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ELECTRICITY AND NATURAL GAS MARKETS:

THE EUROPEAN APPROACH TO

RESTRUCTURING AND REGULATION

Jorge Vasconcelos

Entidade Reguladora dos Serviços Energéticos

CEEP Discussion Days, “Services of general interest, pillars of the European model”

Coimbra, March 5, 2003

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ELECTRICITY AND NATURAL GAS MARKETS:
THE EUROPEAN APPROACH TO RESTRUCTURING AND REGULATION

1. BUILDING THE INTERNAL ENERGY MARKET

2. ENERGY MARKETS AND THE GENERAL INTEREST

3. CONCLUSIONS AND OPEN QUESTIONS

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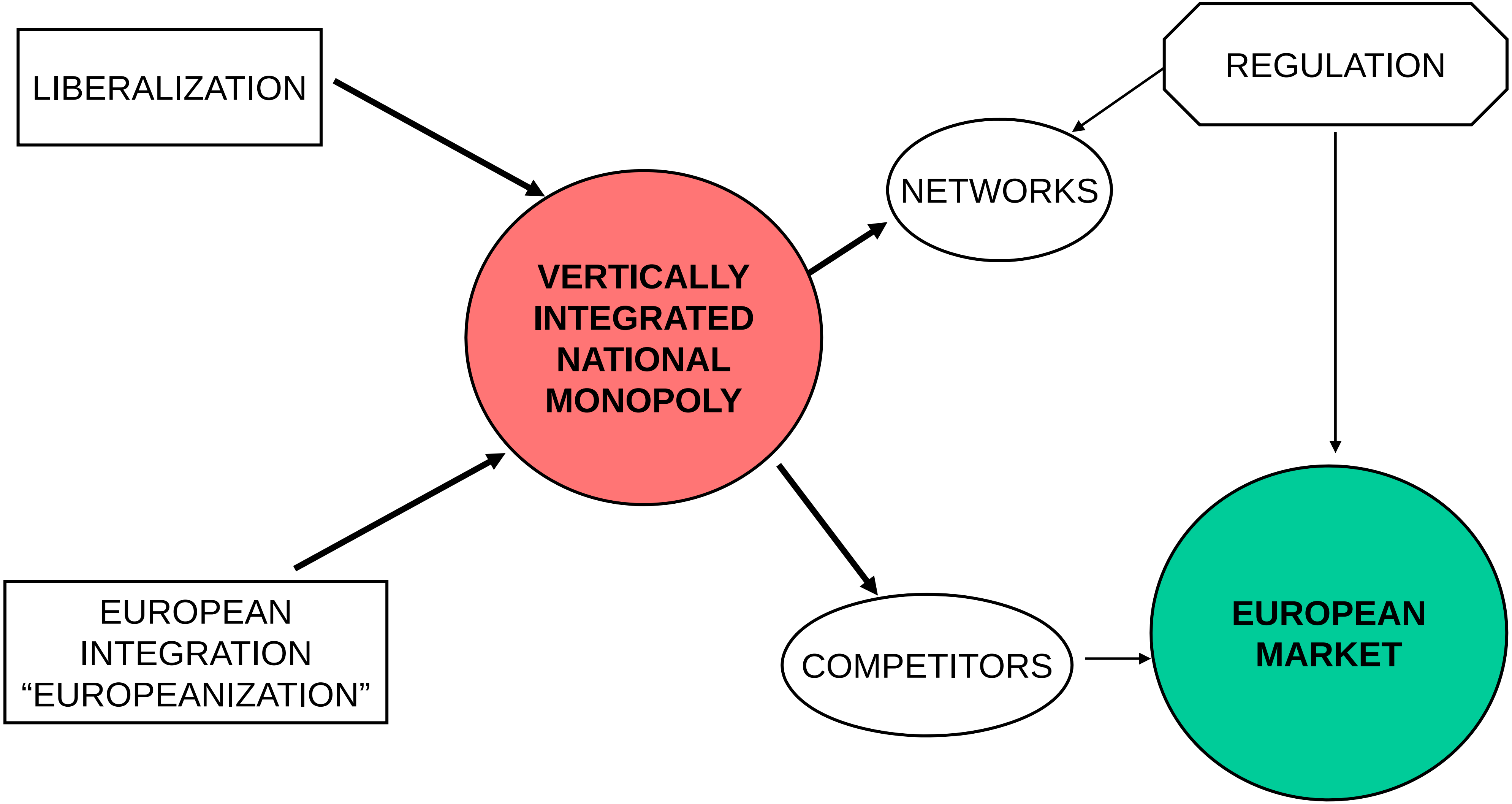
1. BUILDING THE INTERNAL ENERGY MARKET



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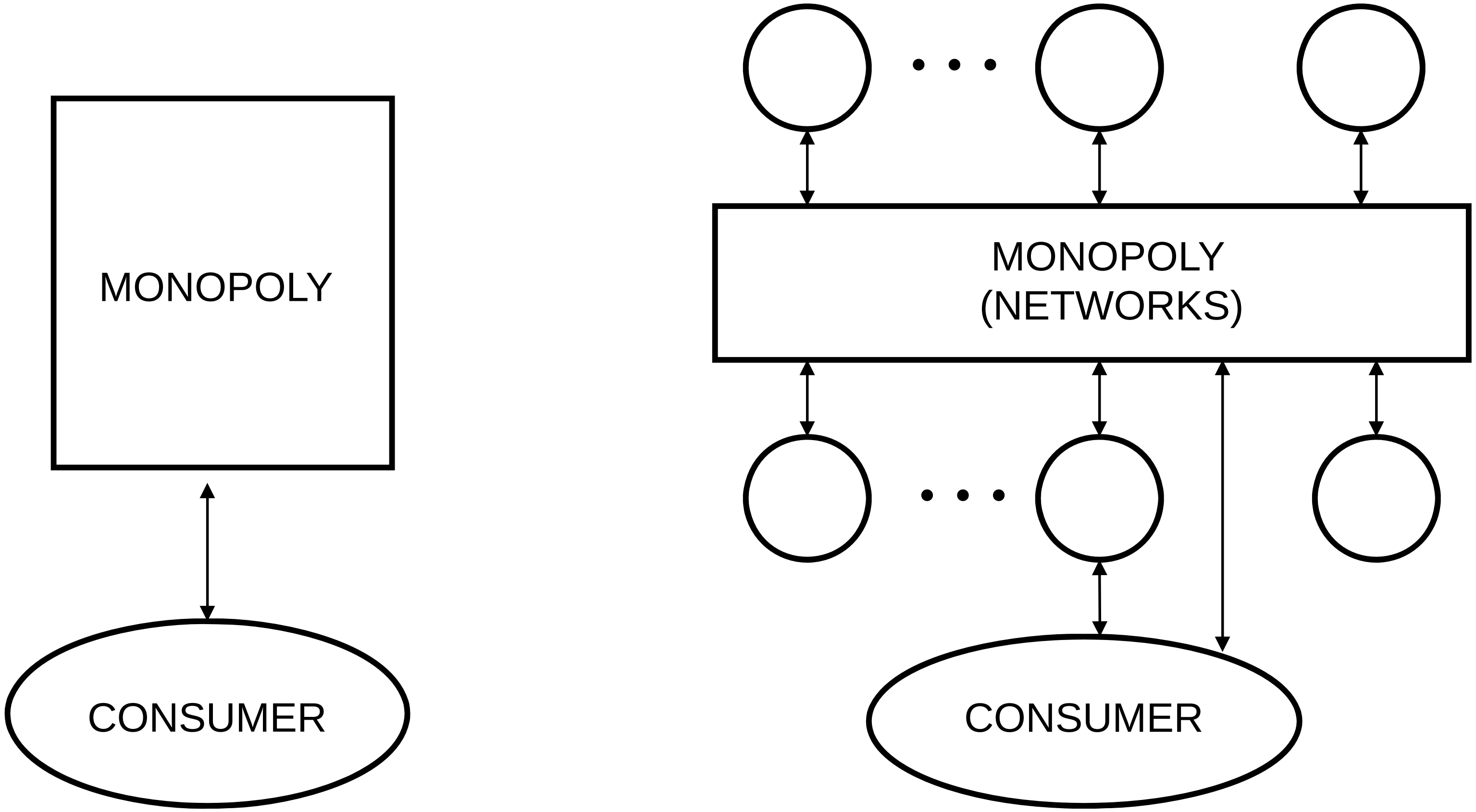
1. BUILDING THE INTERNAL ENERGY MARKET



