



2006 Annual Report

of the European Energy Regulators





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Annual Report of the European Energy Regulators for the period 1 January 2006 to 31 December 2006 to all Members of the CEER and of EREG, the European Parliament, the Council of Ministers and the European Commission.

This document comprises a report by the Council of European Energy Regulators, and the European Regulators Group for Electricity and Gas (EREG) made under Article 3 (8) of the Commission Decision of 11 November 2003 (2003/796/EC) as set out in the Official Journal of the European Union.

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I. Introduction

Who are the European Energy Regulators?

This report covers the 2006 activities of the EU's energy regulators through two groups - the CEER and the ERGEG.

What is the CEER?

The CEER is the Council of European Energy Regulators. It is the organisation in which the EU's national regulators of electricity and gas cooperate in pursuing issues of common interest. The CEER is a preparatory body for the work of the European Regulators Group for Electricity and Gas (ERGEG). The CEER is a not-for-profit association under Belgian law.

What is the ERGEG?

The ERGEG is an advisory group to the European Commission on energy regulatory issues.

It was set up on 11 November 2003 by a European Commission Decision to: "give regulatory cooperation and coordination a more formal status, in order to facilitate the completion of the internal energy market".¹

The ERGEG is charged with advising and assisting the European Commission in the consolidation of the EU internal energy market, in particular with respect to the preparation of draft implementing measures in the electricity and gas markets.

Why are there two bodies representing the European Energy Regulators?

The EU's national energy regulators came together in 2000 through an independent association (CEER) in order to foster the creation of competitive, efficient and sustainable internal markets for electricity and gas. In recognition of this work, the European Commission formally established ERGEG in November 2003 to put the work of the energy regulators on a more formal footing and to create a transparent platform for co-operation between the energy regulators and the European Commission.

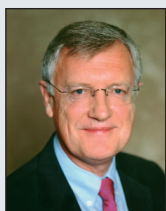
The membership of the CEER and the ERGEG is almost identical. The European Commission is, however, represented at a high level at the meetings of the ERGEG (but not the CEER). The national energy regulators of countries which are candidates for accession to the EU and from European Economic Area (EEA) countries also participate in the ERGEG meetings as observers.

The ERGEG is the formal means by which the European energy regulators publicly consult and provide advice to the European Commission. The CEER prepares work for and provides significant resources to the ERGEG.

¹ European Commission decision (2003/796/EC) establishing the European Regulators Group for Electricity and Gas (ERGEG), Official Journal L 296 of 14.11.2003, pp. 34-35.

Who are the Board members?

The CEER and ERGEG have the same Board of Directors. Within the CEER, they are referred to as the CEER President and Vice Presidents, whereas in the ERGEG their titles are the ERGEG Chair and Vice Chairpersons. During 2006 the regulators' advocacy activities benefited from an enlarged Board of six persons who engaged in a large number of public speaking activities.



Sir John Mogg
CEER President and
ERGEG Chair



Asta Sihvonon-Punkka (EMV)



Walter Boltz (E-Control)



Alessandro Ortis (AEEG)



Istvan Pataki (HEO)



Jean Syrota (CRE)

How to contact the European Energy Regulators?

The CEER has a small Brussels based Secretariat headed up by a Secretary General.

Mrs. Una Shortall stepped down as CEER Secretary General in December 2006, but continues as the Deputy Secretary General. Mrs. Fay Geitona was appointed the new CEER Secretary General with effect from 1 January 2007.



Una Shortall
CEER Secretary General

Further information on the CEER and the ERGEG, and the public documents referred to in this report, can be downloaded from the CEER website (www.ceer-eu.org), the ERGEG website (www.ergreg.org) or obtained directly from the CEER Secretariat at Rue Le Titien, 28, B-1000 Brussels

2. Message from the Chair

This, my first year as Chair of the ERGEG and President of CEER, has been a challenging one for all of us. There has been progress towards a single energy market, but far too slow when measured against the Union's critical need for a coherent policy that incorporates security of supply, competitive markets and climate change. There is no single European market in electricity or gas. Markets, networks and regulatory designs are essentially national, making cross border trade difficult. This is compounded by barriers to competition (confirmed in the European Commission's energy Sector Inquiry) and other shortcomings such as the "regulatory gap" at both the national and EU level, insufficient unbundling and the absence of a comprehensive EU-level legal and regulatory framework to facilitate investment and competition.

A Comprehensive Regulatory Framework for a Single European Energy Markets

In 2006 we responded to the specific proposals put forward by the European Commission in their energy Green Paper. In meeting with President Barroso, I urged him to address the current "regulatory gap" that exists between Member States' national regimes. New legislation is needed: to create the strong, independent regulatory climate for investment in the integrated EU networks and other infrastructure; to provide for EU-level regulatory co-operation and decision-making; to ensure the effective separation of monopoly networks from competitive businesses, preferably through ownership unbundling; and to guarantee the powers and independence of national regulators.

The Need for Political Commitment to Market Integration

The European regulators have fully endorsed the European Commission's view that the realisation of a competitive European energy market is the only way to achieve the EU's three core energy objectives of "security, sustainability and competitiveness". Even so, despite the benefits of market opening and market integration, energy liberalisation has met with resistance by some stakeholders and Member States. During 2006 the European Commission took proceedings against 20 Member States for failing to properly implement the existing energy Directives (in key areas such as unbundling, regulators' powers and regulated tariffs).

Energy Regulators' Work at the Coal Face of Policy Formulation and Development

Our work in 2006 included both monitoring compliance with current rules and developing further draft ERGEG guidelines which supplement existing Community legislation (e.g. on gas and electricity balancing, accounts unbundling and open season procedures). In our formal advisory role to the European Commission, the ERGEG has recommended legally binding rules in gas storage, transparency and operational security rules.

The Need for Strong, Independent Regulators

The European Commission has rightly stressed the need for the EU's national regulators to be independent from political and governmental interests, as well as from industry. Our December 2006 report² identified gaps in electricity regulators' powers – similar gaps are also apparent in gas. These powers need to be compatible and complementary to allow for the development of the EU energy market in the interests of the EU's energy consumers.

Tackling Barriers to Competition

The Commission identified a number of specific barriers to competition: poor levels of transparency, insufficient unbundling, unfair access to infrastructure and regulated tariffs. We are tackling these issues through regulatory actions and analysis, as explained in this report.

The ERGEG Regional Initiatives

At the heart of our present activity is our Regional Initiatives which create 7 electricity and 3 gas regional projects in Europe. These involve all stakeholders in a process which aims to remove at a regional level the practical obstacles to trading energy in Europe. Under the leadership of the regulators each region has published their priorities, workplans and deliverables. Early results are now beginning to show.

Indeed, certain critical barriers to competition (e.g. transparency and vertical foreclosure) identified in the Sector Inquiry have become a focus of energy regulators' work at the regional level as well as at EU level.

²Compatibility of National Legal Conditions Concerning Regulatory Competences (Ref: E06-REM-08-03), 6 December 2006.

Safeguards are in place to ensure that integration within and between the energy regions is consistent with the development of single European energy markets.

From the outset, regulators underlined that real commitment to the Regional Initiatives was vital from industry, market actors, Member State governments and the European Commission. I was particularly encouraged by the very early, positive reaction of Commissioners Piebalgs and Kroes when they endorsed the Regional Initiatives as a “stepping stone” to a fully functioning European energy market; and the fact that they were equally welcomed by most stakeholders when they were launched in 2006. I firmly believe that the initiatives, with meaningful political support, will act as a “springboard” from national energy markets to an integrated EU energy market via regional market integration.

There are, however, signs of differing degrees of progress across the different regions, reflecting the extent of true political support by national governments. Good intentions must be matched by the political will to deliver. In assessing the progress towards a European energy market, there are worrying signs that political declarations of support for regional integration are not always succeeded with the necessary action on the ground. The European Commission, governments and national and European parliamentarians are invited to demonstrate their commitment to the single energy market objective by fully participating in the ERGEG Regional Initiatives.

Insufficient Unbundling

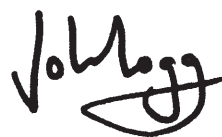
When a vertically-integrated electricity or gas firm claims that ownership unbundling will not help competition, ERGEG's response is clear: insufficient unbundling is often the most persistent barrier to competition. The European Commission's country reviews and the Sectoral Inquiry confirm that the legal and functional unbundling, as currently required under EU legislation, is not sufficient to ensure that a real competitive European energy market can develop. We have advised the European Commission, from a regulatory perspective, on the need for new legislation to ensure effective ownership unbundling of transmission assets. Effective unbundling would facilitate transparency (and consequently liquidity), co-operation among network operators, investment in and access to infrastructure – all improving both competitiveness and the security of our energy supply. Europe needs a legislative response to deliver effective unbundling.

