

A brief history of electricity market liberalization in Europe

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Timeline

- Reforms in Chile and Argentina in the 1980s showed that competition in electricity was possible
- Telecom reforms in the UK (1983) demonstrated the possibility of competition in a network sector
- UK: The Gas Act (1986) and the Electricity Act (1989) intended to create competitive markets
- 1988 "The Internal Energy Market" (European Commission)
- These developments lead to Directive 96/92/EC (electricity) and Directive 98/30/EC.

Expectations

- State ownership/private monopolies → poor incentives
 - attempts to improve efficiency had failed
- Introducing competition appeared possible and effective, why not in electricity and gas?

1996/1998: First electricity and gas Directives

Basic outline of market: competitive activities should be free, networks regulated, but:

- Choice between nTPA/rTPA
- Government tendering of capacity allowed
- Gradual phasing in of competition
- No regulator required
- No detailed market design decisions (no harmonization!)

The Electricity Directive 2003/54/EC

(Successor of 96/92/EC)

Principles:

- networks regulated monopoly, rest free market activity
- network and system managers independent
 - juridical unbundling, separate bookkeeping
- regulated access to the networks (rTPA)
- generation free, but license may be required
- supply: free after July 1st, 2007
- public service obligation for small consumers

The Gas Directive 2003/55/EC

(Successor of 98/30/EC)

Principles:

- networks, storage and LNG: regulated monopolies
- free market: production and supply
- network and system managers independent
 - juridical unbundling, separate bookkeeping
- regulated access to the networks (rTPA)
- storage: regulated or negotiated access
- supply: free after July 1st, 2007

Dutch legislation

1989 Electricity Act

- ineffective economic reforms
- centralization of power in SEP
- stimulation of CCHP

1998 Electricity Act

- Implementation of the Directive
- Affected only monopoly tasks: networks
- CPI-X regulation of network tariffs
- Permit requirement for supply to small customers (rule added later)

OEPS: transition act electricity production sector (2000, 2003)

- Sunk costs
 - Demkolec
 - import contracts
 - district heating projects
- TenneT to the state

Gas Act (2000)

- Implementation of the Directive
- Focus on networks and supply: production is regulated by the Mining Act
- Initially nTPA, recently changed to rTPA

The EU's Third Package

- Replacements for Directives 2003/54/EC
- New regulations replacing nos. 1228/2003
- Creation of European-level agencies
 - ACER
 - ENTSO-E and ENTO-G

Unbundling transmission network operators

- Compromise: three options
- Ownership unbundling
- Independent system operator (ISO)
 - operation is independent, transmission vertically integrated
- “Independent transmission operator” (ITO)
 - networks remain vertically integrated
 - but subject to stricter regulation, a.o. with respect to investment

Requirements for regulators

- Independent from other public agencies and politics
- Full budgetary autonomy
- Extension of powers of national regulators
- Harmonisation of powers of national regulators

Creation of ENTSO

- European Network of Transmission System Operators
- Annual plan
- European net code
- Every two years:
 - 10-year plan for network development (not binding)
 - annual forecast of summer and winter generation adequacy
- Coordination of research
- If requested: recommendations regarding binding guidelines

Creation of ACER

- EU Agency for the Co-operation of Energy Regulators
- Advisory, monitoring and reporting roles
- Involved with preparing European net code and regulating ENTSO
- Replaces ERGEG as platform for the cooperation among national regulators
- Discretionary power with respect to cross-border transmission capacity *in case involved countries cannot agree*
- Staff: +/- 40-50 persons

Consumer protection

- Consumers need to receive all relevant consumption data (→ smart meters!)
- Switch of supplier needs to be effectuated within three weeks
- Final bill needs to be provided within 6 weeks
- Contract conditions need to be transparent
- Member states need to create independent agent for handling complaints (e.g. ombudsman, consumer authority)
- Protection of vulnerable consumers against being disconnected