1. BUILDING THE INTERNAL ENERGY MARKET

VERTICALLY-INTEGRATED MONOPOLY

- GENERATION
- TRANSMISSION
- DISTRIBUTION
- SUPPLY

1. BUILDING THE INTERNAL ENERGY MARKET

UNBUNDLING

GENERATION
TRANSMISSION
DISTRIBUTION
SUPPLY

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1. BUILDING THE INTERNAL ENERGY MARKET

UNBUNDLING:

ACCOUNTS

↓

ORGANISATION

↓

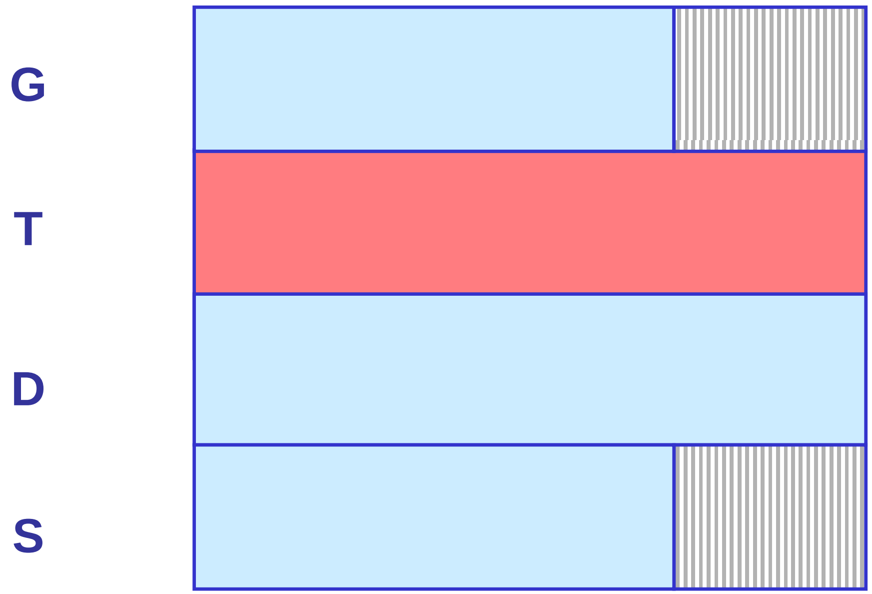
LEGAL

↓

OWNERSHIP

1. BUILDING THE INTERNAL ENERGY MARKET

OPENING UP MARKETS

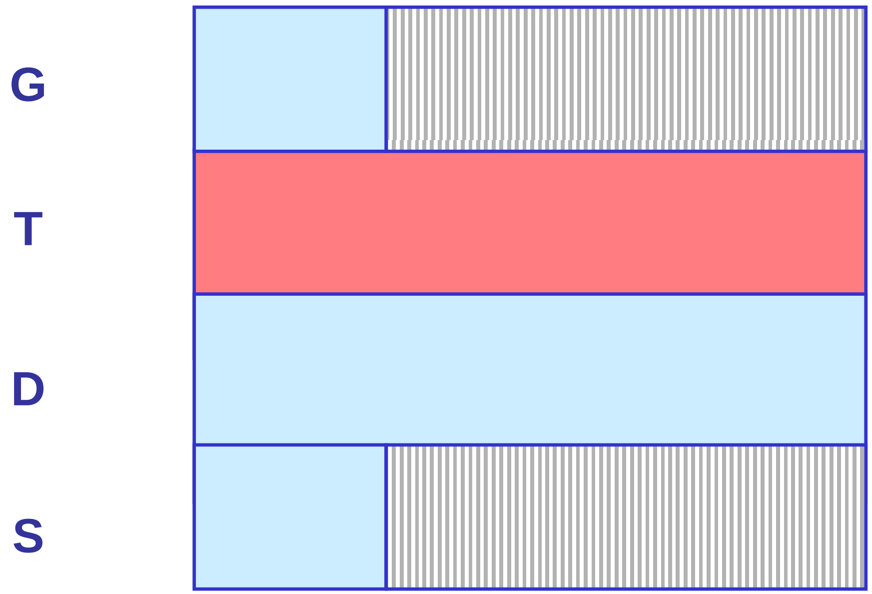


1. BUILDING THE INTERNAL ENERGY MARKET

MINIMUM	≈	33%
ACTUAL	≈	66%
2007	=	100%

1. BUILDING THE INTERNAL ENERGY MARKET

COMPETITION



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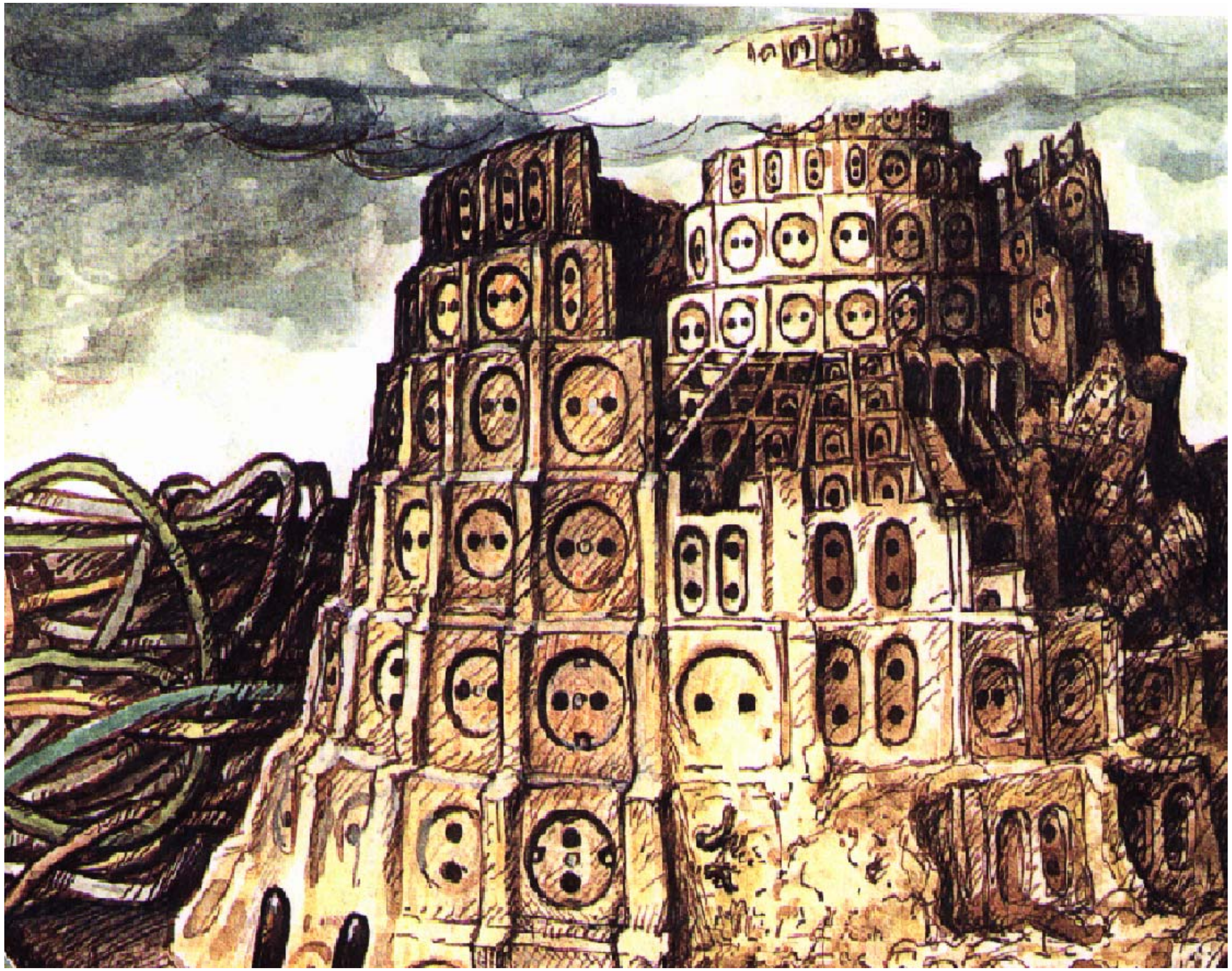