External dimension

ERGEG has inevitably focused on an EU single energy market. Nonetheless our eyes have been raised to wider external energy regulation. A major success for international relations in energy was the launch by the CEER of a global website, the International Energy

Regulation Network (www.iern.net), at the World Forum on Energy Regulation III, in Washington DC in October. We are also deeply involved in the Energy Community Treaty of South East Europe, which entered into force in July. European regulators have strengthened relations with strategic neighbours, including regulators from the Euro-Mediterranean basin through the creation of MEDREG - an initiative of the CEER, the European Commission and the Euro-Mediterranean national energy regulators - which aims to build a harmonised regulatory space in the Euro-Mediterranean region and thus help develop gas and electricity trade among partner countries. European regulators have taken a leading role in these developments and have demonstrated real commitment in fully supporting the European Commission, the Member States and the European Parliament in their strategic vision for energy within Europe and in its external policy dimension.

Finally, none of this would be possible without the commitment of our members and the engagement of stakeholders and our efficient Secretariat, to whom I gratefully pay tribute.



Sir John Mogg

CEER President and ERGEG Chair

3. Overview of 2006

2006 was a critical year in the evolution of an energy policy for Europe. Backed up by the political will of Member States to create a coherent Energy policy in Europe, the European Commission clearly set out its objectives in its energy Green paper³ (March 2006), based on the three pillars of (a) long term sustainability, (b) security of energy supply and (c) competitiveness. Both the underlying principles and the general approach in the Commission's proposals were fully endorsed by the European energy regulators.

The Need to Fully Implement the Existing Legislation

In 2006 the European Commission took 34 infringement procedures against 20 Member States, including all of the biggest ones, for failing to transpose the existing energy Directives. The main deficiencies related to insufficient unbundling, discriminatory third party access to networks, a failure to grant regulators minimum powers and independence, a failure to notify the European Commission regarding public service obligations, and regulated tariffs. The work of the European energy regulators reflects our belief that full implementation of the existing legislation is an imperative for competitive single energy markets in Europe.

At the start of the year regulators set out their priorities for 2006 in the CEER and ERGEG Work Programmes, after close consultation with the European Commission. As was the case in previous years, the regulators' worked in 2006 on the critical elements needed to implement the existing legislation and to realise an effective single EU energy market. Our focus has been on trying to ensure non-discriminatory access to infrastructure and services, encouraging investment and facilitating cross border trade, transparency of information and effective unbundling - so as to deliver real choice for consumers.

In anticipation of the Strategic Energy Review (in January 2007) the ERGEG also advised the European Commission on the need for a comprehensive legal and regulatory framework that would provide a robust basis for infrastructure, trade and markets to develop across borders, and above all would promote investment, security of supply and competition at an EU-level. Regulators have underlined the basic principles for genuine single energy markets: the functioning and development of an integrated European energy grid; new collective and individual European obligations on national TSOs; regulatory oversight at national and EU level, including the necessary powers and independence, and the need for effective unbundling.

Unbundling

In 2006, in the absence of effective unbundling, the ERGEG publicly consulted on guidelines on accounts unbundling in an effort to provide guidance to integrated firms to better implement the unbundling provisions laid down in the existing legislation. Regulators also began work on guidelines on informational and management unbundling. The European regulators have advised the European Commission that new legislation is needed for effective unbundling, preferably ownership unbundling. It is the ERGEG's view that regulators' powers must be reinforced so as to monitor and enforce unbundling in cross border situations. By removing any disincentive for integrated utilities to delay investment in much needed infrastructure, such as interconnectors and reinforcements, effective unbundling would stimulate investment – thereby helping to ensure security of supply and promoting competition.

Tackling Competition Issues

The regulators believe that investment and competition lie at the core of efficient single energy markets in Europe. Thus the regulators strongly welcomed the European Commission's Sector Inquiry. The barriers to competition identified in the Sector Inquiry include high levels of market concentration in national markets (which creates the scope for incumbents to raise prices); a lack of integration of national markets; a lack of liquidity (which acts as a barrier to entry); an absence of transparency of information; and inadequate unbundling of supply and network activities.

European Regulators Support DG Competition's Sectoral Inquiry

As well as providing direct expertise to the European Commission in conducting its competition law inquiry into the energy sector, the CEER also responded to the European Commission in full support of its preliminary findings⁴. Deeper and more effective unbundling of network activities, more transparency and vigorous enforcement of the Commission's competition powers were among the remedies advocated by the European energy regulators to tackle the current deficiencies in order to achieve fully integrated competitive EU energy markets.

Barriers to competition (e.g. balancing) were already under consideration by the regulators in 2006 and earlier. The ERGEG delivered technical guidelines in 2006 on:

³ A European Strategy for Sustainable, Competitive and Secure Energy, COM (2006) 105 final, March 2006

⁴ CEER response to the Preliminary Findings Report of the DG Competition Gas and Electricity Sector Inquiry, (Ref: C06- GA-21-06), 20 April 2006.

transparency; electricity and balancing; accounts unbundling; as well as working on a mix of issues aimed at facilitating investment, fair access and cross border trade. In addition, the regulators launched the Electricity Regional Initiative in February 2006 and the Gas Regional Initiative in April 2006. The ERGEG Regional Initiatives are designed to tackle specific barriers to trade on a regional basis. As a consequence the regulators have focussed on key barriers to competition in EU energy markets at the regional as well as the EU-level.

Regional Initiatives

The launch and operation of the Regional Initiatives for electricity and gas in 2006 reflects a proactive regulator-driven approach towards European energy markets integration, fully endorsed by Energy Commissioner Piebalgs and Competition Commissioner Kroes. The idea is for each regional energy market (REM) to identify impediments or distortions to trade, and to introduce practical solutions. An integral part of the process has been the proper involvement of stakeholders and their active participation in the work. The ERGEG will pursue its work to ensure integration within and among regions in the internal market. Progress and convergence of developments in the regions is monitored and reported on by the ERGEG to the European Electricity (Florence) and Gas (Madrid) Regulatory Fora.

Transparency of Information

Transparency is a fundamental principle for the proper functioning of the internal market. It is important for efficient trading and market monitoring. In August 2006 the ERGEG Guidelines for Good Practice on Information Management and Transparency for wholesale electricity markets were submitted to the European Commission. This followed an extensive public consultation and an ERGEG public hearing. The ERGEG has advised the European Commission that the guidelines should be implemented in a legally binding way. Equally, in gas regulators worked closely with the Commission on transparency requirements and provided input to the European Commission's draft explanatory note on the transparency requirements of the Gas Regulation (1775/2005).

Cross Border Trade – Market Arrangements (Removing Barriers to Entry)

Market arrangements can hinder trade if they are incompatible across different countries or have characteristics that distort competition. In 2006 regulators have focused on balancing issues in both electricity and gas. The final ERGEG Guidelines for Good Practice for Gas Balancing (GGPGB) were issued with the view to ensuring that national gas balancing mechanisms are designed in a way that ensures networks operate safely and securely and that no barriers to trade are created.

The GGPGB are applicable from their publication date (15 December 2006) and compliance is fully requested by 1 April 2007. Guidelines for the integration of European electricity balancing markets were also developed during 2006.

The European energy regulators have also worked on cross border trade issues including congestion management issues, the assessment of the extent to which existing transmission access rights to capacity are financially firm, harmonization of transmission tariffs and inter-TSO compensation. The ERGEG also advised Commissioner Piebalgs on the lessons from the 4th November blackout. This highlighted the need for effective formal co-ordination between transmission system operators (TSOs) and minimum safety and operational standards for the use and operation of the electricity network.

Similarly in gas, the ERGEG looked at whether arrangements for transporting gas across borders are efficient. This included examining gas transmission pricing, (including developing recommendations on how gas transit pricing and regulated Entry-Exit systems should work to encourage competition). The ERGEG also looked at the cross border framework for transmission investments. Its recommendations include placing legal obligations on TSOs to act in a more co-ordinated manner and extending regulators' competences to cross border issues.

Regulators continued to monitor compliance with existing rules including the ERGEG Guidelines of Good Practice for Storage System Operators (GGPSSO). Following the failure of storage operators to adequately implement the voluntary guidelines on gas storage two years after their introduction, the ERGEG advised the European Commission on the need for legally binding rules on gas storage. LNG issues were also addressed by regulators in 2006 including reviewing existing regimes for access to LNG terminals in Europe, with a focus on transparency, regulatory arrangements and operational rules.

