

Energy regulation and security of supply – the European regulators' approach –

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ARIAE-CEER High-level meeting

Madrid, 8 April 2010

What does security of supply imply?

- There is **no common definition** of security of supply for electricity and gas at European level.
- **In Electricity:**
 - according to the Directive 2005/89/EC, “*security of electricity supply means the ability of an electricity system to supply final customers with electricity*”.
 - European energy regulators further specified this definition : “*Security of supply means that customers have access to electricity at the time they need it with the defined quality and at a transparent and cost-oriented price.*”
- **In gas:** no definition has been given yet in a legally binding text.

The complexity of security of supply

- Security of supply as a **multi-dimensional issue**: technical, political, economical
- **Different approaches** to security of supply
 - Preventive-reactive, endogenous-exogenous risks, confluence of a variety of roles (MS, NRAs, operators, stakeholders)
- **Electricity and gas characteristics**:
 - Different nature of production (national versus mostly imported)
 - A well meshed and interconnected network in electricity, entry points and transmission corridors in gas
 - GNL and storability of gas allow for more flexibility
 - Heavy dependence on a few gas suppliers
 - Increasing interrelation (gas-fired generation)

Challenges in infrastructure development (1/2)

- Common challenges for the electricity and the gas sectors
 - Improvement of security of supply through the **the up-grading of existing infrastructure, interconnections and development of new ones**
 - Incentives to invest in infrastructure and coordination of infrastructure planning at European level needed (financial, legal obstacles...)
- Specificities to the gas sector
 - Diversification of supply sources and routes (pipelines and LNG)
 - Development of reverse flows when justified and interconnections
 - Improving coordinated gas dispatching between adjacent TSOs
 - Article 36 of Directive 2009/73/EC provides that *“new gas infrastructure, i.e. interconnectors, LNG and storage facilities, may be exempted from the provisions [concerning third party access and tariffs if the investment enhances] competition in gas supply and security of supply”*.

- Specificities to the electricity sector
 - Article 16 of Directive 2009/28/EC provides that *“TSOs shall give priority to renewable energy generating units when dispatching electricity installations insofar as the secure operation of the national electricity system permits and based on transparent and non-discriminatory criteria”*
 - Power grid needs to be protected against the variability of renewable energy to prevent severe network security situations and even blackouts
 - Adaptation of the power grid to the climate issues, integration of renewables, smart grids...

Security of supply – a EU priority

The new legal framework

- New chapter on energy in the Lisbon Treaty (2009)
 - Article 194 TFEU creates a new basis for all energy related legislation,
 - **Principle of solidarity** between MS, **security of supply** and development of energy networks – notably of **cross-border interconnections** – as key elements of EU energy policy
- 3rd Package provisions (2009)
 - **Increased independence and competencies of NRAs**
 - Creation of a European **Agency for the cooperation of energy regulators (ACER)**
 - Stronger **cooperation between TSOs at European level (ENTSO-E/ ENTSOG)**, in particular as regards investments planning (TYNDP)
- Directive 2005/89/EC on security of electricity supply
- Directive 2004/67/EC on security of gas supply → **revision ongoing**
- Regulation (EC) n°736/96 on investment notification → **revision ongoing**
- TEN-E Guidelines and European Energy Programme for Recovery
- New infrastructure package foreseen

Security of supply

The role of European energy regulators

- Reinforcing security of energy supply is an objective for NRAs, even if differences between MS and a key driver for the tasks of ACER
- Close voluntary cooperation of NRAs at European level is a key to tackle security of supply problems:
 - **Council of European Energy Regulators (CEER)** set up in 2000 by the NRAs as a voluntary organisation (29 members)
 - Within CEER two Task Forces deal specifically with security of supply issues in electricity and gas
- CEER uses different tools to deal with security of supply issues
 - Exchange of monitoring information and data between NRAs
 - Ensuring transparency for market participants
 - Market integration, regional initiatives, investments
 - Legally binding Guidelines (e.g. on congestion management and capacity allocation)
 - International cooperation

CEER's recent international activities

- In 2006, CEER set up a Working Group dealing with international cooperation issues – the **International Strategy Group (ISG)**
- One ISG priority is to **support the EU policy with regard to security of supply,**
- Ongoing dialogues with non-EU gas producers and/or transit countries
 - Contacts with the **Federal Tariff Service of Russia**
 - CEER members' twinning projects with the **National Electricity Regulatory Commission of Ukraine**
 - CEER permanent participation in the **Eastern Partnership “Platform on energy security”**
 - **IERN/ICER**

Thank you for your attention!

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