WHOLESALE MARKETS

(POWER EXCHANGES, HUBS, SETTLEMENT, IMBALANCE MARKETS, ETC.)

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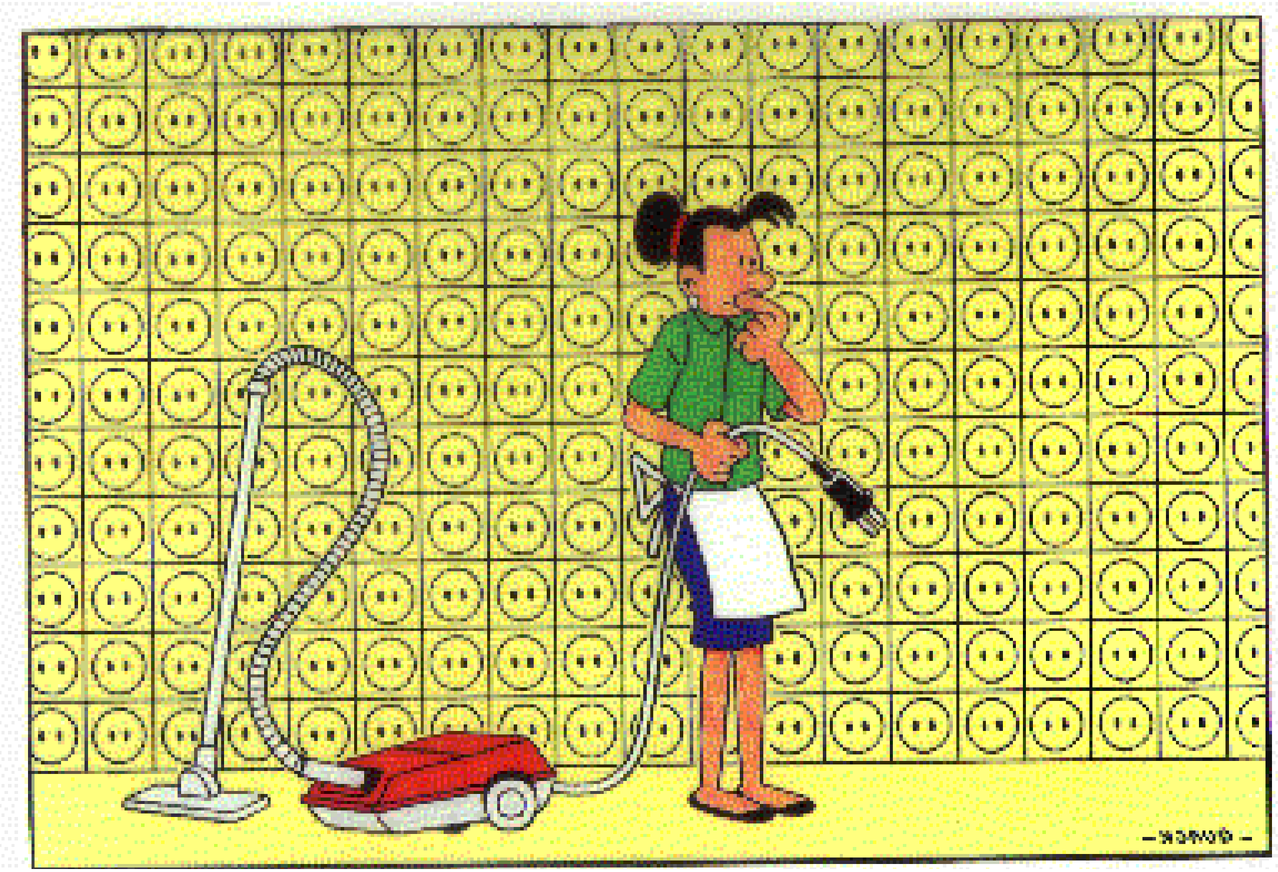

RETAIL MARKETS

(MEASUREMENTS, SWITCHING, ETC.)

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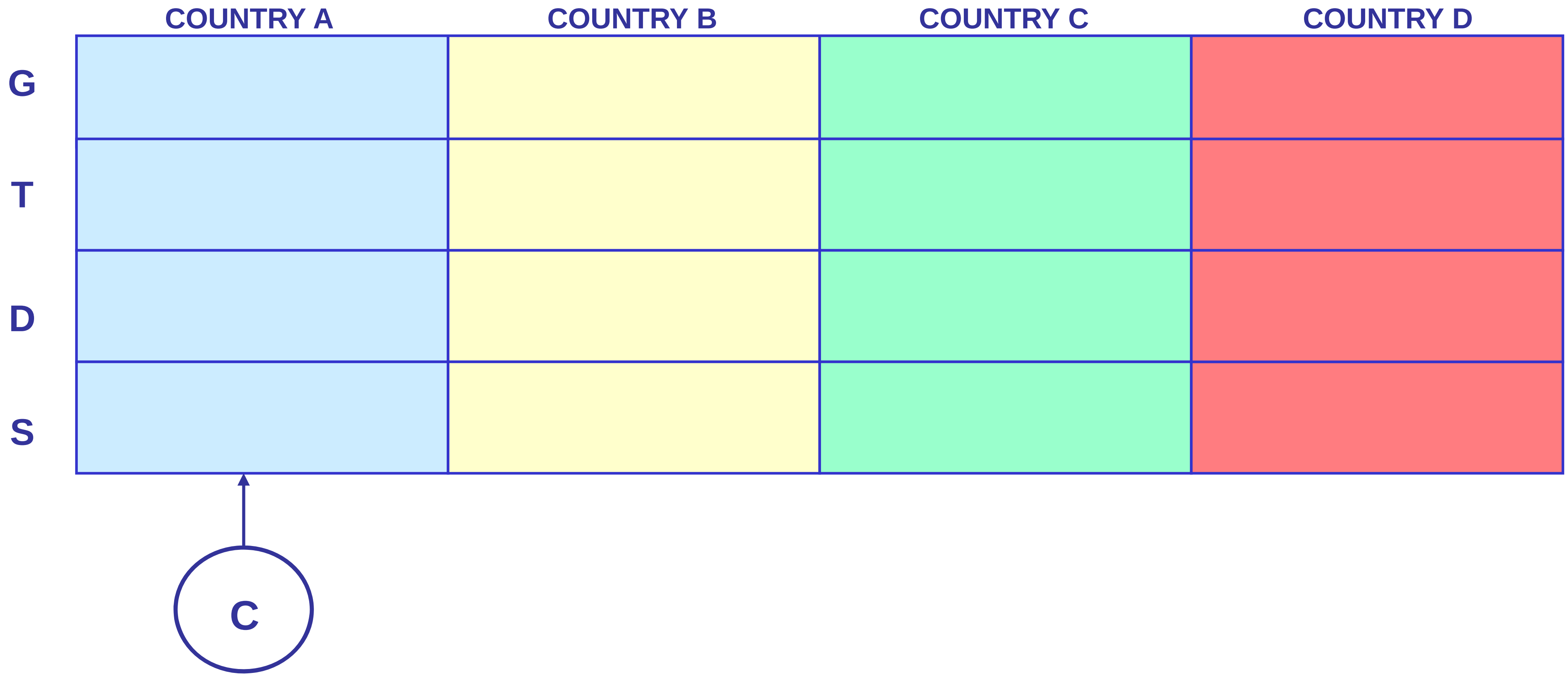
1. BUILDING THE INTERNAL ENERGY MARKET

