

**CEER**

**Council of European  
Energy Regulators**



Harmonisation in the EU and the way  
forward – A Bridge to 2025

Fostering energy markets,  
empowering **consumers**.

## Creating an Internal Energy Market

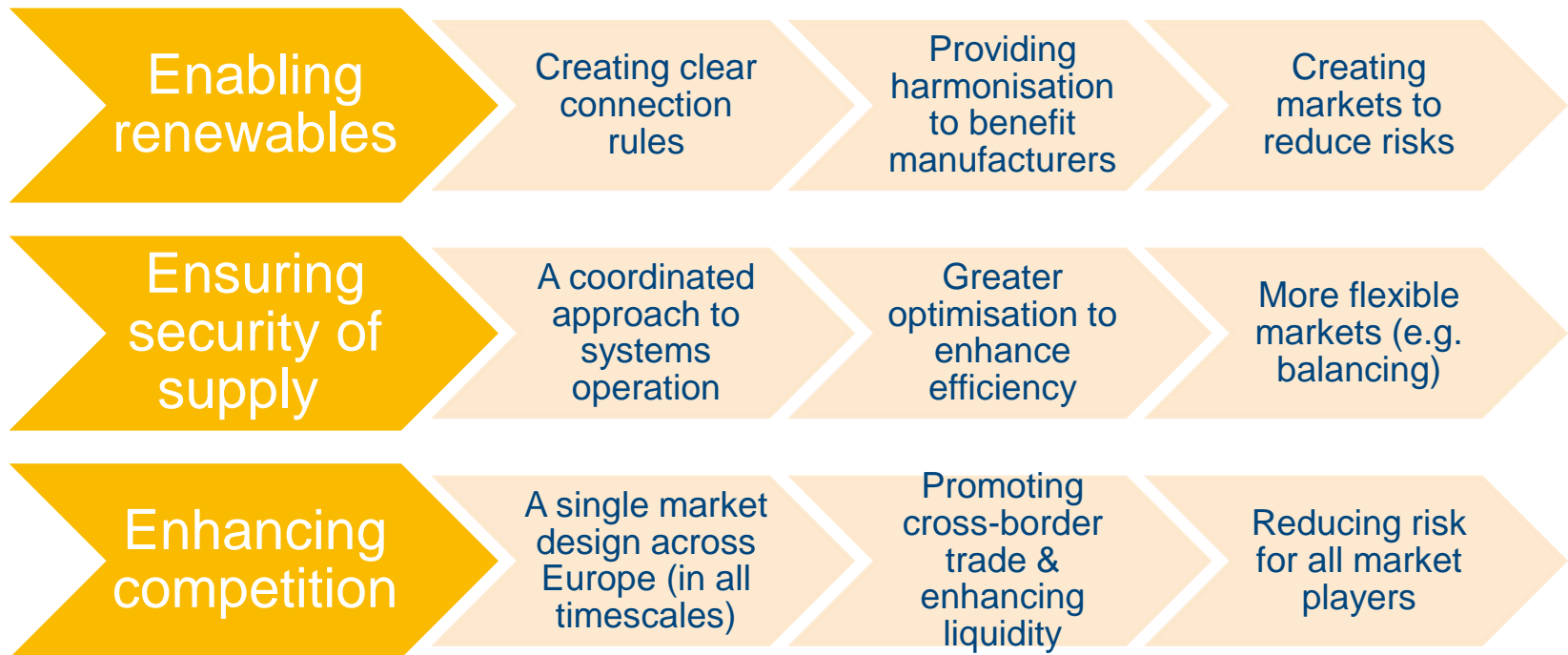
*“Is it not strange that we can book a train ticket from Portugal to Estonia and can buy our textiles and cars from all over Europe - but for energy markets we are **still stuck with our national suppliers?**”*



Guenther Oettinger,  
EU Commissioner for Energy  
(2010 – 2014)