Consumer Choice

Effective consumer choice is the core objective for energy market liberalisation. During 2006 the ERGEG prepared three sets of Best Practice Propositions to help lay the foundations for the effective opening of electricity and gas retail markets across the EU in 2007. These proposals (on supplier switching, effective consumer protection and transparency of prices) set out recommendations for improving the position of the end consumer – including their ability to exercise effective choice. The ERGEG also initiated work on pre-contractual information, the use of automatic meter reading, obstacles to gas supplier switching, end-user price regulation and guidelines for the treatment of affordability in the Energy Community countries (of South East Europe) which will be further pursued in 2007.

Energy Efficiency: Everyone Wins

The European energy regulators are strong advocates of energy efficiency. Saving energy meets the environmental objective (in cutting green house gases), the competitiveness objective (less demand should lead to lower energy prices) and at the same time improves security of supply (in reducing our dependence on foreign gas and oil supplies). In 2006 the CEER responded to the European Commission's Green Paper consultation on Energy Efficiency, strongly supporting the use of market based instruments to achieve environmental objectives. We also began to examine in 2006 Member States' experience of the Emissions Trading Schemes and identified key issues that need further consideration.

New legislation was adopted in April 2006 requiring Member States, from 2008, to draw up programmes and measures to improve energy efficiency. The main aim of the European Commission's Energy Efficiency Action Plan (launched in October 2006) is to cut dependence on oil and gas imports by reducing EU energy consumption by 20% by the year 2020. As outlined in the Action Plan, the European regulators will examine the potential for improving efficiency by reducing transmission and distribution losses and will work with the European Commission on a Memorandum of Understanding on energy efficiency.

Promoting Better Regulation Worldwide

The aim of regulators is to protect the interests of consumers. In the context of the development of a competitive single market for electricity and gas across the EU this means acting in the interests of European energy consumers. National regulators' competences need to be compatible and complementary in order to develop the EU energy market. In 2006 the ERGEG undertook a compatibility study of the gaps in the powers of electricity regulators and made recommendations to the European Commission on how to fill this gap by reinforcing their powers at both a national and EU level.

The enhancement of better regulatory collaboration is one of the key reasons that national energy regulators joined ranks to form the CEER. Better regulation should also embrace international co-operation. As well as continuing its work in building a common regulatory space in South East Europe, in 2006 the CEER began collaboration with energy regulators in the Euro-Mediterranean basin. By spreading best regulatory practice the European energy regulators contribute to extending the EU energy regulatory framework to neighbouring countries of strategic interest, which is important in the context of security of supply.

Another major initiative by European energy regulators in 2006 was the launch by the CEER at the World Forum on Energy Regulation in Washington (October 2006) of the International Energy Regulation Network (www.iern.net). This initiative was heralded in the Conclusions of the World Forum which states *"With the support of the regulatory associations and development agencies, this global web platform will allow for the delivery of mutually beneficial information, a better understanding of trends in market design and regulation, facilitating international collaboration and improved research and training to the benefit of all energy regulators and market participants."*

⁵ The Directive on Energy end-use Efficiency and Energy Services (2006/32/EC).

4. Regional Initiatives

What are the ERGEG Regional Initiatives?

In February 2006 the ERGEG launched its Electricity Regional Initiative and this was followed by the Gas Regional Initiative in April 2006. They aim to create seven electricity and three gas regional energy markets (REMs) in Europe. The Regional Initiatives are specifically designed to unite all stakeholders, including the European Commission and Member State governments, within each region to tackle barriers to trade and market integration in each region.

The regional approach offers a pragmatic and realistic way of delivering step-wise progress towards a competitive single European energy market by first establishing regional energy markets. The lack of regional integration was clearly identified in the European Commission's Sector Inquiry as a barrier to a competitive European energy market. The Regional Initiatives aim to remove barriers to further regional market integration such as: the level of transparency; access to infrastructure capacity; and the development of more liquid gas hubs.

Each REM, under the leadership of the regulators, has prioritized the key impediments to trade and market integration and have developed action plans to address these problems. The focus is on developing and implementing real and practicable improvements to the operation of the EU gas and electricity markets through the involvement of all stakeholders.

ERGEG has published a separate report dedicated to the Regional Initiatives in conjunction with this annual report. It sets out in detail the work that has been undertaken so far including key achievements and prospects over the coming months.

Summary of Progress So Far

Since the launch of the Regional Initiatives in 2006, they have achieved a number of key results in their short period of operation. The first of these was the identification, consultation and agreement of the priorities. The REMs have also developed detailed workplans. These identify the tasks that will be undertaken and the responsibility for delivering the work.

Work is now ongoing and stakeholders are engaged in helping to deliver these workplans including:

- Questionnaires being issued to and completed by stakeholders

- Consultation papers being published (by both regulators and market operators);
- Workshops being held;
- Development of case studies;
- Delivery of action and implementation plans; and
- Development of proposals for concrete and practicable improvements.

This lays a solid foundation going forward that will allow the Regional Initiatives to act as a key "vehicle for change" in creating regional energy markets, which are a stepping stone towards a single energy market in Europe.

The continued success and delivery of the Regional Initiatives will depend on:

- Continued involvement and support of stakeholders
- Those best placed to foster changes and improvements (particularly market operators) actually delivering
- Increased political support to provide necessary impetus to facilitate change
- Effective management to ensure decisions and solutions are implemented.

The ERGEG closely monitors progress within and between regions. The aim is to ensure that the process and solutions adopted facilitate convergence toward a single EU electricity and gas market. The ERGEG will report on convergence and consistency of the regions in 2007. The ERGEG reports on progress generally including convergence and consistency of the regions, at the Madrid and Florence fora.

Transparency in the process is vital. All documents relevant to the regions are publicly available in the Regional Initiatives section of the ERGEG website (www.ergereg.org) as well as information on priorities, key achievements, press releases and public consultations. Registered "Online Subscribers" also benefit from automatic e-mail notification of news whenever a new document is added to their selected regions of the Regional Initiatives.

5. Electricity

Some of the ongoing problems and weaknesses in the electricity market in Europe relate to:

- Insufficient unbundling and the fact that national electricity markets are highly concentrated and not sufficiently integrated;
- the lack of cross border capacity;
- incompatible balancing market designs;
- a serious lack of market transparency;
- insufficient co-ordination among Transmission System Operators (TSOs).

With these concerns in mind, the ERGEG delivered a number of practical outputs in 2006. The establishment (February 2006) and operation of the Electricity Regional Initiative (ERI) is a mechanism designed by the ERGEG to integrate electricity markets in Europe using a regional approach⁷.

Besides the Electricity Regional Initiative (ERI) other actions of the regulators aim to remove the main barriers to a well functioning European electricity market. This includes ERGEG guidelines on transparency in electricity markets and ERGEG guidelines for electricity balancing markets integration. In addition, work on congestion management, Inter-TSO compensation, transmission tariffication, market design issues and quality of supply regulation also featured. Co-ordination by Transmission System Operators was also a key issue addressed by regulators in 2006.

Transparency of Market Information

Transparency of information for all stakeholders is crucial to the effective operation of the EU electricity market. ERGEG developed, through consultation, Guidelines for Good Practice on Information Management and Transparency in Electricity Markets (GGPIMT) to help improve transparency arrangements.

The GGPIMT seek to establish a consistent approach to the provision of market related information to wholesale market participants - suppliers, generators, energy traders, large customers and demand side participants – across all Member States. They set out the ERGEG's views on the minimum level of transparency required in European electricity markets. In parallel, regulators will continue to address the issue of transparency at a regional level through the ERI.

Regulators have recommended to the European Commission that legally binding requirements be brought forward. While pending the introduction of appropriate legislation, regulators and the European Commission are working closely with industry, TSOs, traders and power exchanges on the voluntary implementation of the ERGEG guidelines.

Integration of European Electricity Balancing Markets

The electricity network is in need of constant balancing of loads so that a continuous flow of electricity can be maintained. The development of single European electricity market will be facilitated through greater harmonisation of national balancing mechanisms towards a common approach. In its findings from the Sector Inquiry, the European Commission states: "currently balancing markets often favour incumbents and create obstacles for newcomers. The size of current balancing zones is too small, which leads to increased costs and protects the market power of incumbents".

A lack of integration of balancing markets is therefore a key impediment to the development of a single European electricity market. Such integration is a process of evolution of connecting balancing markets in order to achieve their functioning as a common balancing market. Following a public consultation in 2006, the ERGEG developed draft Guidelines of Good Practice for Electricity Balancing Markets Integration (GGP-EBMI). The main issues addressed in the guidelines concern the procurement of manually activated power reserves by TSOs, based on the services and products from market participants. The ERGEG will elaborate its work in 2007 to include intra-day markets and automatically activated reserves as part of the GGP-EBMI.