REGIONAL MARKET INTEGRATION

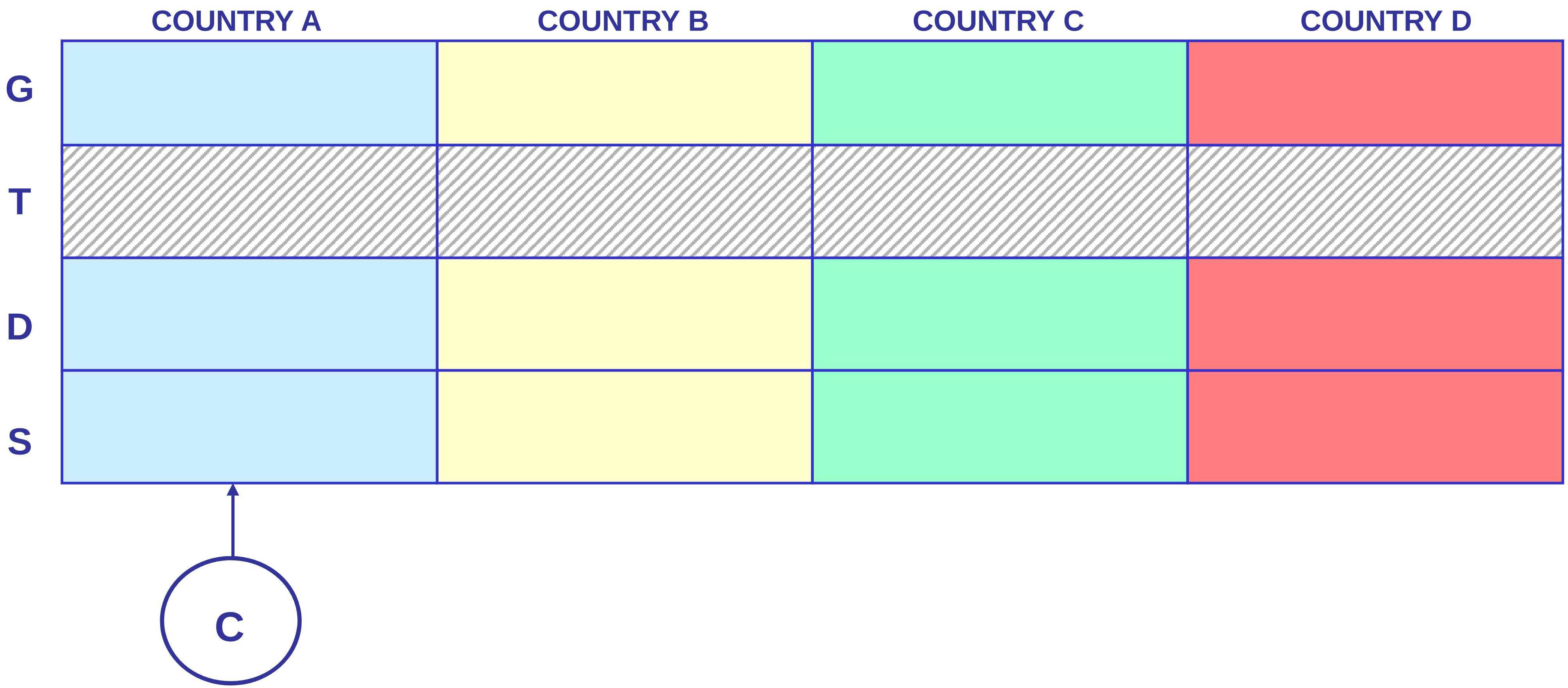
(1)



1. BUILDING THE INTERNAL ENERGY MARKET

REGIONAL MARKET INTEGRATION

(2)



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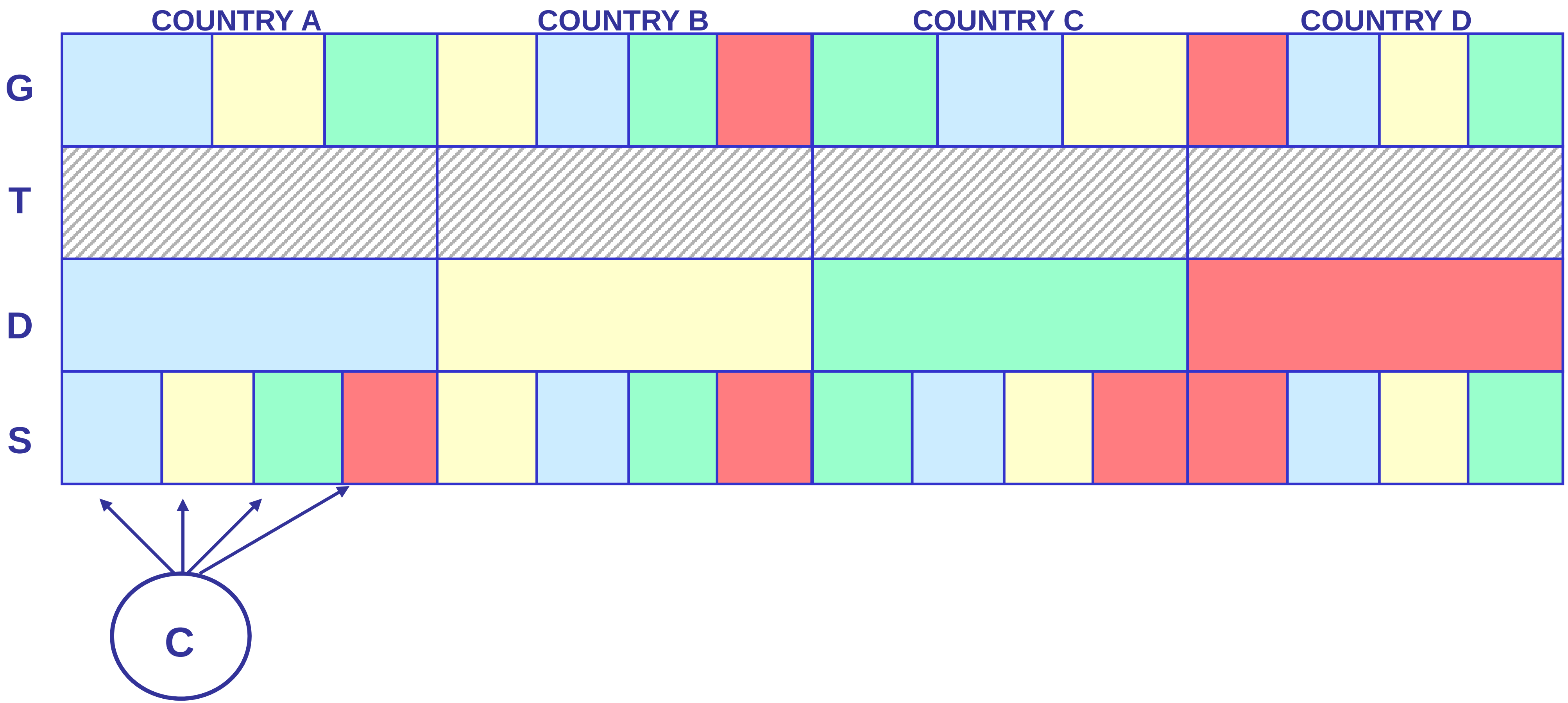
1. BUILDING THE INTERNAL ENERGY MARKET

