

## **Investments and Regulation in Electricity in the UNECE region: Issues and Challenges**

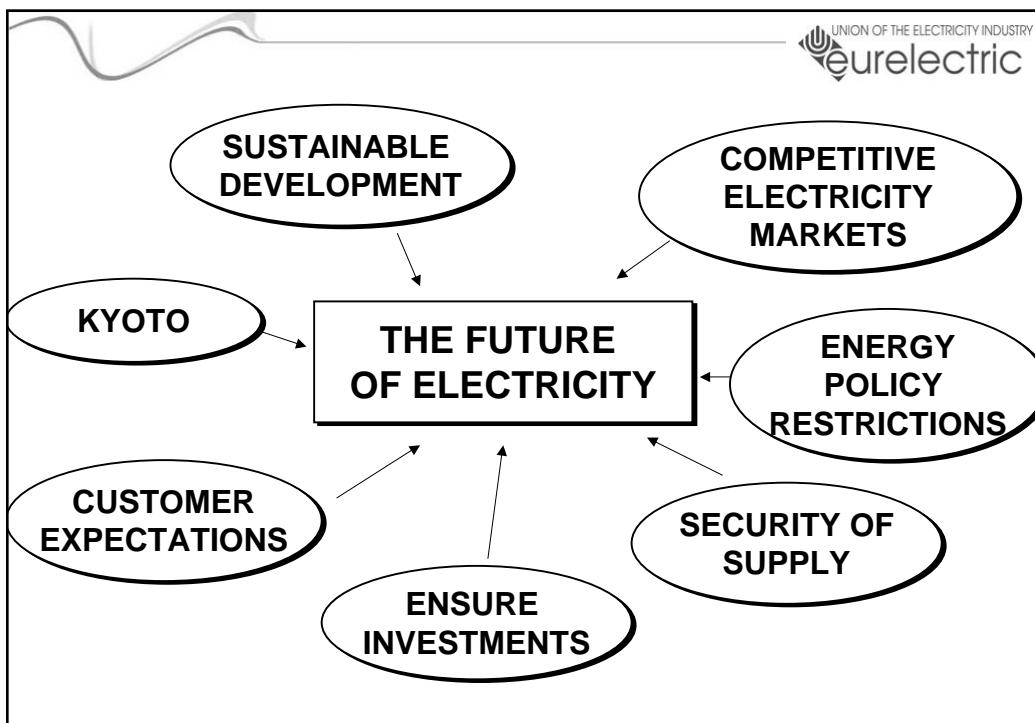
**- Paul BULTEEL -  
Secretary General**

**Geneva  
29 November 2006**



**Representing the European Electricity Industry  
at Expert, Strategic and Policy-making Level**

## A PAN-EUROPEAN AND MEDITERRANEAN SCOPE



**EUROPEAN COMMISSION PROGRESS REPORT  
(Nov. 2005):**

***“With the adoption of the 2nd Electricity and Gas Directives, the basic framework for the development of a real internal market is in place”.***

***“... the initial opening period of energy markets has largely been a success to date, with, for example, electricity prices now being lower in real terms than in 1997 ...”***

**DG COMPETITION SECTORAL INQUIRY  
(Preliminary report - February 2006)**

***“... We will act decisively to remedy the serious malfunctions identified on the energy market ....”***

***Competition Commissioner  
Neelie Kroes***

**5 main obstacles identified :**

- **Market concentration**
- **Vertical foreclosure**
- **Lack of market integration**
- **Lack of transparency**
- **Price formation**

## IEA REPORT

### “Lessons from Liberalised Electricity Markets”

*“Electricity market liberalisation is not an event. It is a long process that requires strong and sustained political commitment, extensive and detailed preparation, and continuous development to allow for necessary improvements, while sustaining on-going investment”.*

