

EREG Fact Sheet

THE ELECTRICITY REGIONAL INITIATIVE: MAKING PROGRESS TOWARDS A SINGLE EUROPEAN MARKET

Liberalisation will move the currently separate electricity markets in Europe towards a competitive single European market, allowing the benefits of liberalisation to reach electricity consumers across Europe in the form of competitive prices, secure supplies, innovation and choice. There will also be benefits for European energy companies which will be able to seek new customers throughout the EU. Closer integration of networks through greater co-operation between regulators and network operators will help to move towards a unified European grid which will support markets and security of supply. The further development of regional electricity markets, together with further liberalisation within national markets, is an important and practical step towards the eventual goal of a competitive single electricity market. The European regulators, through the European Regulators' Group for Electricity and Gas (EREG), launched a number of electricity regional energy market projects in February 2006 in order to lead further progress towards this goal, in collaboration with industry, government and other key stakeholders.

These regional energy market projects are the outcome of EREG's 2005 consultation paper and 2006 conclusions paper¹ about the Creation of Regional Electricity Markets, which together set out a 'Roadmap' for the development of the single market. They are also part of the regulators' response to the problems highlighted in the European Commission's 2005 Benchmarking report, and the preliminary findings of DG Competition's energy sector inquiries.

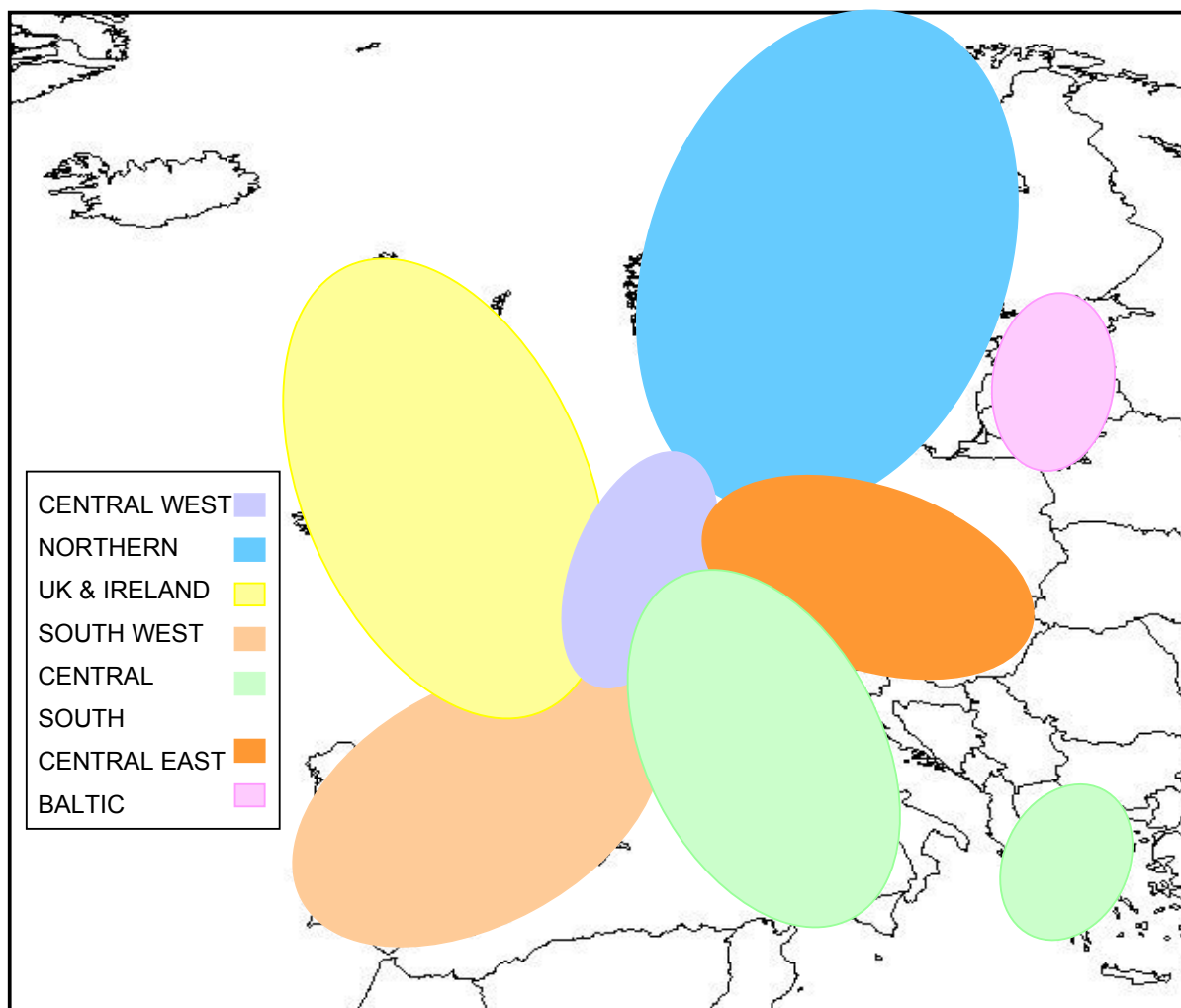
¹ Roadmap papers (*Creation of regional electricity markets*, Consultation Paper of June 2005 and Conclusions Paper of February 2006) are available on www.ereg.org.