REGIONAL MARKET INTEGRATION

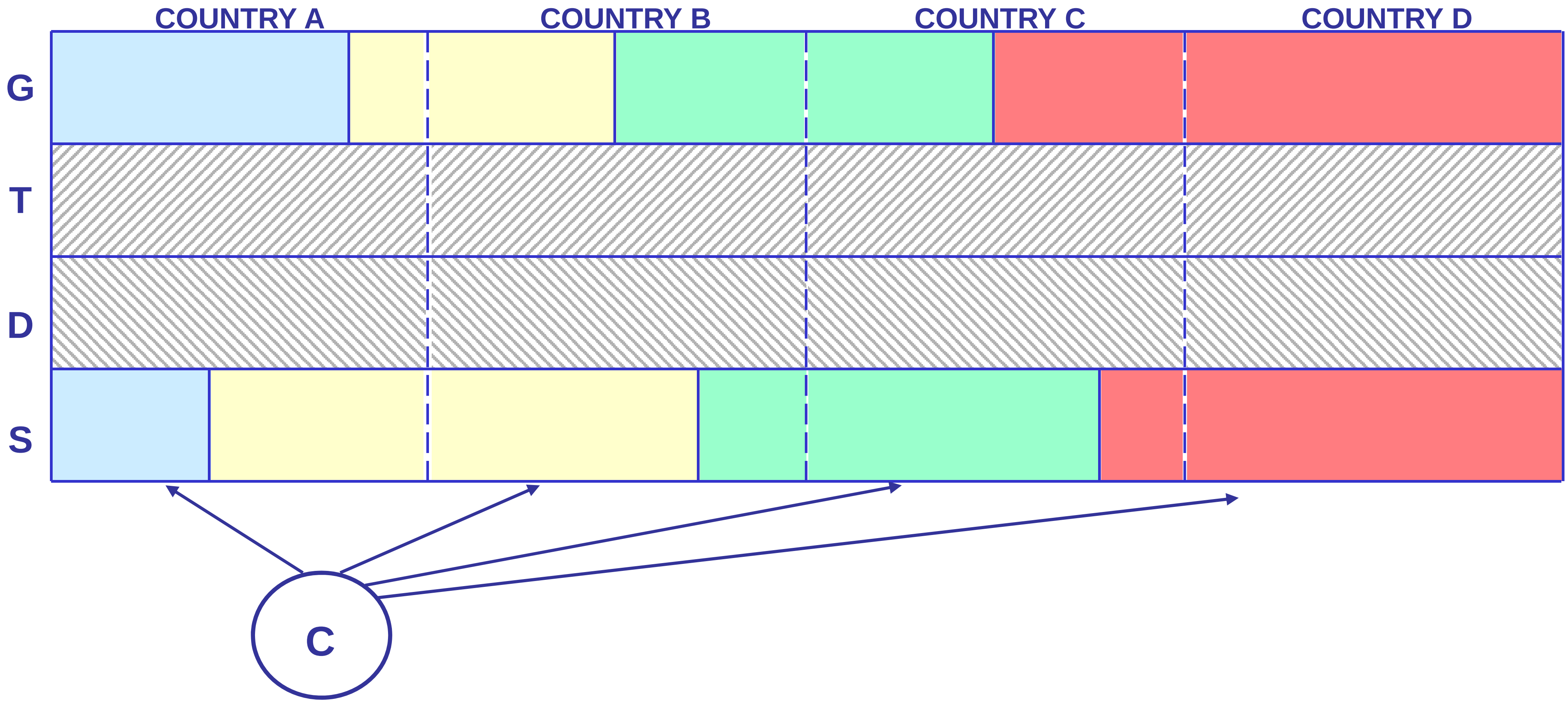
(3)



1. BUILDING THE INTERNAL ENERGY MARKET

REGIONAL MARKET INTEGRATION

(4)



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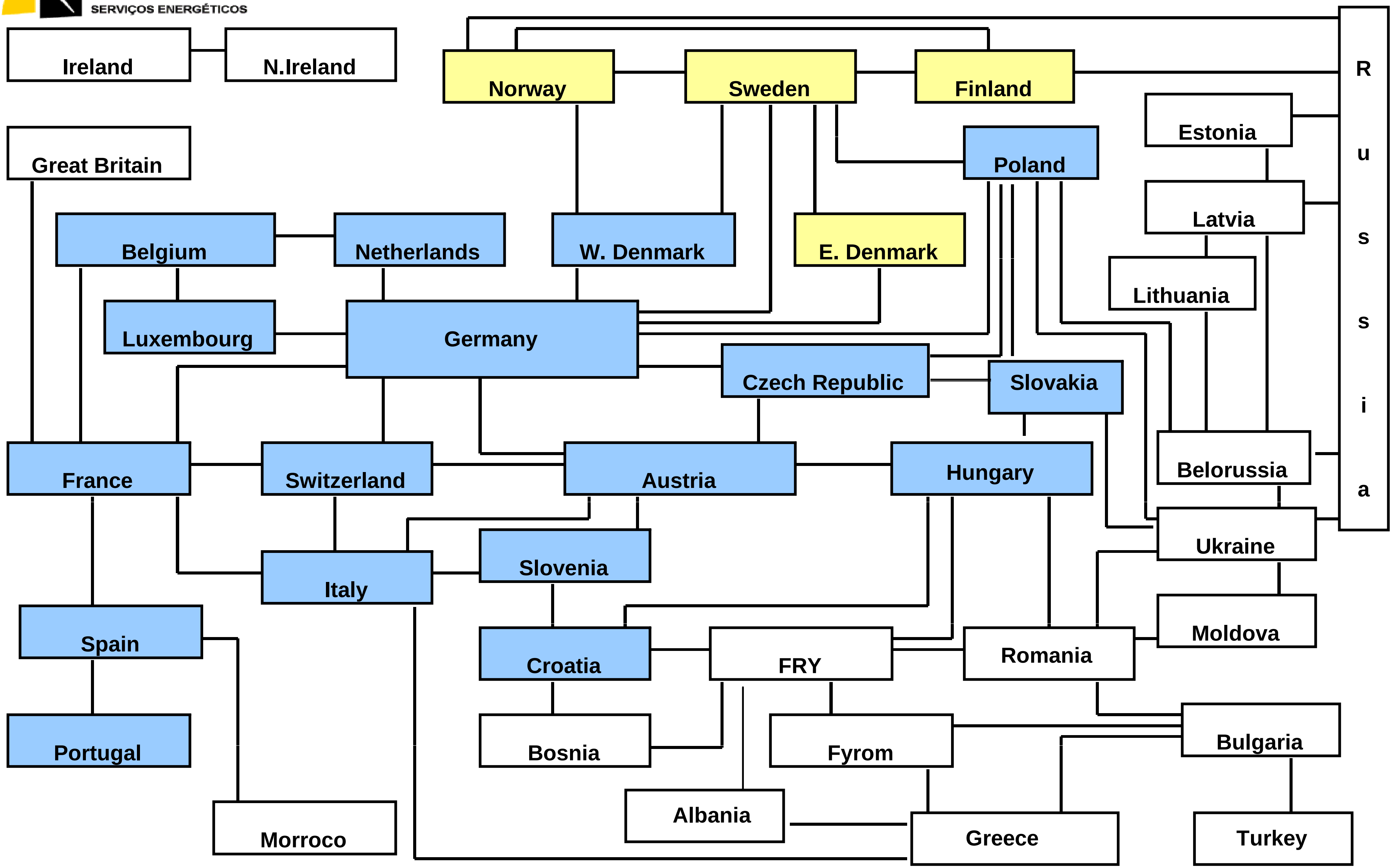


