

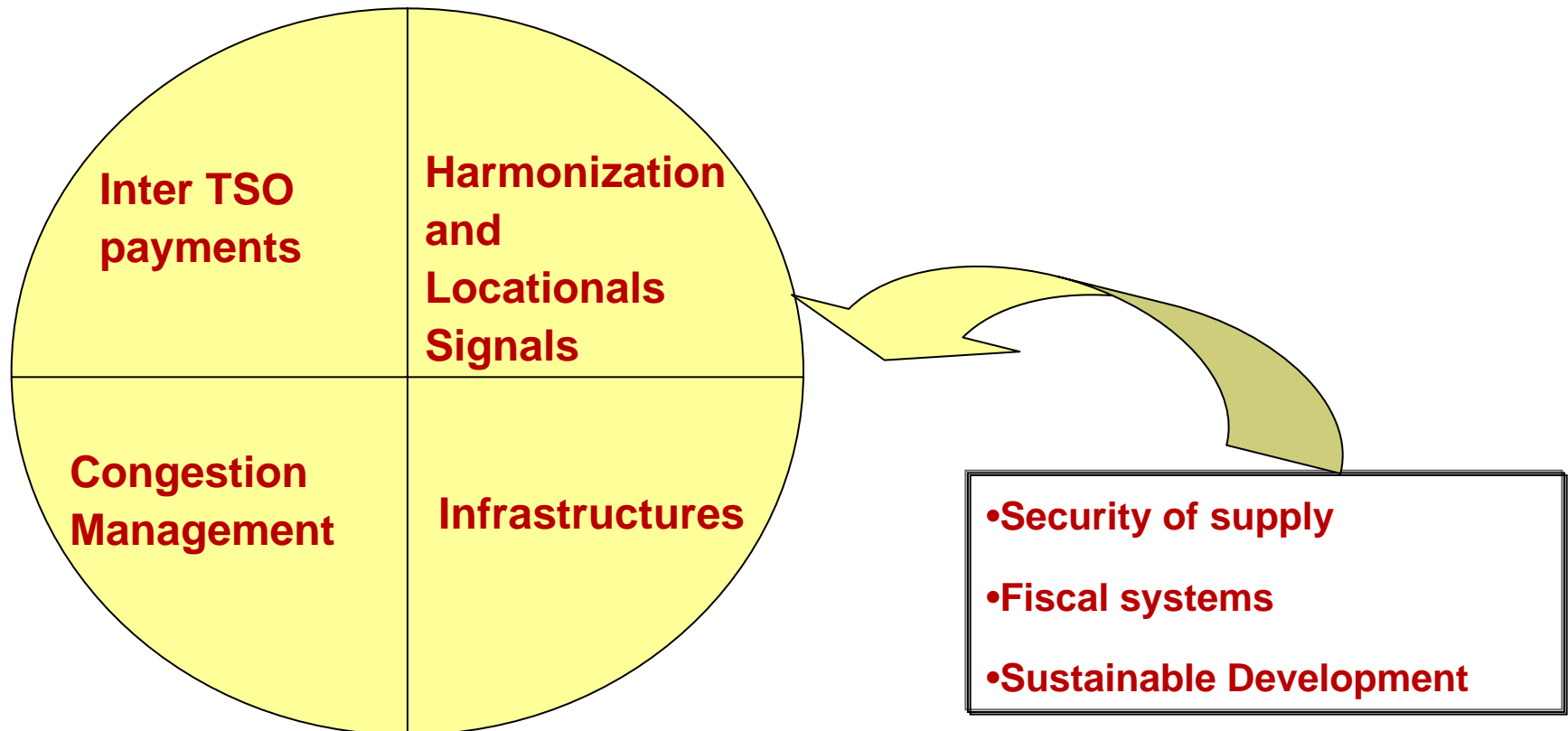
The Internal Electricity Market in the European Union

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Naruc. IRC Meeting
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I. Energy policies in the European Union

I.1 Key interrelations



I. Energy policies in the European Union
I.2. Energy internal market
I.2.1. Electricity Directive (1)

- New Directive 2003/54/CE, from the European Parliament and the Council, dated 26th June, on common regulations for the internal electricity market that revokes Directive 96/92/CE
- Applicable to the Member States (MS), 1st July 2004. With the exception of paragraph 1 of article 15: Legal separation of the distribution network manager of a vertically integrated group, until July 2007

I. Energy policies in the European Union

I.2. Energy internal market

I.2.1. Electricity Directive (2)

- New Directive 2003/54/CE, from the European Parliament and the Council, dated 26th June, on common regulations for the internal electricity market that revokes Directive 96/92/CE
 - Procedure for authorisation of new facilities
 - Separation of transport network managers
 - Separation of distribution network managers
 - Third party access. Regulated tariffs
 - Separation of accounts
 - Right of access to accounting system
 - Opening the market
 - Independent regulating bodies
 - Protection of vulnerable clients. Economic-social cohesion
 - Investments of TSO