Market Design Issues of Relevance for Regional markets

Member States' electricity market designs are still typically defined by national trading arrangements, mostly for national customers. Incompatible market designs can impact on prices and security of supply and the development of competition. This is evidenced by the fact that different regions in the ERGEG Regional Initiatives have prioritised different market design issues as a barrier to regional competition and trade. Regulators are of the view that regional market integration should not be confined to wholesale, but should also include retail

⁷ For further details on the Regional Initiatives see the ERGEG Regional Initiatives Annual Report – Progress and Prospects, March 2007

markets. Harmonisation in retail markets is of great importance in terms of data exchange formats and the supplier switching processes. In 2006, following a public consultation, the ERGEG published a best practice proposition for supplier switching.

Infrastructure and Security of Supply

Investment and access to infrastructure are essential elements to integrate national markets and make a single competitive European market a reality. The objective is to have an integrated EU grid in electricity (and gas), operated in the interests of European consumers.

The process for obtaining building authorisations and permissions for transmission network infrastructure is a critical issue. At present investment in network infrastructure is largely driven by national law and requirements. Obligations on authorities or TSOs seldom or insufficiently extend to cross border infrastructure or the need to integrate markets. In October 2006 the ERGEG publicly consulted on the issue of a cross border framework for transmission investment.

Even if sufficient interconnections existed (which is not the case), it is essential that market participants have access to the transmission capacity on a non-discriminatory basis. Legally binding guidelines on Congestion Management for cross border electricity exchanges, which had been developed based on the advice of the ERGEG, came into force on 1 December 2006. The ERGEG also engaged with TSOs and traders on the need for financially firm transmission access rights. Quality and security of supply were also addressed in 2006 including the launch of an ERGEG public consultation "Towards a voltage quality regulation in Europe".

Report on the Lessons from Blackouts

On Saturday November 4, 2006 Europe was affected by a serious system disturbance originating from the North German transmission grid. This affected fifteen million electricity customers across Europe. The ERGEG launched an inquiry at the EU level into the incident and, at the request of Commissioner Piebalgs, provided advice to the European Commission on the lessons to be drawn on the security and reliability of Europe's electricity network operations.

In its Interim Report⁸ the ERGEG identified a number of key lessons to be learned. These fall under two headings: the need for an improved legal and regulatory framework

for an integrated EU grid to minimize the risk of future interruptions; and measures by TSOs themselves, under regulatory oversight, to secure fully effective coordination and cooperation.

In terms of the new measures needed, the ERGEG has advised the European Commission on the need for the legally binding operational security rules, and to legally require TSOs to co-operate to enhance security to the operation of integrated power systems in Europe.

Several of these messages had already been advocated by CEER in its report on the lessons to be learned from the Swiss/Italian blackout of September 2003, but had not been implemented by TSOs. In its advice to the Commission regulators called for remedial action to be taken now by TSOs (and the EU Institutions in terms of new binding legislation) to mitigate the re-occurrence of similar incidents in the future.

Harmonising Transmission Tarification

A first step in harmonising electricity transmission tariffs is the harmonisation of the charges paid by generators (G-charges) to access transmission networks at appropriate voltage levels. In its paper, "The Application of G-charge across the EU according to draft Guidelines on Transmission Tarification paper", the ERGEG considers the need for widening electricity tariff harmonisation to lower voltage levels.

In 2006 the ERGEG also defined the details for calculating and reporting the transmission tariff levels of the proposed Tarification Guidelines. The ERGEG will, according to the proposed reporting structure, prepare the first report on transmission charging structure and G-values in 2007 and will further address the issue of tariff harmonisation.

⁸ The ERGEG Interim Report of 20th December 2006 (Ref:E06-BAG-01-06) was followed by the publication of the ERGEG Final Report on the lessons to be learned from the large disturbance in European power supply on 4 November 2006, (Ref:E06-BAG-01-06), 6 February 2007.

6. Gas

Some of the ongoing problems and weaknesses in the gas market in Europe relate to:

- Insufficient unbundling with strong links persisting between incumbent shippers and network companies as well as storage facilities;
- Highly concentrated national gas markets with very little cross border integration (which makes it difficult to secure transit and therefore trade across countries);
- Long term capacity rights which block cross border exchanges;
- Incompatible transmission tariff regimes and balancing market designs;
- A serious lack of market transparency and lack of liquidity; and
- Difficult access conditions for gas storage.

With these concerns in mind, the regulators delivered a number of practical outputs in 2006. On the 25th April 2006 the ERGEG Gas Regional Initiative (GRI) was launched with the aim of tackling the key obstacles to trade and market integration at a regional level⁹.

The ERGEG also worked on a number of other issues including congestion and capacity allocation mechanisms, transparency, monitoring of the guidelines for gas storage and developing guidelines for gas balancing. In addition, the role that liquefied natural gas (LNG) could play in the European internal gas market, and future gas infrastructure investment were also examined.

Regulators Advise the European Commission on Key Aspects of the Gas Regulation

The Gas Regulation 1775/2005 (Gas Regulation) entered into force in July 2006. It sets out non-discriminatory rules for access conditions to natural gas transmission systems. With a view to ensuring consistent application of the provisions of the Gas Regulation, the European Commission prepared three sets of draft explanatory notes on Transparency, on Capacity Allocation Mechanisms (CAM) and on Congestion Management Procedures (CMP) in 2006.

Regulators provided advice to the Commission on their draft explanatory notes which was fully taken into account.

Transparency

The Gas Regulation also includes requirements in relation to the publication and management of information by TSOs. In order to help facilitate the application of the relevant provisions of the Gas Regulation, regulators provided input to the European Commission on their draft explanatory note on the transparency requirements.

The ERGEG also began work in 2006 on monitoring implementation of the transparency requirements of the Gas Regulation. This work on transparency will be completed in 2007. The ERGEG will also undertake monitoring work in 2007 on the implementation of the rest of the Gas Regulation and other market requirements.

Monitoring of the Implementation of the Gas Storage Guidelines

In their 2006 monitoring of the implementation of the ERGEG Guidelines of Good Practice for Storage System Operators (GGPSSO) the regulators found that access to storage remains limited. Out of the largest 20 SSOs surveyed in the report, 11 SSOs have less than five users. Implementation of the (voluntary) gas storage guidelines remains unsatisfactory in areas such as transparency, TPA services, equal treatment of storage users including confidentiality requirements and congestion management. The ERGEG advised the European Commission that legally binding rules are needed for gas storage.

Gas Balancing

In an effort to remove barriers to entry and improve gas market integration, the ERGEG focused on gas balancing issues in 2006. In its Sector Inquiry the European Commission confirmed that the small size of current gas balancing zones, the divergence of rules in each zone and the obligation to reserve capacity at each border point increases the complexity and costs of gas shipping in Europe and is a major barrier for new suppliers to enter the market. Following an ERGEG public consultation, final Guidelines for Good Practice for Gas Balancing (GGPGB) were published in 2006 with the view to ensuring that national gas balancing mechanisms are designed in a way that networks operate safely and securely and that barriers to entry to the market are not created. The GGPGB are applicable from their publication date (15 December 2006) and compliance is fully requested by 1 April 2007. The GGPGB provide guidance to TSOs and regulators on setting up proper balancing periods, imbalance and penalties charges, tolerance levels and services on a non-discriminatory basis. Furthermore,

⁹ For further details on the Regional Initiatives see the ERGEG Regional Initiatives Annual Report – Progress and Prospects, March 2007

information and transparency issues as well as the role of TSOs, regulators and network users are also covered in the guidelines.

Benchmarking of Gas Transmission Tariffs and Costs

The CEER highlighted in its response to the European Commission's Energy Green Paper that the principles underlying network tariffs should be sufficiently transparent to ensure they are non-discriminatory. Significant differences between tariffs charged by TSOs to similar load profile users should be justified in an objective way, on an economic and technical basis. Differences among transmission systems must be investigated in order to promote greater trade and lower transaction costs for market participants.

Regulators have been examining what drives differences in the tariffs charged by gas TSOs for use of their networks. Six European TSOs with Entry-Exit systems were compared in terms of transportation tariffs, balancing payments and cost differences. This study is expected to be published in 2007.

The CEER also commissioned an independent consultancy firm, the Electricity Policy Research Group (Cambridge University), to prepare a report on International Benchmarking and Regulation of European Gas Transmission Utilities. This will also be published in 2007.