1. BUILDING THE INTERNAL ENERGY MARKET

THE MAIN CHALLENGES OF INTEGRATING EUROPEAN ENERGY MARKETS

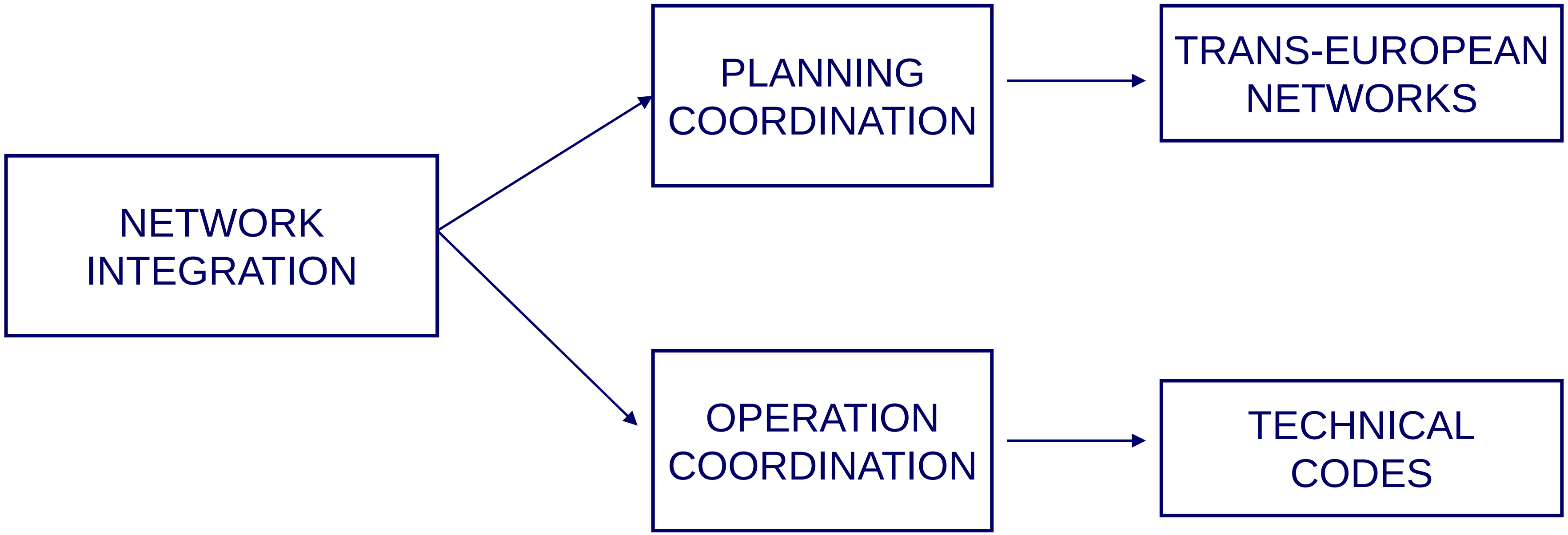
- TECHNICAL

- ECONOMIC

- INSTITUTIONAL

1. BUILDING THE INTERNAL ENERGY MARKET

THE CHALLENGES OF INTEGRATING EUROPEAN ENERGY MARKETS



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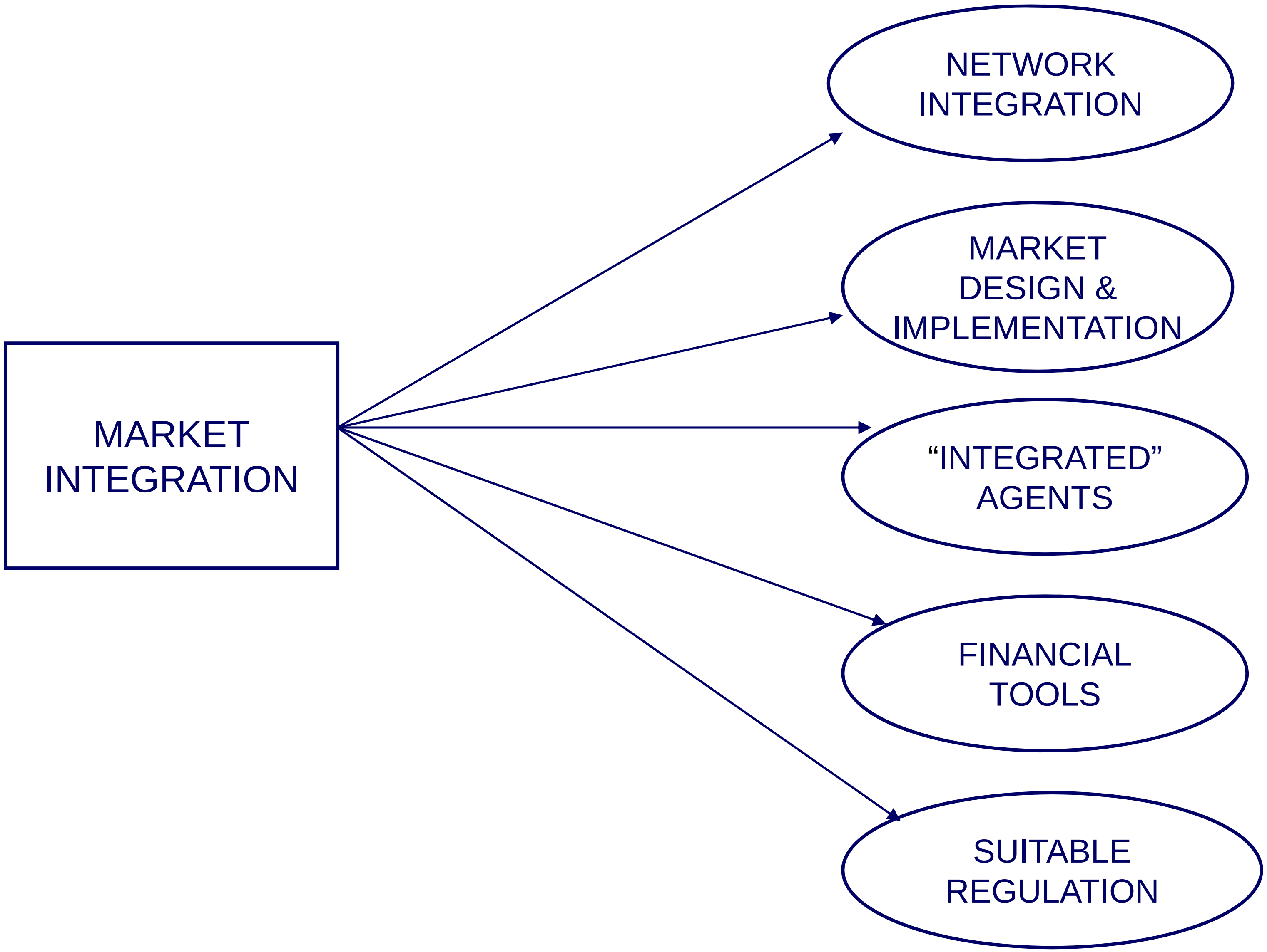
1. BUILDING THE INTERNAL ENERGY MARKET

THE CHALLENGES OF INTEGRATING EUROPEAN ENERGY MARKETS



THE CHALLENGES OF INTEGRATING EUROPEAN ENERGY MARKETS

NEW ORGANIZATIONS AND INSTITUTIONS:

- CEER (REGULATORS)
- ETSO, GTE (SYSTEM OPERATORS)
- CONSUMERS, TRADERS, MARKET OPERATORS, ETC.