I. Energy policies in the European Union

I.2. Energy internal market

I.2.1. Electricity Directive (3)

- New Directive 2003/54/CE, from the European Parliament and the Council, dated 26th June, on common regulations for the internal electricity market that revokes Directive 96/92/CE

PROCEDURE FOR AUTHORISATION OF NEW FACILITIES

- NEW DIRECTIVE:
 - The Member States (MS) shall adopt an authorisation procedure for the construction of new generating facilities
 - The MS shall ensure that the authorisation procedures for small generating facilities or distributed generating facilities bear in mind their limited size and possible impact
- DIRECTIVE 96/92/CE:
 - In the case of new generating facilities, the MS may opt for an authorisation procedure or for tendering

I. Energy policies in the European Union

I.2. Energy internal market

I.2.1. Electricity Directive (4)

- New Directive 2003/54/CE, from the European Parliament and the Council, dated 26th June, on common regulations for the internal electricity market that revokes Directive 96/92/CE

SEPARATION OF TRANSPORT NETWORK MANAGERS

- NEW DIRECTIVE:

- If the transmission network manager belongs to a vertically integrated company, it must be independent of the rest of the activities not related to transport, at least as far as its legal personality, its organisation and its decision-making process are concerned
- This stipulation shall not imply nor give rise to a requirement to separate ownership of the transmission network assets from the vertically integrated company

- DIRECTIVE 96/92/CE:

- The network manager shall be independent of the rest of the activities not related to the transmission network, at least from the point of view of management.

I Energy policies in the European Union

I.2. Energy internal market

I.2.1. Electricity Directive (5)

- New Directive 2003/54/CE, from the European Parliament and the Council, dated 26th June, on common regulations for the internal electricity market that revokes Directive 96/92/CE

SEPARATION OF DISTRIBUTION NETWORK MANAGERS

- NEW DIRECTIVE:

- If the distribution network belongs to a vertically integrated company, it must be independent of the rest of the activities not related to distribution, at least as far as its legal personality, its organisation and its decision-making process are concerned
- This stipulation shall not imply nor give rise to a requirement to separate ownership of the distribution network assets from the vertically integrated company
- The MS may postpone applying the separation until 1st July 2007. Where necessary, the Commission will present proposals to the European Parliament and to the Council, in particular to ensure the total and effective independence of the distribution network managers before 1st July 2007
- The MS may decide that the separation should not apply to integrated electricity companies that supply electricity to fewer than 100,000 connected customers, or that supply small isolated networks

- DIRECTIVE 96/92/CE:

- No mention is made of the separation of the managers of distribution networks

I. Energy policies in the European Union

I.2. Energy internal market

I.2.1. Electricity Directive (6)

- New Directive 2003/54/CE, from the European Parliament and the Council, dated 26th June, on common regulations for the internal electricity market that revokes Directive 96/92/CE

THIRD PARTY ACCESS

■ NEW DIRECTIVE:

- The MS shall guarantee the application of a system of third party access to the transmission and distribution networks based on published tariff rates
- These tariff rates or the methodology used to calculate them must be approved before they come into force

■ DIRECTIVE 96/92/CE:

- The MS may opt for one of the following procedures: negotiated access, regulated access, single purchaser

I. Energy policies in the European Union

I.2. Energy internal market

I.2.1. Electricity Directive (7)

- New Directive 2003/54/CE, from the European Parliament and the Council, dated 26th June, on common regulations for the internal electricity market that revokes Directive 96/92/CE

SEPARATION OF ACCOUNTS

- NEW DIRECTIVE:

- The internal accounting system of the electricity companies shall keep separate accounts for each of their transmission and distribution activities, in the same way as they would be obliged to do if these activities were carried out by different companies
- Likewise, they shall keep accounts, that may be consolidated, for other electricity activities not related to transmission and distribution
- Up to 1st July 2007 they shall keep separate accounts of the supply activities involving qualified customers and non-qualified customers

- DIRECTIVE 96/92/CE:

- Integrated electricity companies shall keep separate accounts for their generating, transmission and distribution activities and, where applicable, consolidated accounts for other non-electricity activities

I. Energy policies in the European Union

I.2. Energy internal market

I.2.1. Electricity Directive (8)

- New Directive 2003/54/CE, from the European Parliament and the Council, dated 26th June, on common regulations for the internal electricity market that revokes Directive 96/92/CE

RIGHT OF ACCESS TO ACCOUNTING SYSTEM

- NEW DIRECTIVE:

