative analysis of regulators)	Internal recommendation on studies and implications for CEER/ERGEG
IEB-3	Collaboration with Eurostat on international price statistics	Comments on new methodology Advice on new regulation on transparency in energy prices
IEB-4	Workstream: Information exchange on models of incentive-based regulation and efficiency benchmarking Initial task: Provide an overview on the different concepts of incentive-based regulation including the legal basis for applying these in the respective countries	Discussion Forum internal to CEER members
TIC-1	Web based data collection on training and international collaborations by regulators	Establishment of an International Training and Collaboration Network in collaboration with the FSR and ERRA and of a training strategy for regulatory staff
TIC-2	Workshop with EUROMED regulators	Exchange of views and definition of potential common projects e definition of possible plan of collaboration with CEER regulators in 2006-2008

Point	Issues To Be Addressed	Deliverables
TIC-3	International cooperation platform - IERN	Development and launch of IERN web project
TIC-4	Practical Information exchange workshops	Organisation of workshops on predefined topics
MOR-1	Follow up National Reports under the Directives and input to DG TREN benchmarking report	<p>Review structure, indicators used in the 2005 national reports and agree methodology and timing for 2006 reports</p> <p>Report on practical experience of last benchmarking report</p> <p>Collect and collate data submitted by Members for the National Reports</p> <p>Prepare an Assessment of the National Reports</p>
MOR-2	Co-ordination of inputs with DG Research	Track and report on important Research initiatives and provide necessary responses/inputs
MOR-3	Co-ordinate CEER/ERGEG monitoring work	Planning and co-ordination of all questionnaires and monitoring/benchmarking activities of CEER/ERGEG including preparation of questionnaires, collection and storing results

## Appendix 2 – Working group and task force structure