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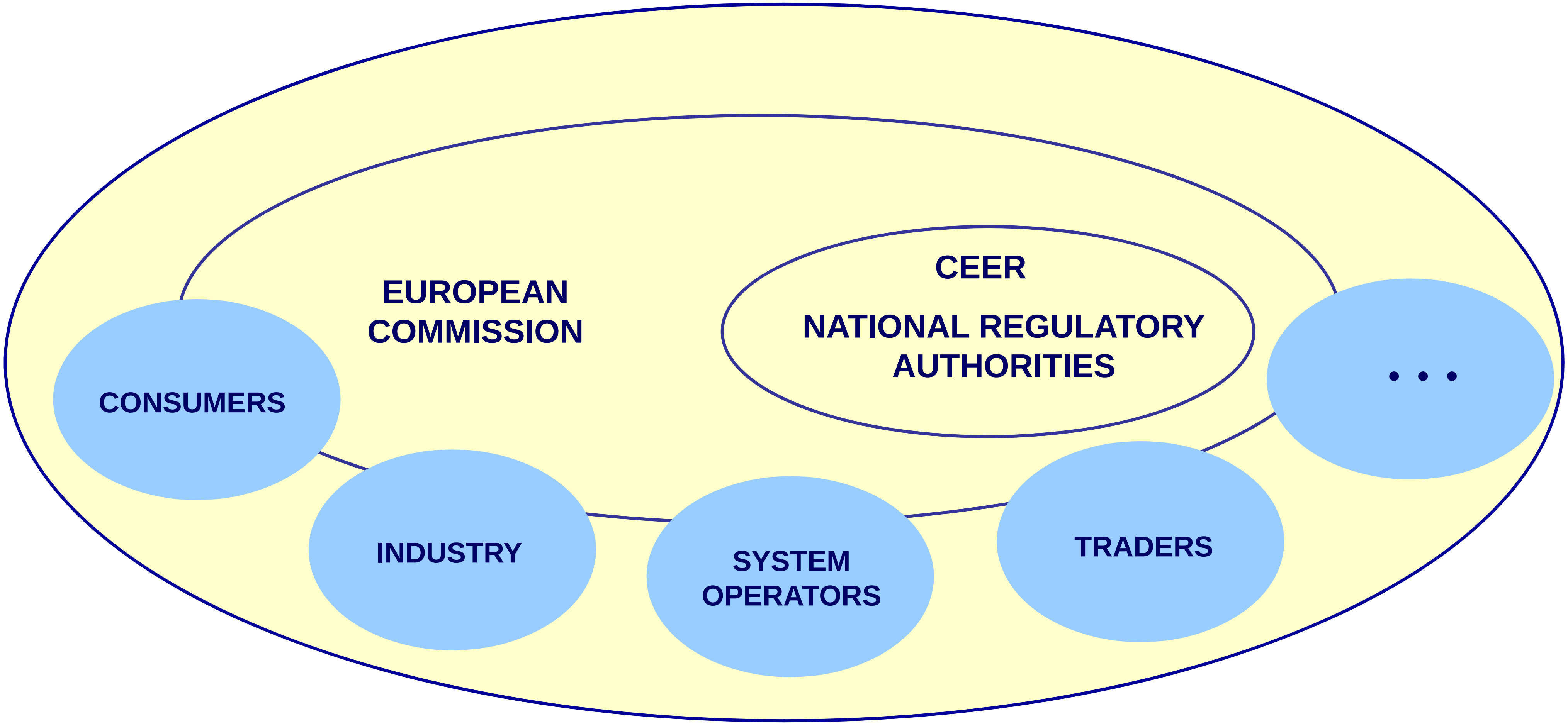
THE EUROPEAN MODEL:

REGULATION BY COOPERATION



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INQUIRY PLANNED

Watchdog under fire for not barking

By Adrian Michaels
in New York

ENERGY POLICY GOALS:

- COMPETITIVENESS OF EUROPEAN ECONOMY
- SECURITY OF SUPPLY
- ENVIRONMENT

OTHER “GENERAL INTEREST” ISSUES:

- VULNERABLE CUSTOMERS
- QUALITY OF SUPPLY
- EMPLOYMENT
- R & D

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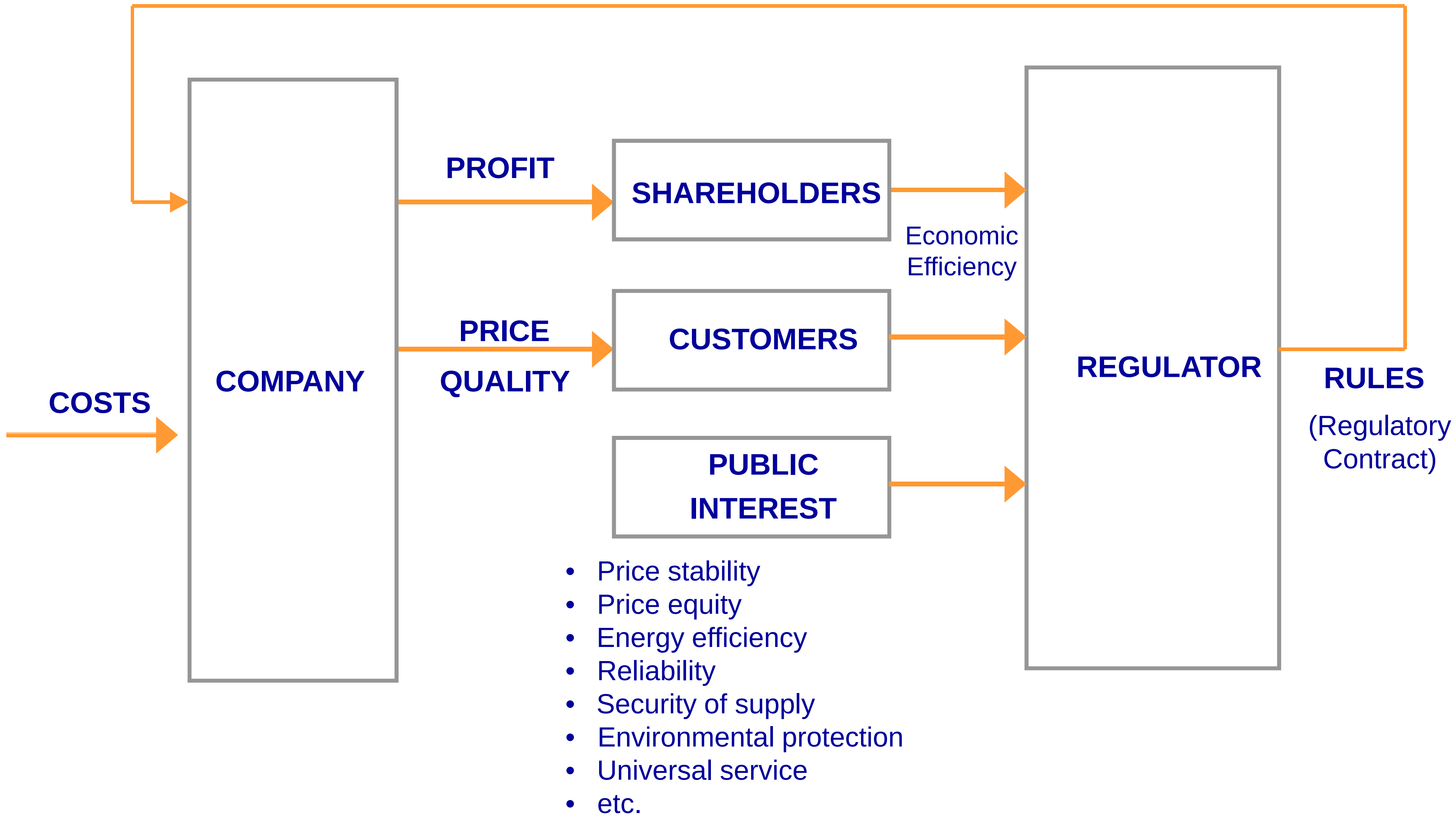
2. ENERGY MARKETS AND THE GENERAL INTEREST



2. ENERGY MARKETS AND THE GENERAL INTEREST

“ [T]he key normative problem of the regulatory state is how agency indepedency and democratic accountability can be made complementary and mutually reinforcing rather than antithetical values.