- The MS or any other authorised body appointed by them shall have, to the degree necessary to carry out their functions, right of access to the accounting system of electricity companies

- DIRECTIVE 96/92/CE:

- No mention is made of the right of access to accounting

I. Energy policies in the European Union

I.2. Energy internal market

I.2.1. Electricity Directive (9)

- New Directive 2003/54/CE, from the European Parliament and the Council, dated 26th June, on common regulations for the internal electricity market that revokes Directive 96/92/CE

OPENING THE MARKET

- NEW DIRECTIVE: The MS shall ensure that qualified customers are:
 - up to 1st July 2004, the qualified customers mentioned in paragraphs 1 to 3 of article 19 of Directive 96/92/CE
 - from 1st July 2004, at the latest, all non-domestic customers
 - from 1st July 2007, all customers
- DIRECTIVE 96/92/CE:
 - First level: qualified customers are end consumers with an annual consumption of over 40 GWh
 - Second level: three years after the present Directive comes into force, customers with an annual consumption of at least 20 GWh
 - Third level: six years after the present Directive comes into force, customers with an annual consumption of at least 9 GWh

I. Energy policies in the European Union

I.2. Energy internal market

I.2.1. Electricity Directive (10)

- New Directive 2003/54/CE, from the European Parliament and the Council, dated 26th June, on common regulations for the internal electricity market that revokes Directive 96/92/CE

REGULATING BODIES

■ NEW DIRECTIVE

- The MS shall appoint one or various authorised entities to act as regulating bodies. These entities shall be totally independent of the interests of the electricity sector
- These entities shall be responsible for establishing or approving, before they come into force, at least the methodology used to calculate or set out the conditions of:
 - connection and access to the national networks, including the tariff rates for transmission and distribution
 - The provision of frequency balancing services

■ DIRECTIVE 96/92/CE:

- The MS shall appoint an authorised entity, independent of the parties involved, to resolve conflicts related to contracts, negotiations and denial of access or purchase

I. Energy policies in the European Union

I.2. Energy internal market

I.2.1. Electricity Directive (11)

- New Directive 2003/54/CE, from the European Parliament and the Council, dated 26th June, on common regulations for the internal electricity market that revokes Directive 96/92/CE

APPLICATION

■ NEW DIRECTIVE

- The legal, regulatory and administrative requisites necessary to fulfil the stipulations of the present Directive shall come into force in the MS no later than 1st July

II Market integration in the European Union

II.1 Situation of the electricity internal market

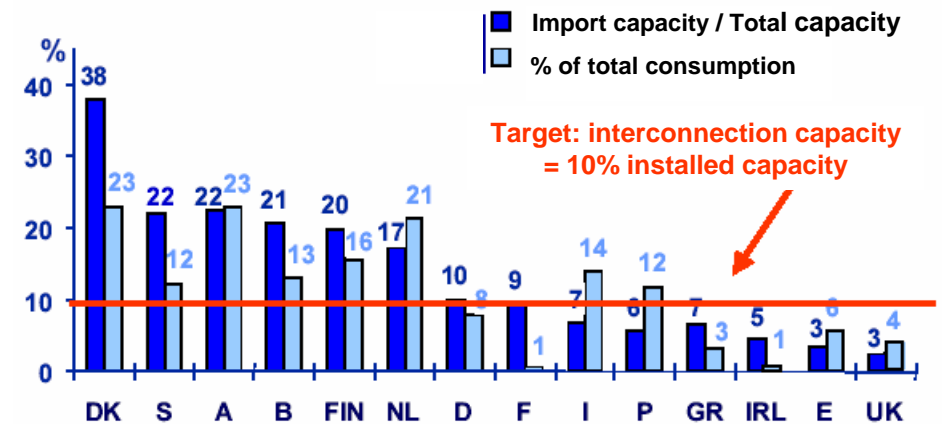
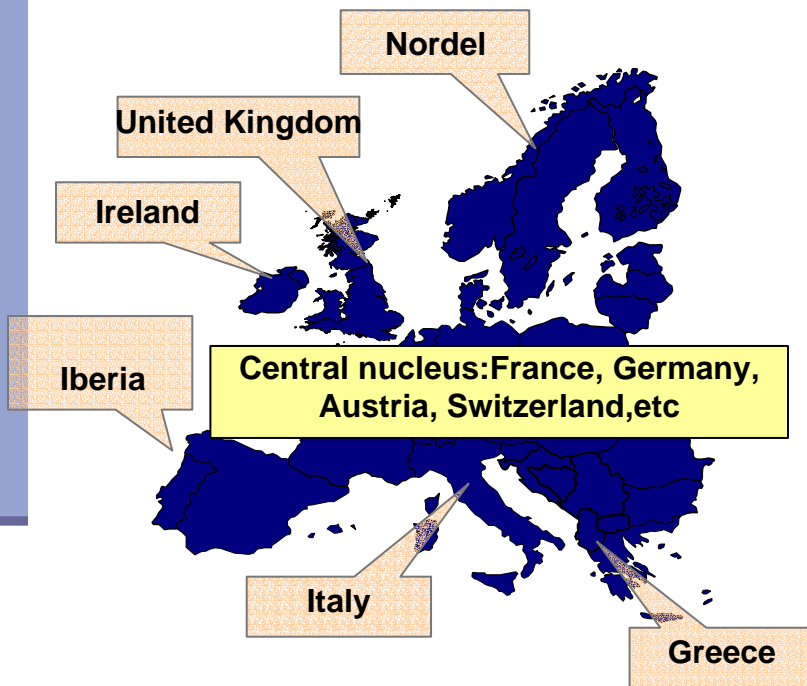
- 25 National markets with different levels
- Differences between transmission access tariffs
- Insufficient interconnections