## Why Harmonisation?



# History of EU integration

## Towards the Single Energy Market

**1st Package**  
“First common  
rules for the internal  
market and  
liberalisation”

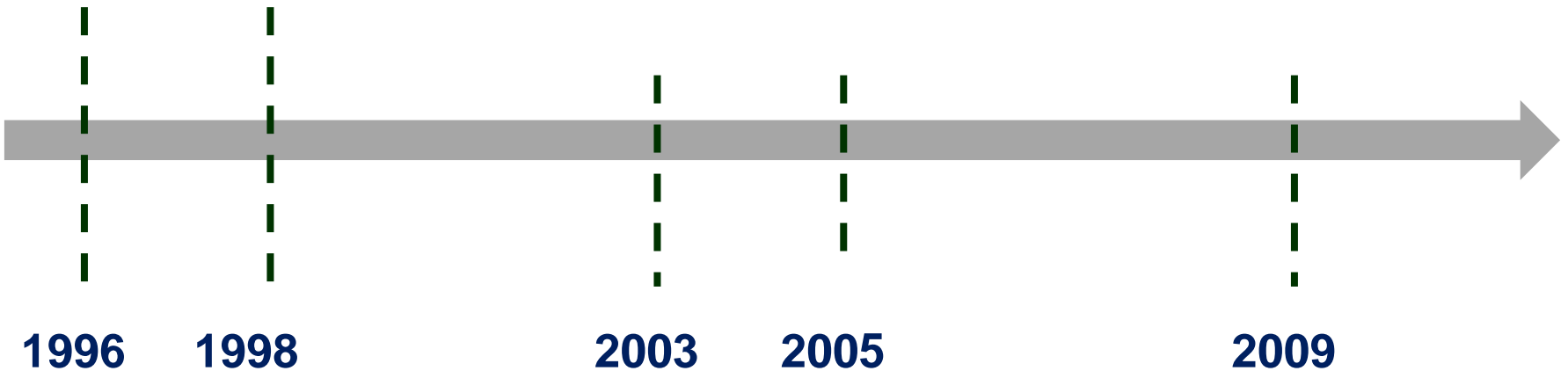
**Partial liberalisation**

**2nd Package**  
“Speeding up liberalisation and  
market integration”

**Full market opening; obligation for MSs  
to establish NRAs independent from  
industry; legal & functional unbundling**

**3rd Package**  
“EU-wide Institutional &  
Regulatory Framework”

**Reinforcing unbundling (including  
ownership); harmonised cross-  
border rules; strengthened NRA  
independence & powers;  
establishment of ACER & ENTSOs**



## History of EU integration

### Voluntary cooperation has shown its limits .....

3rd Package to fill 'regulatory gap' in cross-border framework and embed a more European approach to the IEM:

- Strengthened **NRAs' powers and independence** from public or private interests; mandate to cooperate at European level and to promote the internal energy market
- European regulatory Agency ('**ACER**') **created** to promote and support regulatory cooperation across the EU structure, coordinate NRA action where necessary and participate in EU-wide regulatory processes
- **ENTSOs created** for increased cooperation and coordination among transmission system operators (TSOs)
- **Network codes** (binding) at European level for cross-border network & market integration issues & European network planning

All aimed at  
achieving

competitive IEM to  
deliver real choice

for all consumers be  
they citizens or  
businesses

## Network Codes

- ▶ The codes form a set of **harmonised rules** for cross-border trade of gas and electricity.
- ▶ The 3rd Energy Package set out a framework for these codes to be developed by the European Transmission System Operators (ENTSOs) for gas and electricity, ACER and market participants



# Network Codes

## What are they?

### Electricity Network Codes

#### 3 Connection Network Codes

Set requirements for:

- Generators
- Demand-side
- HVDC connections

#### 3 Market Network Codes

Set market rules for:

- Day ahead/intraday & Capacity calculation
- Long-term timeframes
- System balancing

#### 3 Operational Network Codes

Set common rules for:

- Assessing adequacy
- Planning outages
- System security
- Emergency situations

### Gas Network Codes

#### 5 Network Codes

Congestion Management Procedures (CMP)  
Capacity Allocation Mechanisms (CAM)  
Balancing

Interoperability  
Harmonised tariff structures

## Regional Initiatives

- To speed up the integration of Europe's national energy markets.
- Regional Initiatives create electricity and 3 gas regional markets as a staging post towards a single-EU energy market.
- The North West region was price coupled on the day-ahead time frame on 4 February 2014.
- Nordic and Baltic markets are fully integrated in all time frames (NordPool Spot)