What the Regional Initiative will achieve

The objective of the Regional Initiative is to establish functioning and effective regional electricity markets as a step towards a competitive single European market. The Regional Initiative will organise a number of Regional Energy Market projects (REMs) to identify barriers to further progress towards competitive electricity markets, and develop options for overcoming these barriers. They will bring together all of the relevant parties—regulators, market participants, consumers, Member States, the European Commission and other stakeholders—and will identify which parties are best placed to act in each case. Thus the electricity REMs will deliver practical improvements to European electricity markets, of real benefit to consumers in each region. The focus will be on the practical issues that are most important to the further development of effective competition. For example, key issues in electricity wholesale markets are the management of congestion at borders, and associated measures to maximise the availability of cross-border capacity. Progress under the regional initiatives must — and will — recognise the over-riding principle that regional markets must be compatible with the eventual goal of a single European market.

The electricity REMs build on existing work, including the 'minifora'. They will not replace existing regional projects (such as Nordpool, Mibel and Belpex), but will develop projects in other regions, and provide an opportunity for existing projects to be enhanced and extended. The electricity REMs will operate alongside other initiatives which are underway or are proposed in South East Europe and in the Euromed area.

Progress made in the electricity REMs will be reported publicly by ERGEG to the ongoing programme of consultation meetings between regulators, Member States, industry, and the European Commission (the 'Florence' forum).



region	lead regulator
Central-West	Belgium
Northern	Denmark
UK and Ireland	Great Britain
Central-South	Italy
South-West	Spain
Central-East	Austria
Baltic	Latvia

The Electricity Regional Energy Market Projects

EREG has consulted widely with stakeholders in developing the concept of regional energy markets as a practicable and achievable way of delivering step-wise progress towards a competitive single European market for electricity. During 2005 EREG consulted on the creation of regional electricity markets, and set out regulators' views on priorities for progress. Collaboration with and support from stakeholders will be essential for the success of the regulators' regional initiatives.

Consultation on Electricity 'Roadmap'

- June 2005: EREG consultation paper *Creation of regional electricity markets*, which gave detailed consideration to the nature and scope of the regional energy market concept
- September 2005: EREG consultation paper *Creation of regional electricity markets* presented and discussed with stakeholders at the 12th Florence Forum
- February 2006: launch of EREG's regional initiatives
- Spring 2006: publication of *Creation of regional electricity markets – An EREG Conclusions paper*

Having fully considered the responses to both the electricity consultation processes and discussions at the Florence Forum, EREG published its "*Creation of Regional Electricity Markets –An EREG Conclusions paper*" in February 2006.

The maps (see opposite page) indicate the location of each electricity REM projects. The national regulator at the centre of each REM will define the geographic scope, and will chair a small regional co-ordination committee of regulators from the Member States involved. The committee will co-ordinate the work and direct working groups made up of regulators, transmission system operators and, where appropriate, market operators. It will be the task of the co-ordination committee to establish the working and stakeholder groups, define ways of working, and develop a detailed timetable. The committee will also consider how to involve Member State Governments and the European Commission.

Network users and other stakeholders will have a central role to play. They will be closely consulted through stakeholder groups. The continuation of the minifora will fulfil this function. Stakeholders will be asked to comment on the proposals presented to them, monitor progress and raise issues. Although it is impractical for the minifora to be decision making bodies (as they are likely to be quite large) they will have a major input to the development and success of the regional market.

Individual national regulators may lack specific powers necessary for implementing the actions agreed in the REM and so the involvement of Member States and the European Commission will be particularly important where overcoming barriers to progress.

Each co-ordination committee will prepare regular progress reports to ERGEG, and ERGEG will provide updates to the European Commission and progress reports at meetings of the Florence Forum. An indicative timetable is shown below.

March–April 2006	Finalise membership Establish ways of working and governance Identify priorities, based on ERGEG's <i>Roadmap</i> papers
May–June 2006	Publish detailed timetable, establish stakeholder participation, Begin collection of views, other relevant information
Autumn 2006	ERGEG publishes first progress report concerning the 7 projects consultation at Florence forum
2007 on	Carry out work established in the timetable