- **Directive 54/03/CE Common rules for the internal electricity market. Modifies Directive 96/92/CE : Regulatory Armonization**
- **Transborder Regulation approved by the Commission in June 2003: Applies on 1st July 2004: European Regulation of Transborder**
- **CBT Mechanism being applied between TSO: None transborder tariffs, payments/charges between TSO**
- **TEN project: Increase of interconnection infrastructures**

II. Market integration in the European Union

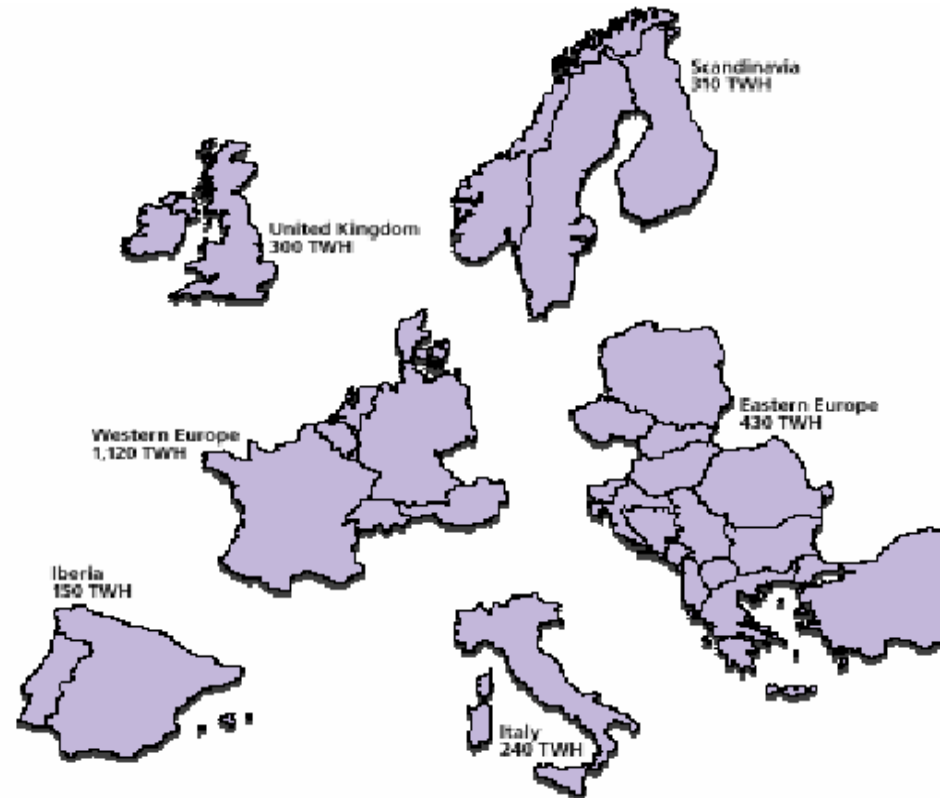
II.2 One nucleus + six satellites with reduce interconnection capacity



II. Market integration in the European Union

II.3 Natural submarkets in the UE

- MIBEL
- U.K.
- Nord Pool
- East Europe / South-East
- Italy



II. Market integration in the European Union

II.4 Market comparison

	Nordel	U.K.	Italy	MIBEL
<i>Population mill</i>	24,3	58,5	57,5	49,1
<i>Generation TWh</i>	395,4	374,9	263,3	242,2
<i>Load TWh</i>	401,0	387,9	298,5	245,5
<i>Balance TWh</i>	5,6	13,0	44,3	3,3
<i>Installed capacity GW</i>	90,3	78,9	75,5	64,7
<i>Maximum load GW</i>	64,6	64,1	51,3	42,0
<i>Lines Km >220 KV</i>	32.202	16.642	22.495	35.210