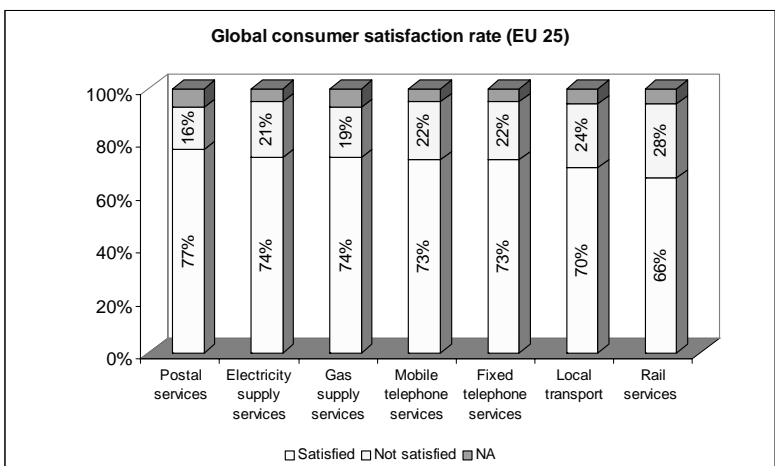
## CONTINUOUS PROGRESS ON MULTIPLE FACTORS

	Work done	Work to do
Implementation of existing directives	X	X
Cooperation between regulators/governments	X	X
Effective unbundling	X	X
Regulated transmission access	X	
Abolition of cross-border fees	X	
Market based congestion management	X	X
Access to network data	X	X
Power exchanges	X	
Cooperation between power exchanges	X	X
Liquidity	X	X

.../...

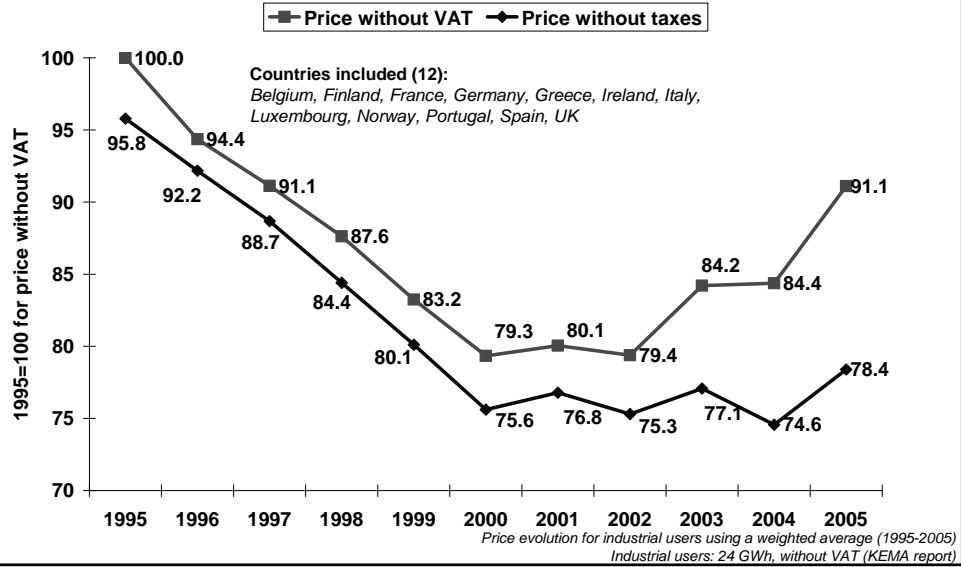
	Work done	Work to do
Transparency of market data	X	X
Trade mechanisms	X	X
Supplier switching procedures	X	X
Interconnection expansion	X	X
Reduce authorisation barriers		X
All energy options open		X
Inter TSO network planning / operation	X	X
Regulatory level playing field	X	X
Market tools for environmental objectives	X	X
Internationalisation of producers/suppliers	X	X
Competitive access to gas	X	X