Principles for Cross Border (Transit) Tariffs

Regulated third party access, based on approved and published tariffs, now applies to transmission, distribution, LNG and balancing services. A focus for regulators in 2006 was appropriate charging arrangements for transit so as to ensure the efficient allocation of costs. To this end the ERGEG prepared a report on Transmission Pricing (for Transit) and how it interacts with Entry-Exit Systems.

The report identifies key requirements on how transmission pricing for cross border transport (transit) and regulated Entry-Exit systems could encourage competition. It includes an analysis of how tariffs for transit capacity should be structured in order to increase the efficiency of pipeline usage and to avoid pancaking, as well as how entry-exit areas interact with transit flows. The second part of the report focuses on recommendations on tariff principles and on a harmonised regulatory tariff treatment. Regulators will continue its work on this issue in 2007.

Investment and Open Season Procedures

Significant investment is needed in the EU's gas infrastructure in new and existing pipelines, as well as in storage, LNG facilities and interconnectors. CEER hosted a workshop on investment in Brussels on 9 November 2006 which brought together representatives from banks,

project sponsors, industry, regulatory authorities and the European Commission to discuss the huge scale of investment needed in the EU's gas infrastructure over the next 20 years. The importance of the network to the development of the single market and security of supply, and hence the crucial importance of creating an attractive climate for investment was underlined. Regulators and the European Commission highlighted that regulated third party access should be the default regime even for new infrastructure, and any exemptions from this should only be on a case-by-case basis.

Beyond short term needs system operators should ensure the long term ability of the system to meet reasonable demands for the transportation of gas. Open season procedures reflect a transparent approach for system operators to assess market demand and subsequently, on the basis of market demand, to undertake the necessary investment. In 2006 the ERGEG launched a public consultation on draft Guidelines of Good Practices on Open Season Procedures, to apply to new infrastructure, so as to ensure that these are conducted in a non-discriminatory and transparent way under the scrutiny of regulatory authorities.

Liquefied Natural Gas (LNG)

LNG growth is important to the EU market and it is likely to have a significant impact on the development of competition. In 2006 the ERGEG engaged an independent consultancy firm, NERA, to conduct a review of existing regimes for access to LNG terminals in Europe, focusing on transparency, regulatory arrangements and operational rules. This study will provide an input into the ERGEG's analysis of the role that LNG is going to play. In 2007, the ERGEG intends to work on recommendations and guidelines for ensuring a more coherent and consistent set of principles for third party access to LNG terminals in Europe.

Access to Capacity

The European Commission's Sector Inquiry report concluded that a significant part of the European gas transmission networks is contractually congested. This creates barriers to competition and liquid trade as market participants cannot gain access to transmission capacity. As a result, effective gas-to-gas competition is hindered and new entrants are not able to access the networks because capacity is not made available on a non-discriminatory basis.

Regulators have been examining 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. Allocating capacity in networks between users is an important aspect of a transparent and non-discriminatory access regime that should be harmonised across the EU.

7. Customer Issues

During 2006 the ERGEG addressed key issues for retail energy customers ahead of the full opening of retail gas and electricity markets in July 2007. The ERGEG published three sets of Best Practice Propositions (BPPs) aimed at helping consumers switch supplier, safeguarding and enhancing consumer protection and improving price transparency. The European Commission also invited the regulators to examine the affordability issue for South East European customers in moving towards cost reflective tariffs.

Switching Supplier

One of the key benefits of increased competition is the ability of customers to switch supplier. This BPP aims to make this process as “user-friendly” as possible, providing easy, cost efficient and standardised procedures for leaving one supplier and signing up with another. This process will be monitored by regulators, so that customers can be confident that the market is working in their interests.

Effective Customer Protection

This BPP addresses energy suppliers and network operators, and includes key strategies to ensure a high level of consumer protection. The ERGEG's recommendations should ensure that energy is provided at reasonable prices, including timely connection to the distribution network; that consumers receive a reliable, continuous, high quality supply; and that customers are able to effectively address problems or conflicts.

Transparency of Prices

This BPP relates to the transparency of pricing information and includes recommendations to ensure customers are able to make their choices on the basis of reliable information; that prices, including bills, are both transparent and accurate; and that customers are notified appropriately of any changes in prices during the contract period.

Regulation of End-User tariffs is Distortionary

Some Member States have strengthened or re-introduced regulated end-user prices for customers (or certain categories of industrial or commercial customers). Regulated end-user prices offer the customer the possibility to continue with the incumbent supplier on a regulated tariff (which is often kept artificially low). This tends to result in low customer switching rates as the customer has no incentive to switch to a new supplier - thus deterring new entry into the market. This will distort competition and therefore regulated prices should be abolished, or at least brought into line with market conditions.

Even after 1 July 2007 (when customers should be purchasing electricity/gas on the open market) Member States may seek to use end-user price regulation, arguing that it is a tool to protect vulnerable customers. However, protecting vulnerable customer should not be confused with regulated energy prices for all or certain categories of customers. The ERGEG considers that interventions into the market, as a general principle, distort competition and that market forces are the best way to guarantee protection for customers. Hence the task is to find alternatives (to end-user price regulation) for vulnerable customers which are compatible with an open, competitive market.

Affordability in South East Europe

The ERGEG worked with regulators from the Energy Community (of South East Europe) plus Turkey in evaluating the effects of regulated systems on the functioning of the energy markets (electricity, gas and heating). A report will be presented to the Athens forum in 2007 dealing with how best to address affordability and low income customers in moving toward cost reflective tariffs.

Additionally, during 2006 the ERGEG began to investigate the impediments that customers may face when seeking to switch gas supplier in the EU. The regulators also conducted an EU-wide status survey on the use of Automated Meter Reading (AMR) and the costs and benefits of the introduction of “smart meters” for consumers. The main findings of these surveys will be published in early 2007.

8. ERGEG's advice on key impediments to an EU energy market

Since 2005 each national energy regulatory authority has published an annual report on the outcome of their monitoring activities related to the functioning of electricity and natural gas markets. The European Commission is also required to submit to the European Parliament and the Council an annual report concerning the application of the electricity and gas directives and a detailed report outlining progress in creating the internal electricity and gas markets.

Strong collaboration exists between DG TREN and the energy regulators in this reporting activity. The ERGEG Assessment of the Development of the European Energy Markets 2006 report (which is published on the ERGEG website alongside the individual country reports outlined above) identifies a number of key concerns relating to insufficient unbundling, lack of market integration, gaps in the powers of regulators and regulated tariffs.

Insufficient Unbundling is the Most Persistent Barrier to Competition

The lack of effective unbundling is a major barrier to competition. The European Commission requested energy regulators to focus on this issue in their 2006 national reports¹⁰. The regulators' national reports do not point to any major progress since 2004, with levels of unbundling in practice very low. In its Assessment of the development of the European Energy Market 2006, the ERGEG found that insufficient unbundling continues to be the most significant impediment to competition in electricity and gas.

The regulators highlighted the ineffective implementation of the unbundling provisions of the existing Directives. This leaves a lot of discretion to integrated companies allowing them to act without fear of enforcement because of a lack of adequate regulatory powers. Regulators also identified a "regulatory gap" which must be filled in that regulators are currently unable to effectively monitor cross-border unbundling problems ie. where a single company (which also carries out the TSO function) operating in one country may own subsidiaries in another country, and operate its network in a way to benefit the affiliate in the neighbouring country.

The ERGEG has advised the European Commission on the need for new legislation on unbundling and for regulators to be given powers to monitor and enforce unbundling in cross border situations. Ownership unbundling is the preferred approach of the ERGEG. In parallel, the European Commission has reached the same conclusion. As stated in the findings of the Sectoral Inquiry: "it is essential to resolve the systemic conflict of interest

inherent in the vertical integration of supply and network activities, which has resulted in a lack of investment and in discrimination" and the European Commission's Strategic Energy Review (10th January 2007) indicates a clear preference for ownership unbundling.

Pending new legislation on effective unbundling, ERGEG consulted on draft Guidelines on Accounts Unbundling during 2006. The regulators also began work on draft guidelines on informational and management unbundling for both gas and electricity companies. These guidelines are what regulators consider to be an appropriate way to realise the current (legal, functional and accounting) unbundling requirements of the 2003 Directives.

Regulators Decisions Must be Independent from Political Intervention

Independent regulators are crucial to the development of competitive markets in electricity and gas. The regulators' national reports contain some worrying examples where regulatory decision and processes have been impacted upon or subject to political control of some form.