### Regional Initiatives Status Review Report 2014



## Progress achieved

- In addition to common market rules (network codes) and common legal requirements (3<sup>rd</sup> Package provisions)
- In 2014, single electricity day-ahead market coupling covers Strait of Gibraltar to the Barents Sea, covering 17 jurisdictions and approximately **75% of the electricity** delivered in the EU
- Price convergence is improving
- Cross-border capacity contracting becoming more short-termed (e.g. where liquid gas hubs exist)
- New joint auction offices and regional market operators, TSO cooperation bodies and possibly electricity and gas capacity allocation bodies

....but much more work still to be done!

[ACER-CEER Annual Market Monitoring Report 2014](#)



## Lessons learned from voluntary projects

- It takes time
- Political backing is an absolute key
- Stakeholder involvement is important
- Prioritising the recommendations in advance can be helpful
- Governance of new market arrangements needs careful thought to reflect changes

## The Bridge to 2025

The “Bridge” is a formal Recommendation from ACER to the European Parliament, the Council and the Commission; based on the challenges over the next decade of EU energy market integration.

ACER and CEER worked together to produce The Bridge to 2025 which represents a joint strategy to shape EU energy policy over the coming decade.

The Bridge is a document but also an ongoing process



## Key Objectives

The Bridge Recommendation reflects regulators' ambition to achieve five key objectives for the Internal Energy Market by 2025:

- 1. Establishing liquid, competitive and integrated wholesale energy markets**
- 2. Enhancing Europe's security of supply and channelling the external element of IEM**
- 3. Moving to a low carbon society with increased renewables and smart, flexible responsive energy supply**
- 4. Developing a functioning retail market that benefits consumers**
- 5. Building stakeholder dialogue, cooperation and new governance arrangements**



## 1.5 Bridge Proposals for ACER & CEER (1)

Cross-cutting proposals address the full range of energy policy - from electricity and gas, to retail and consumer to distribution networks and the overall governance for European level energy cooperation.

Some key proposals include:

- ▶ Implement fully the Third Package framework, network codes and Target Models for electricity and gas
- ▶ Develop the Gas Target Model to help manage the uncertainty about future gas demand and where appropriate the electricity Target model
- ▶ Promote security of supply and more coordinated and consistent approaches to assessing system adequacy
- ▶ Facilitate flexible response, including participation of the demand side

## 1.6 Bridge Proposals for ACER & CEER (2)

- ▶ Establish common criteria for a well functioning retail market and develop a roadmap aimed at competitive and innovative retail markets by 2025
- ▶ Protect and empower consumers to participate actively in energy markets through developing CEER/BEUC vision
- ▶ Establishing stakeholder panels of energy actors and consumer representative bodies
- ▶ Ensure that the market for new service providers is not foreclosed by incumbents
- ▶ Review and improved regulatory oversight of ENTSOs and of other bodies (e.g. NEMOs)

## New area for EU action: Retail Markets

- A disconnect between wholesale and retail energy markets, despite lower wholesale prices retail prices has increased in many areas.
- Price regulation hampers competition and create barriers to entry
- A need to give consumers further rights and tools to empower them to participate actively in energy markets
- CEER focuses strongly in this area
- Energy Union Communication gives support to ACER/CEER views

## New kid on the block: Energy Union

### The way forward

#### *Communication on Energy Union Strategy Framework*

- + Communication on “The Road to Paris” (i.e. international climate negotiations) and*
- + Communication on Progress towards the 10% electricity interconnectivity target*

- Energy Union Communication is very much in line with the Bridge 2025
- The gap between wholesale and retail is highlighted
- New market design – what does it mean?
- New legislation is probably under way
- Regionalisation is the way forward





## Energy Union Communication

Energy Union strategy composed of five mutually-reinforcing, interrelated dimensions to bring greater energy security, sustainability and competitiveness:

- Energy security, solidarity and trust
- A fully integrated European energy market
- Energy efficiency contributing to moderation of demand
- Decarbonising the economy
- Research, Innovation and Competitiveness



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**Thank you for your attention**

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