## Consumer Satisfaction of Residential Customers is high

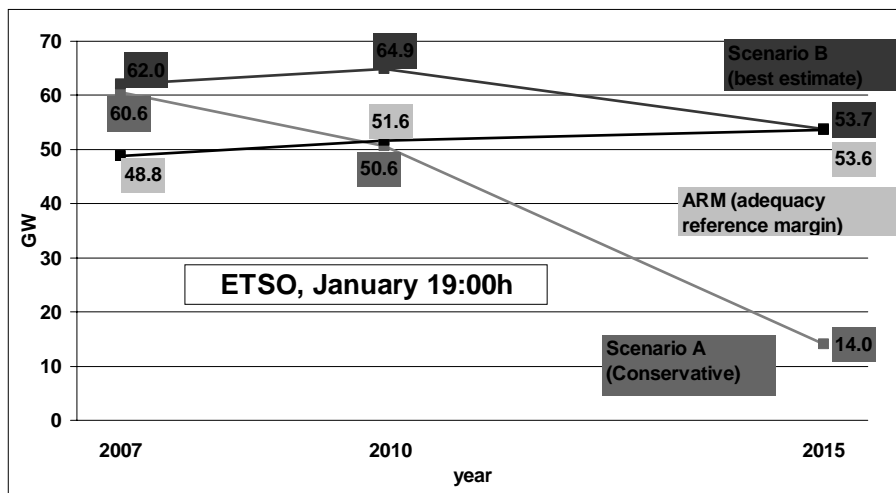


Source: Evaluation of the Performance of Network Industries Providing Services of General Economic Interest, 2005 report (SEC(2005) 1781), based on Special Eurobarometer, December 2004