In December 2006 the ERGEG presented to Commissioner Piebalgs a report (Compatibility of national legal conditions concerning regulatory Competencies) on the compatibility of electricity regulators' powers. This report names each Member State where regulatory decisions are still subject to political control. It identifies the gaps between the desired set of competencies and the reality, and makes recommendations on how to close these gaps. The recommendations include levelling up a minimum set of competencies and powers for regulators on: independence, enforcement and sanctions, regulation of monopoly activities, unbundling, and oversight of market rules and efficient market functions.

Political Commitment to Market Integration is Needed

The ERGEG has advised the European Commission on the need for enhanced market integration to underpin the development of competitive markets in electricity and gas. This will require stronger political commitment to the process of liberalisation. In this context, the ERGEG Regional Initiatives offer a "springboard" from which the move from the current national markets to regional energy markets and ultimately a single European energy market can be made. Political support for the Regional Initiatives is needed to help ensure that they are a success.

¹⁰ The 2003 Gas and Electricity Directives require each national energy regulator to publish an annual report on their monitoring activities related to the functioning of the gas and electricity markets. ERGEG assesses the national reports in the context of the development of the internal energy market. The national reports and the ERGEG assessment are complements to the European Commission's own annual benchmarking report.

9. Spreading Best Regulatory Practice Worldwide

In terms of our core work, such as preparing technical advice (via ERGEG) to the European Commission and monitoring compliance with existing rules (e.g. gas storage), regulators promote the principles of competition and liberalisation. In 2006 our advocacy activities included providing expert views to the European Commission, such as responding to their Green Paper consultations on Energy Efficiency (March) and Energy (July), and to the preliminary findings of their Sector Inquiry (April 2006).

The European regulators have continued not just to advocate certain principles in terms of “spreading the word” but, moreover, have led by example. Energy regulators have taken a lead role for several years, alongside the European Commission, in the establishment of the European Electricity (Florence) and Gas (Madrid) Regulatory Fora. As well as continuing its work in South East Europe (the Athens forum), in 2006 the CEER also began to share its technical experience with energy regulators in the Euro-Mediterranean. During 2006 the CEER launched a website (www.iern.net) to further enhance expertise on energy regulation at an international level.

The Energy Community of South East Europe

The entry into force of the Energy Community Treaty in July 2006 marked a major step in building a “common regulatory space” for trade in electricity and gas across 34 participating states (the EU 25, plus 9 Balkan states). The CEER has strived for a number of years to ensure the smooth interface between regulatory developments in the EU and the Energy Community (of South East Europe). Through its working group on South East Europe, the CEER has invited the Energy Community regulators to benefit from the experience of their European counterparts in co-operatively pursuing issues of common concern. Key aspects of the CEER’s work in South East Europe included electricity transmission tariffs, capacity support mechanisms, as well as collaborating with relevant stakeholders on a “dry run” for the explicit flow based coordinated auctions in SEE, and issues such as obstacles to electricity trade and market design. These issues were addressed in the framework of the Athens forum.

With the assistance of international donors a number of studies were prepared by the CEER and presented at the VIIIth Athens Forum (June 2006). This included a benchmarking report of electricity transmission tariffs and tariff setting procedures in SEE countries. A CEER survey of the existing capacity support mechanisms in the Energy Community countries was also presented at the IXth Athens Forum in October 2006.

The CEER also worked closely with ETSO and with SETSO (the network operators’ representative bodies in the EU and in South East Europe respectively) in order to facilitate the smooth integration of cross-border transmission and inter-TSO compensation (ITC) regimes among the Energy Community countries and the EU Member States. The merging of the ETSO and SETSO funds was not possible for 2006, and thus an interim solution for 2006 was identified. Co-operation between the CEER, ETSO and the European Commission continues and will take into account the developments on the ITC guidelines currently under discussion at the EU level.

A gas mini forum was also held in November in Vienna. The inaugural meeting of the Energy Community Regulatory Board (ECRB) took place on 11th December in Athens. Sir John Mogg, ERGEG Chair (and CEER President) represented the ERGEG at this inaugural meeting. The ERGEG’s role within the ECRB is to provide advice to the European Commission. During 2006, the ERGEG advised the European Commission on issues such as the Internal Rules of the ECRB and the co-operation procedure between the ERGEG, and the European Commission in the ECRB. In this way European regulators have actively contributed to the development of institution-building within the Energy Community while at the same time safeguarding the EU’s interests.

Euro-Mediterranean Process

The ongoing Euro-Mediterranean process gained strategic importance in 2006 with the collaboration of the CEER and energy regulators of the Northern (Portugal, Spain, France, Italy, Slovenia, Greece) and Southern (Morocco, Tunisia, Algeria, Libya, Egypt) regions. At a meeting in Rome in May they created MEDREG with the support of the Council of European Energy Regulators (CEER) and the European Commission. The main objectives of MEDREG include the provision of technical assistance, exchange of experience and the development of common positions on regulatory issues so as to build a common regulatory space and to provide the institutional stability favourable to investment and efficiency in the Euro-Mediterranean region. MEDREG has already adopted its 2007 work plan and created four permanent groups on: Institutional Issues; Electricity; Gas; Environment, Renewable Energy Sources and Energy Efficiency.

International Cooperation through the IERN platform

Another major event in 2006 was the launch by the CEER of the International Energy Regulation Network (IERN) website (www.ceer-eu.org) at the World Forum on Energy Regulation (WFER) III in Washington DC. This CEER initiative hosts global information on energy and energy regulation. As acknowledged by the WFER, the IERN web platform will allow for the delivery of mutually beneficial information, a better understanding of trends in market design and regulation, facilitate international collaboration and improve research and training to the benefit of all energy regulators and market participants. In 2006 the CEER continued to lend their support and expertise to ERRRA, the body representing energy regulators in Central/Eastern European and the Newly Independent States.

Training and Information

Several workshops and training initiatives took place during 2006 in which regulators shared their experience on different energy regulatory issues. This included a series of internal workshops on incentive-based regulation and efficiency benchmarking, a closed workshop co-organised with the Florence School of Regulation on the European Commission's Energy Green Paper (July) and an open workshop on gas investment (November).

In 2006 the CEER invested in developing a statistics database that facilitates the efficient collection of national data by the regulators, so as to submit it to the European Commission for inclusion in their annual benchmarking report.

External Communication

At any given time, European regulators work on a large number of papers and projects including public consultation papers, reports and new initiatives. The CEER (www.ceer-eu.org) and ERGEG (www.ergereg.org) websites remain a principal means of communication. Recognising that it can be challenging for stakeholders to keep abreast of everything that is ongoing, significant improvements in communications were introduced in 2006. New functionalities in the websites allow interested parties to subscribe for news on the websites, including news from the Regional Initiatives. Greater use was also made of press releases, fact sheets and e-mails to alert key stakeholders to newsworthy items.

The ERGEG website hosts a dedicated section on the Regional Initiatives which contains detailed information on each of the gas and electricity REMs. This includes information on the priorities, the key achievements and detailed information on meeting, ongoing public consultations within the regions and press releases, as well as Progress Reports to the Madrid and Florence fora.

Regulators respect that communication is a two-way tool. As well as continuing open dialogue with stakeholders at the EU level, regulators have assured the full engagement of all stakeholders at the regional level in the institutional set up of the regional initiatives. As well as continuing open dialogue with stakeholders at the EU level, ERGEG has set up the Regional Initiatives in a way that helps ensure that stakeholders are engaged effectively.

Appendix I - Reports, Public Consultation documents and Position Papers

Note: All the public documents referred to in this 2006 annual report can be downloaded from the CEER website (www.ceer.eu) or ERGEG website: www.ergereg.org.