## Price Evolution - Industrial Customers (real-term prices)



## REMAINING CAPACITIES IN DIFFERENT SCENARIOS

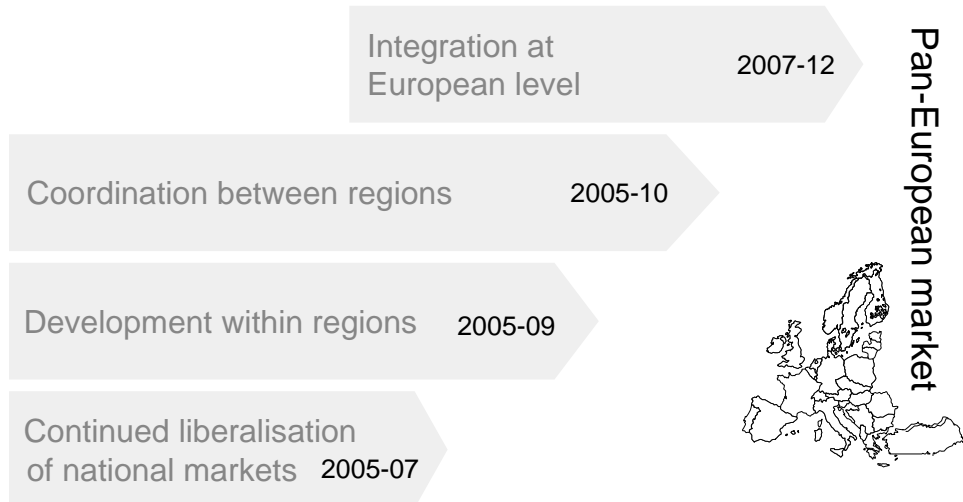


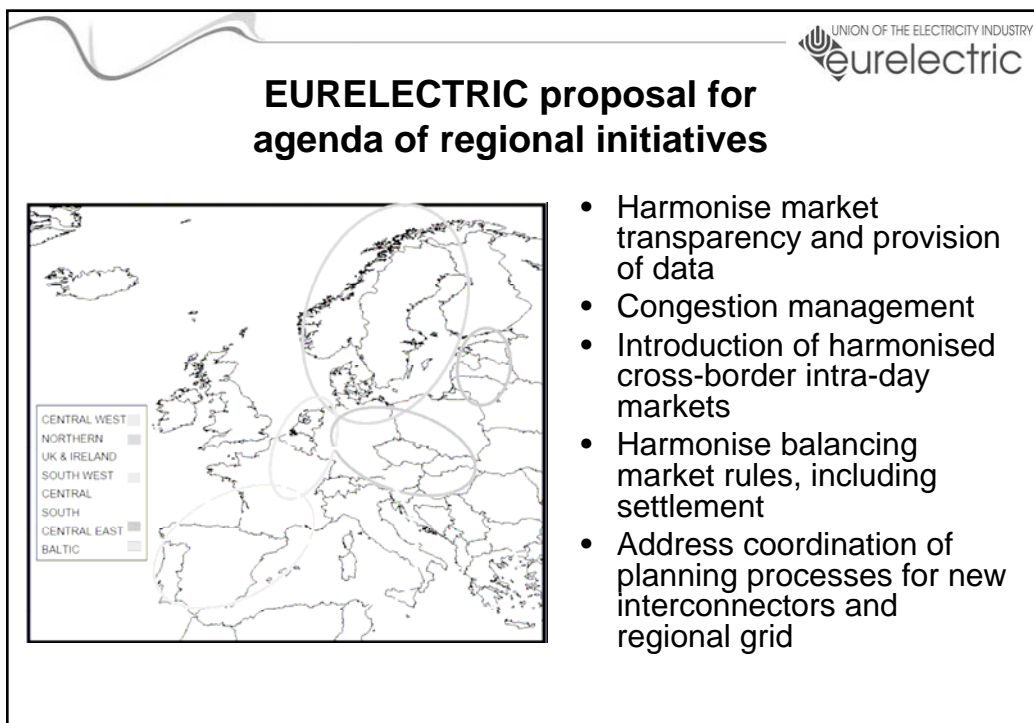
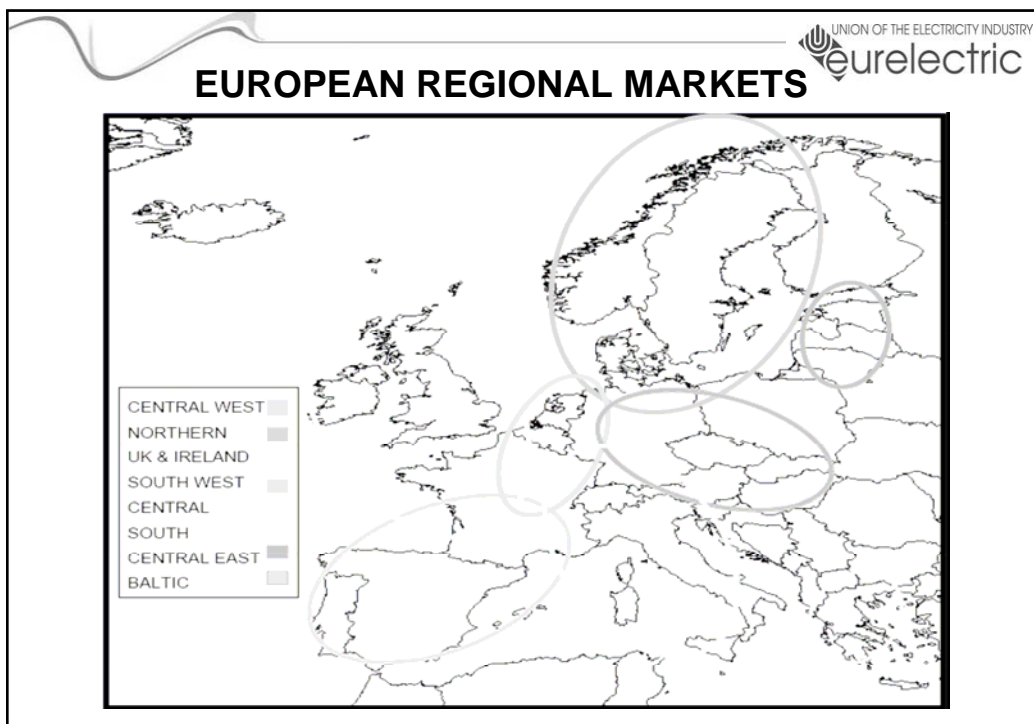
Source: ETSO generation adequacy report,  
May 2005

**Perspective for the future:  
integration through larger markets**

***EURELECTRIC road map towards a  
pan-European electricity market***

**ROAD MAP TO A EUROPEAN ELECTRICITY MARKET:  
PARALLEL APPROACH**





## HOW TO MOVE FORWARD

**EURELECTRIC adopted an Action Plan to address all major issues and impediments that are limiting the development of markets**

**1. Accelerate market integration**

Regional initiatives:

- More ambitious agenda in contents and timing
- Greater involvement of the EC
- Use of implementation agreements with industry

**2. Improve TSO coordination**

Short term: regional initiatives

Long term: structural measures?

.../...

**3. Improve regulator's coordination**

Short term: implementation agreements with industry

Long term: structural measures (EREG + ? European Regulator?)

**4. Strengthen market confidence**

Proactive dialogue with industrial customers

- wholesale markets
- emissions trading
- longer term contracts & partnerships

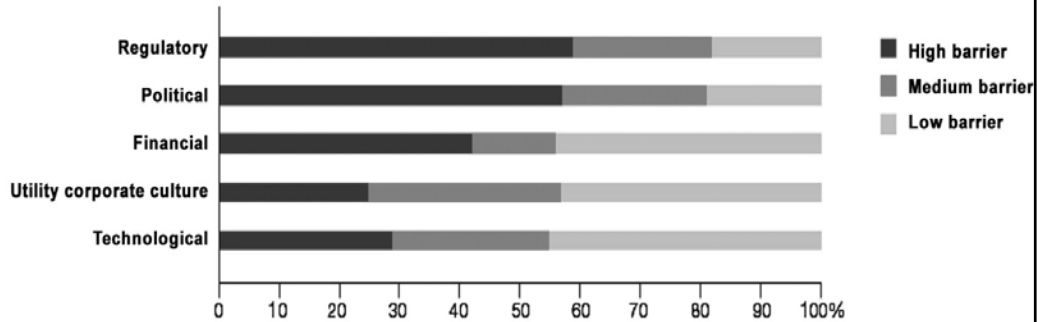
**5. Facilitate supplier switching**

- Roadmap to integrated retail market
- Business model for supplier switching

⇒ **STRONG SYNERGIES !**

## BARRIERS TO CHANGE

Figure 8: What is preventing the big leap ?



Note: Global responses only. % share of responses

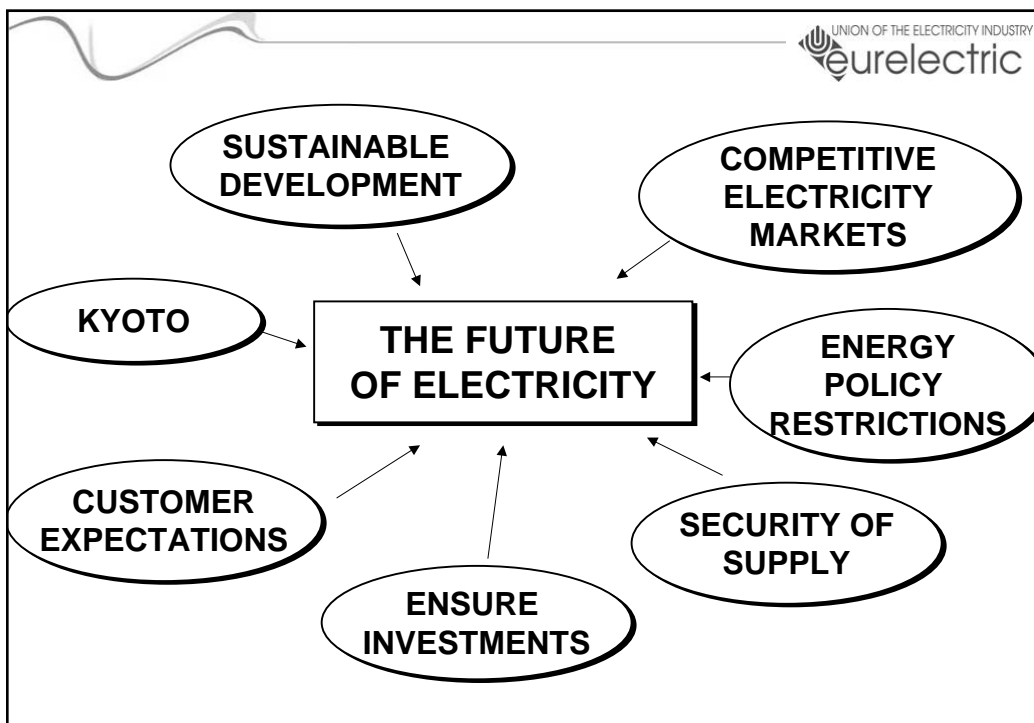
Source: PricewaterhouseCoopers, Utilities global survey 2006

## CREATING AN INTERNATIONAL ELECTRICITY MARKET...

- 1 European Commission
- 25 National Regulators
- 25 National Energy Policies
- 25 National Industry Structures
- 25 Support Schemes for Renewables
- 25 Support Schemes for Cogeneration
- 25 National CO2 Emission Targets
- 25 National CO2 Allocation Plans
- 30+ Transmission System Operators

## CONCLUSIONS

- **NO INTERNATIONAL MARKET WITHOUT A CONSISTENT REGULATORY FRAMEWORK AND COOPERATION BETWEEN POLICY MAKERS, REGULATORS AND INDUSTRY**
- **THE LIBERALISATION PROCESS IS INITIATED BY REGULATION, BUT MARKET ACTORS BECOME KEY DRIVING FORCE**





At the Forefront of the European  
Electricity Industry

[www.eurelectric.org](http://www.eurelectric.org)