ERGEG Reports and Papers

- ERGEG Conclusions paper to "The Creation of Regional Electricity Markets", 8 February 2006.
- ERGEG Best Practice Proposition – Transparency of Prices, (Ref. E05-CFG-03-04), 24 February 2006, (document for public consultation).
- ERGEG Best Practice Proposition – Supplier Switching Process, (Ref. E05-CFG-03-05), 24 February 2006, (document for public consultation).
- ERGEG Best Practice Proposition – Customer Protection, (Ref. E05-CFG-03-06), 24 February 2006, (document for public consultation).
- A CEER position paper "Assessment of criteria for exempting new interconnectors", (Ref. C06-EWG-22-04), 28 March 2006.
- CEER Submission to European Commission on Energy Efficiency Green Paper, COM (2005) 265, (Ref. C05-ENV-04-05), 28 March 2006.
- ERGEG Draft Proposal on Guidelines on Inter TSO Compensation, (Ref. E06-CBT-09-08), 10 April 2006, (document for public consultation).
- ERGEG Draft Guidelines for Good Practice for Gas Balancing, (Ref. E06-GFG-17-04), 20 April 2006, (document for public consultation).
- CEER Response to the Preliminary Report of the DG Competition Gas and Electricity Sector Inquiry, (Ref. C06-GA-21-06), 20 April 2006.
- ERGEG Guidelines of Good Practice on Regulatory Accounts Unbundling, (Ref. E05-CUB-11-02), 21 April 2006, (document for public consultation).
- ERGEG Interim 2006 Report on Monitoring the Implementation of the Guidelines for Good TPA Practice for Storage System Operators (GGPSSO), (Ref. E06-GBS-09-03), 10 May 2006.
- CEER Tariffs Benchmarking Report in South East Europe, (Ref. C06-SEE-15-04), 11 May 2006.
- CEER Survey of Capacity Support Mechanisms in the Energy Community, (Ref. C06-SEE-15-06), 6 June 2006.
- ERGEG Draft Guidelines of Good Practice for Electricity Balancing Markets Integration, (Ref. E05-ESO-06-08), 7 June 2006, (document for public consultation).
- Report on the Transmission Pricing (for Transit) and how it interacts with Entry-Exit Systems, (Ref. E06-GFG-18-03), 28 June 2006, (document for public consultation).
- CEER response to the Energy Green Paper, (Ref. C06-SEM-18-03), 11 July 2006.
- ERGEG Best Practice Proposition – Transparency of Prices, (Ref. E05-CFG-03-04), 21 July 2006.
- ERGEG Best Practice Proposition – Supplier Switching Process, (Ref. E05-CFG-03-05), 21 July 2006.
- ERGEG Best Practice Proposition – Customer Protection, (Ref. E05-CFG-03-06), 21 July 2006.
- ERGEG Guidelines of Good Practice on Information Management and Transparency in Electricity Markets, (Ref. E05-EMK-06-10), 2 August 2006.
- Cross Border Framework for Transmission Network Infrastructure, (Ref. E06-REM-09-04), 4 October 2006, (document for public consultation).
- ERGEG's Assessment of the Development of the European Energy Market 2006, (Ref. E06-MOR-02-03), 6 December 2006.
- Compatibility of National Legal Conditions Concerning Regulatory Competences, (Ref. E06-REM-08-03), 6 December 2006.
- Towards Voltage Quality Regulation in Europe - An ERGEG Public Consultation Paper, (Ref. E06-EQS-09-03), 6 December 2006, (document for public consultation).
- Application of G-charge across EU according to Draft Guidelines on Transmission Tarification, (Ref. E06-CBT-12-04), 6 December 2006.
- Reporting to the European Commission on TSO charging structures and values of 'annual national G', (Ref. E06-CBT-09-06), 6 December 2006.
- ERGEG Guidelines of Good Practice for Electricity Balancing Markets Integration (GGP-EBMI), (Ref. E05-ESO-06-08), 6 December 2006.
- ERGEG Public Consultation on Guidelines of Good Practice for Electricity Balancing Markets Integration - Evaluation of the Comments Received, (Ref. E05-ESO-06-08a), 6 December 2006.

- Draft Guidelines of Good Practice on Open Season Procedures (GGPOS) - An ERGEG Public Consultation Paper, (Ref: C06-GWG-29-05), 6 December 2006, (document for public consultation).
- ERGEG Final 2006 Report on Monitoring the Implementation of the Guidelines for Good TPA Practice for Storage System Operators (GGPSSO), (Ref: E06-GFG-20-03), 6 December 2006.
- ERGEG Guidelines of Good Practice for Gas Balancing (GGPGB), (E06-GFG-17-04), 6 December 2006.
- ERGEG Public Consultation on Guidelines of Good Practice for Gas Balancing (GGPGB) - Evaluation of the Comments Received, (Ref: E06-GFG-17-04a), 6 December 2006
- European Energy Regulators' Work Programme 2007, (Ref: C06-WPDC-06-04), Public version, 6 December 2006.
- ERGEG Interim Report on the lessons to be learned from the large disturbance in European power supply on 4 November 2006, (Ref:E06-BAG-01-05), 20 December 2006.

Internal Papers

- Guidebook of Definitions 2006, (Ref. E05-CFG-03-03), 28 March 2006. ERGEG document for internal use.
- Methods and Requirements for Coordination of the TSOs, (Ref: E06-ESO-01-03), 6 December 2006. ERGEG document for internal use.
- Exceptional Events - A Common Understanding Paper, (Ref: C06-EQS-09-04), 6 December 2006. ERGEG document for internal use.

Appendix II - Press Releases 2006

Note: All press releases can be downloaded from the CEER website (www.ceer.eu) or ERGEG website: www.ergreg.org.

- European Energy Regulators disappointed at the level of implementation of the Gas Storage Guidelines in 2005, (Ref: PR-06-01), 26 January 2006
- European Energy Regulators report fewer electricity supply interruptions and call for better service for customers, (Ref: PR-06-02), 26 January 2006
- Regulatory Benchmark Report 2005 confirms the shortcomings of effective regulation in member states, (Ref: PR-06-03), 27 January 2006
- European Energy Regulators to tackle key problems in 2006, (Ref: PR-06-04), 27 January 2006
- Electricity Regional Initiative launched to accelerate single European energy market, (Ref: PR-06-05), 27 February 2006
- Gas Regional Initiative launched to Accelerate single European energy market, (Ref: PR-06-06), 25 April 2006
- New gas balancing guidelines launched to improve the operation of EU gas markets, (Ref: PR-06-07), 25 April 2006
- Best practice propositions to help retail customers, (Ref: PR-06-08), 25 July 2006
- Energy Regulators meet the European Commission President on the need for new legislation, (Ref: PR-06-09), 5 October 2006
- World Forum on Energy Regulation III welcomes the CEER's new web initiative (www.iern.net) in facilitating international co-operation, (Ref: PR-06-10), 16 October 2006
- European Energy Regulators investigate blackout in Europe, (Ref: PR-06-11), 7 November 2006
- Meeting Europe's gas investment needs, (Ref: PR-06-12), 10 November 2006
- Binding legislation is needed to ensure non-discriminatory access to gas storage, (Ref: PR-06-13), 7 December 2006
- Energy Regulators present key reports to Commissioner Piebalgs assessing the development of the EU Energy Markets in 2006, (Ref: PR-06-14), 8 December 2006
- European Energy Regulators advise Commissioner Piebalgs, in the wake of the blackout, on what steps are needed to keep the lights on in Europe, (Ref: PR-06-15), 13 December 2006
- European Energy Regulators launch their 2007 Work Programme, (Ref: PR-06-16), 18 December 2006
- European Energy Regulators' Interim Report on the 4th November Blackout in Europe, (Ref: PR-06-17), 20 December 2006

Appendix III - Presentations by the European Energy Regulators

- "Panel - Competition, Investment & Prices in Member States". Mr. Walter Boltz, CEER Vice-President, IEA/IGU/CIEP High Level Conference. IEA Headquarter Paris, 26 January 2006.
- "Access to information in the Wholesale Markets: ERGEG Views and Prospects". Mr. Walter Boltz, CEER Vice-President, EURELECTRIC Conference. Brussels, 31 January 2006.
- "Towards a pan-European Energy Market: Challenges for the SEE & Black Sea Regions". Mr. Michael Thomadakis, from RAE (Greece), Black Sea Energy Conference. Bucharest, 3-5 April 2006.
- "Energy – The Next Steps". Sir John Mogg, CEER President, Roundtable in the European Parliament. Brussels, 25 April 2006.
- "Towards the creation of a single European market Position of Energy Regulators". Sir John Mogg, the CEER President, III Geode Spring Seminar. Brussels, 26 April 2006.
- "Forum on efficiency in power networks". Mr. Jacques-André Troesch, from CRE (France), World Energy Dialogue 2006. Hannover, 26 April 2006.
- "Plenary session IV: Regional Electricity Market, "Electricity Regional Initiative". Ms. Asta Sihvonen-Punkka, CEER Vice-President, 5th ERRA Energy Regulation & Investment Conference. Budapest, 16 May 2006.
- "ERGEG comments on the draft explanatory note of DG Energy & Transport on Article 5, paragraph 1 and 2 as well as Annex 2.1. of Regulation (EC) No 1775/2005 on conditions for access to the natural gas transmission networks". Mr. Walter Boltz, CEER Vice-President, XIth Madrid Forum, 18-19 May 2006
- "ERGEG comments on the draft explanatory note of DG Energy & Transport on Article 5, paragraph 3, 4 and 5 as well as Annex 2.2. of Regulation (EC) No 1775/2005 on conditions for access to the natural gas transmission networks". Mr. Walter Boltz, CEER Vice-President, XIth Madrid Forum, 18-19 May 2006
- "ERGEG Gas Regional Initiative". Mr. Walter Boltz, CEER Vice-President, XIth Madrid Forum, 18-19 May 2006
- "ERGEG 2006 Monitoring of the Implementation of the Guidelines for Good TPA Practice for Storage System Operators (GGPSSO)". Mr. Pierre-Marie Cussagnet (CRE) and Ms. Rosita Carnevalini (AEEG), XIth Madrid Forum, 18-19 May 2006
- "Guidelines for Good Practice for Gas Balancing (GGPGB) - An ERGEG Public Consultation Paper". Mr. Cemil Altin (OFGEM), XIth Madrid Forum, 18-19 May 2006
- "Green Paper and European Energy Model". Mr. Walter Boltz, CEER Vice-President, Club Espanol de la Energia, Workshop European Union, Security of Supply and Energy Models. Madrid, 17 May 2006.
- "Market development – where do we stand? A Regulator's reaction and key views and panel debate". Sir John Mogg, CEER President, EURELECTRIC Executive Forum. Oslo, 12 June 2006.
- "“Achieving sustainable commercial solutions in a more competitive, less regulated market - French regulatory perspectives ". Mr. Jacques-André Troesch, from CRE (France), 2006 European Forum. Rome, 29 May 2006.
- "Survey of Capacity Support Mechanisms in the Energy Community". Mr. George Koutzoukos from RAE (Greece). VIIIth Athens Forum. Athens, 22-23 June 2006.
- "Guidelines of Good Practice for Balancing Markets Integration". Mr. Tahir Kapetanovic, Chairman ERGEG Electricity System Operation TF, XIIIth European Electricity Regulation Forum. Florence, 7 September 2006.
- "Guidelines of Good Practice on Information Management and Transparency". Ms. Asta Sihvonen-Punkka, CEER Vice President, XIIIth European Electricity Regulation Forum. Florence, 7 September 2006.
- "Electricity Regional Initiative. Report on progress". Ms. Asta Sihvonen-Punkka, CEER Vice President, XIIIth European Electricity Regulation Forum. Florence, 7 September 2006.
- "France-UK-Ireland REM – Report on progress". Mr. David Haldearn from OFGEM (UK), XIIIth European Electricity Regulation Forum, Florence, 7 September 2006.
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- "The Regulators' response to the Commission's Green Paper". Sir John Mogg, CEER President, XIIIth European Electricity Regulation Forum. Florence, 8 September 2006.
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- "European Energy Markets Regulation and the Energy Charter - State of play and further prospects". Sir John Mogg, CEER President. Informal meeting on European Energy Markets Regulation and the Energy Charter" organised by ITRE Committee, Brussels, 26 September 2006.
- "Work of European Regulators and Political priorities for energy – EPSU Energy Group". Ms. Ritva Hirvonen, from EMV (Finland), EPSU EWC Coordinators Network Meeting. Brussels, 27 September 2006.
- "Roundtable on investment in energy infrastructure: regulatory expectations". Sir John Mogg, CEER President, World Forum on Energy Regulation III. Washington, 9 October 2006.
- "Benchmarking Quality of Electricity Supply". Mr. Gabor Szorenyi, from HEO (Hungary), World Forum on Energy Regulation III. Washington, 9 October 2006.
- "Regulatory Cooperation in Regional Market's development: The European experience". Mr. Michael Thomadakis, from RAE (Greece), World Forum on Energy Regulation III. Washington, 9 October 2006.
- "Regulatory role in promoting efficient energy use". Mr. Alessandro Ortis, CEER Vice-President, World Forum on Energy Regulation III. Washington, 9 October 2006.
- "Investment in electric transmission and distribution infrastructure, Investment in T&D, Joint Planning with a Nordic Example". Ms. Asta Sihvonen-Punkka, CEER Vice-President, World Forum on Energy Regulation. Washington III, 10 October 2006.
- "Raider of the lost ark or pushing the competition agenda forward", Panellist in the session Sleepless in Brussels. Sir John Mogg, CEER President, 21st Annual European Autumn Gas Conference (EAGC). Cannes, 17 October 2006.
- "Integrating national markets -ERGEG's Electricity Regional Initiative". Mr. Shaun Kent, from Ofgem (UK), MIBEL - The new Iberian electricity market Madrid, 23 October 2006.
- "Discussion on the capacity support mechanism". Mr. Michael Thomadakis, from RAE (Greece). IXth Athens Forum, 2nd Day, Session III (Investments). Athens, 24-25 October 2006
- "Key areas for enhancing energy cooperation - Investment and regulatory co-operation", Mr. Alessandro Ortis, CEER Vice-President. "The complementarities of the EU and Russian Energy Strategies" Conference. Moscow, 30 October 2006.
- "Regulatory aspects of Large Scale Wind Integration". Ms. Asta Sihvonen-Punkka, CEER Vice-President. European Wind Energy Association Conference. Brussels, 7-8 November 2006
- EPS "Energy Europe". Moderating the session " Fitting national Energy policies into an overall EU strategy". Sir John Mogg, the CEER President. Energy Europe: Security of Supply, Competitiveness and Environmental Sustainability – organised by Friends of Europe. Brussels, 9 November 2006.
- "Competition and Behavioural solutions - Lessons from the energy industry". Mr. Jacques-André Troesch, from CRE (France). ECTA Conference. Brussels 16 November 2006.
- "Barriers to Transparency and the Role of Regulators". Mr. Walter Boltz, CEER Vice-President, ETSO Conference on Electricity Market. Brussels, 17 November 2006
- "A roundtable on (In) dependent regulators and consumers". Ms. Patricia de Suzzoni, from CRE (France). Consumers and the Regulation of Energy markets Conference, Brussels, 28 November 2006.
- "ERGEG Presentation on the EN on Transparency". Mr. Walter Boltz, CEER Vice-President. Joint Working Group - Madrid Forum, Brussels, 29 November 2006.
- "Draft ERGEG Monitoring report on the Guidelines for Good TPA Practice for Storage Operators". Mr. Walter Boltz, CEER Vice-President. Joint Working Group - Madrid Forum, Brussels, 29 November 2006.
- "What Impact Will Market Consolidation Have On The Future Shape of Europe's Energy Markets? National Players vs Competition". Mr. Walter Boltz, CEER Vice-President, Sparks & Flames. Amsterdam, 7 December 2006.

Appendix IV - Membership of the CEER

Regulatory Authorities from the EU Member States

Austria	Energie-Control GmbH (E-Control)
Belgium	Commission de Régulation de l'Electricité et du Gaz (CREG)
Cyprus	Cyprus Energy Regulatory Authority (CERA)
Czech Republic	Energy Regulatory Office (ERU)
Denmark	Danish Energy Regulatory Authority (DERA)
Estonia	Estonian Energy Market Inspectorate (EEMI)
Finland	Energy Market Authority (EMV)
France	Commission de Régulation de l'Energie (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)
Luxembourg	Institut Luxembourgeois de Régulation (ILR)
Malta	Malta Resources Authority (MRA)
The Netherlands	Office of Energy Regulation (DTe)
Poland	The Energy Regulatory Office (ERO)
Portugal	The Energy Services Regulatory Authority (ERSE)
Slovakia	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 within the Swedish Energy Agency (STEM)
United Kingdom	Office of Gas and Electricity Markets (Ofgem)

Regulatory Authorities from the European Economic Area (EEA):

Iceland	Orkustofnun
Norway	Norwegian Water Resources & Energy Directorate (NVE)

Appendix V - Observers from the Accession Countries and from the EEA

Regulatory Authorities from the EU Member States

Austria	Energie-Control GmbH (E-Control)
Belgium	Commission de Régulation de l'Electricité et du Gaz (CREG)
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Estonia	Estonian Energy Market Inspectorate (EEMI)
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France	Commission de Régulation de l'Energie (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)
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Slovenia	Energy Agency of the Republic of Slovenia (AGEN)
Spain	The National Energy Commission (CNE)
Sweden	Energy Markets Inspectorate within the Swedish Energy Agency (STEM)
United Kingdom	Office of Gas and Electricity Markets (Ofgem)

Observers from the Accession Countries and Candidate Countries

Bulgaria	State Energy Regulatory Commission (SERC)
Iceland	Orkustofnun
Norway	Norwegian Water Resources & Energy Directorate (NVE)
Romania	Romanian Electricity and Heat Regulatory Authority (ANRE)
Romania	National Regulatory Authority in Natural Gas Sector (ANRGN)
Turkey	Energy Market Regulatory Authority of Turkey (EMRA)

Council of European Energy Regulators (CEER)

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