(...) When (...) a system of multiple controls works properly , no one controls an agency, yet the agency is ‘under control’ ”

Giandomenico Majone

“ From the positive to the regulatory state: causes and consequences of changes in the mode of governance “.

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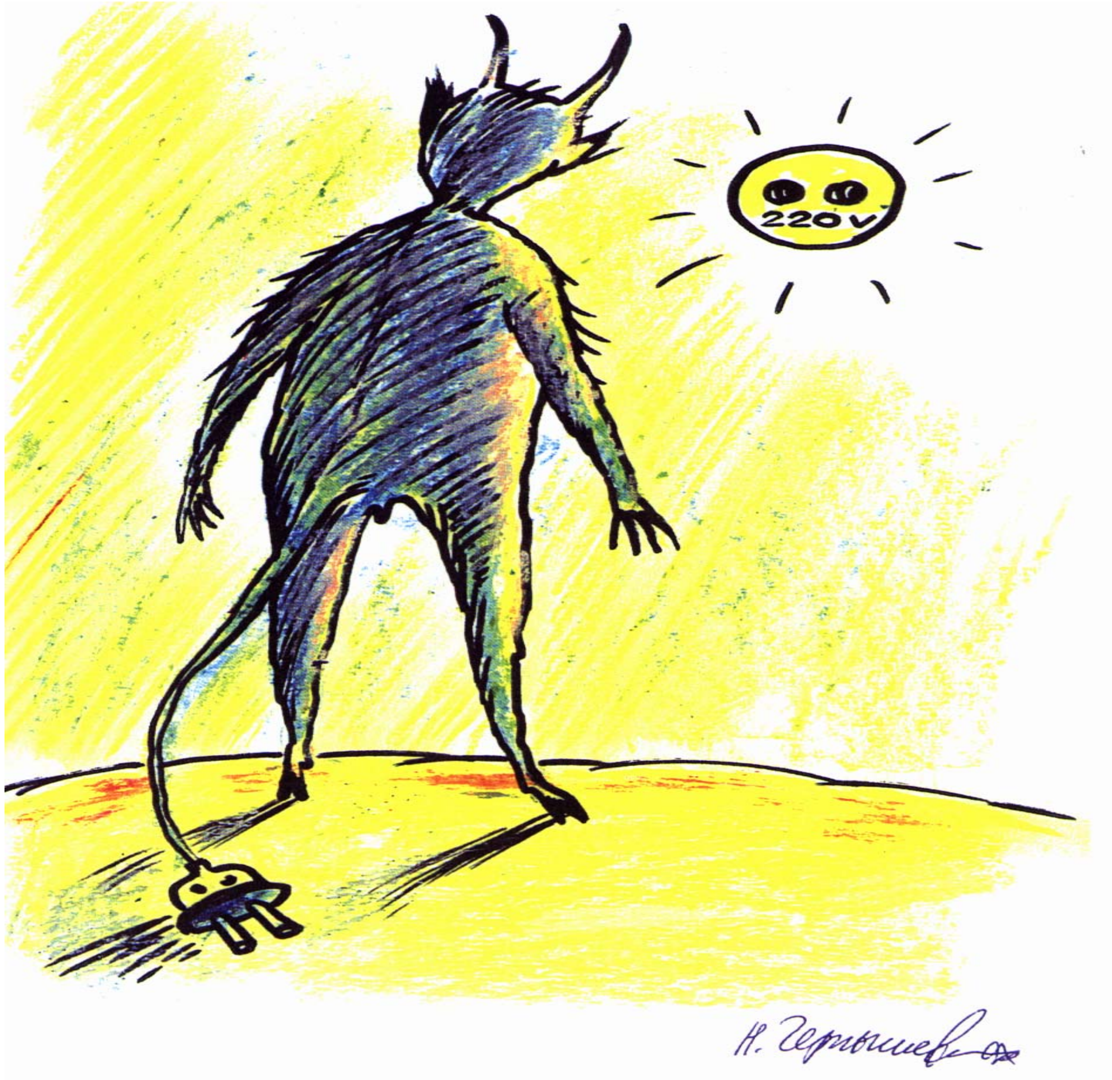
3. CONCLUSIONS AND OPEN QUESTIONS

1) ELECTRICITY AND NATURAL GAS LIBERALIZATION



IS <u>POSSIBLE</u>

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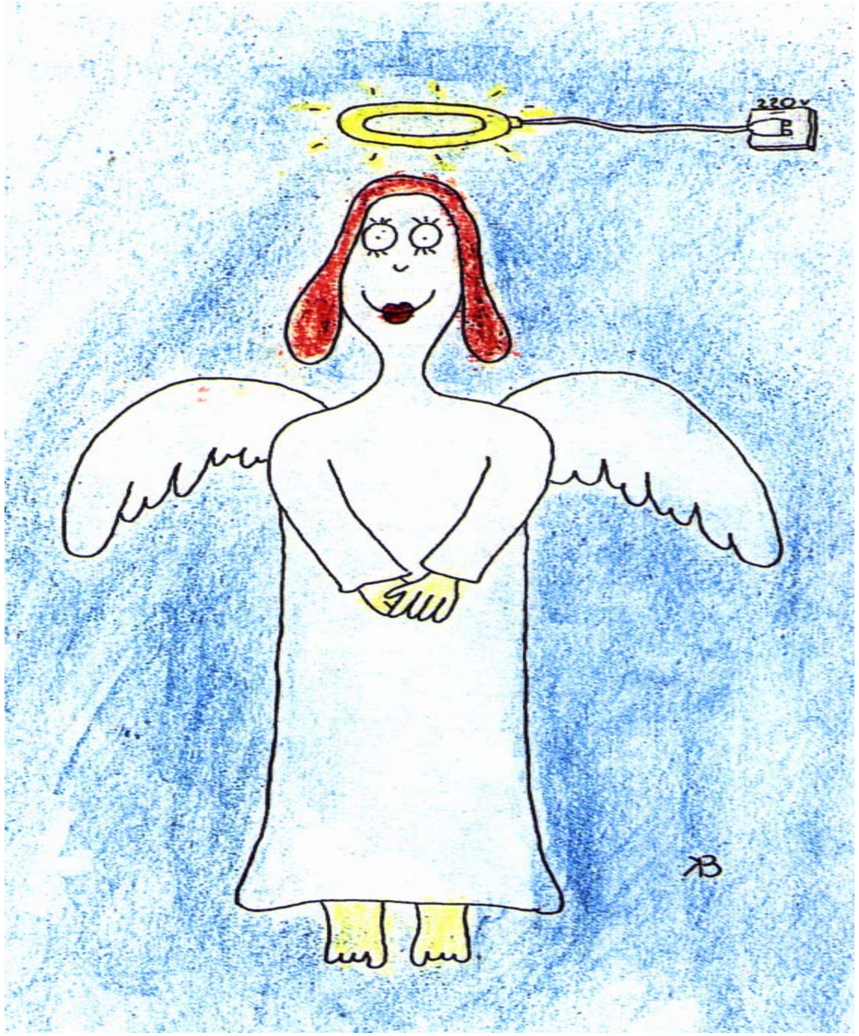
3. CONCLUSIONS AND OPEN QUESTIONS

2) ELECTRICITY AND NATURAL GAS LIBERALIZATION



IS BENEFIC

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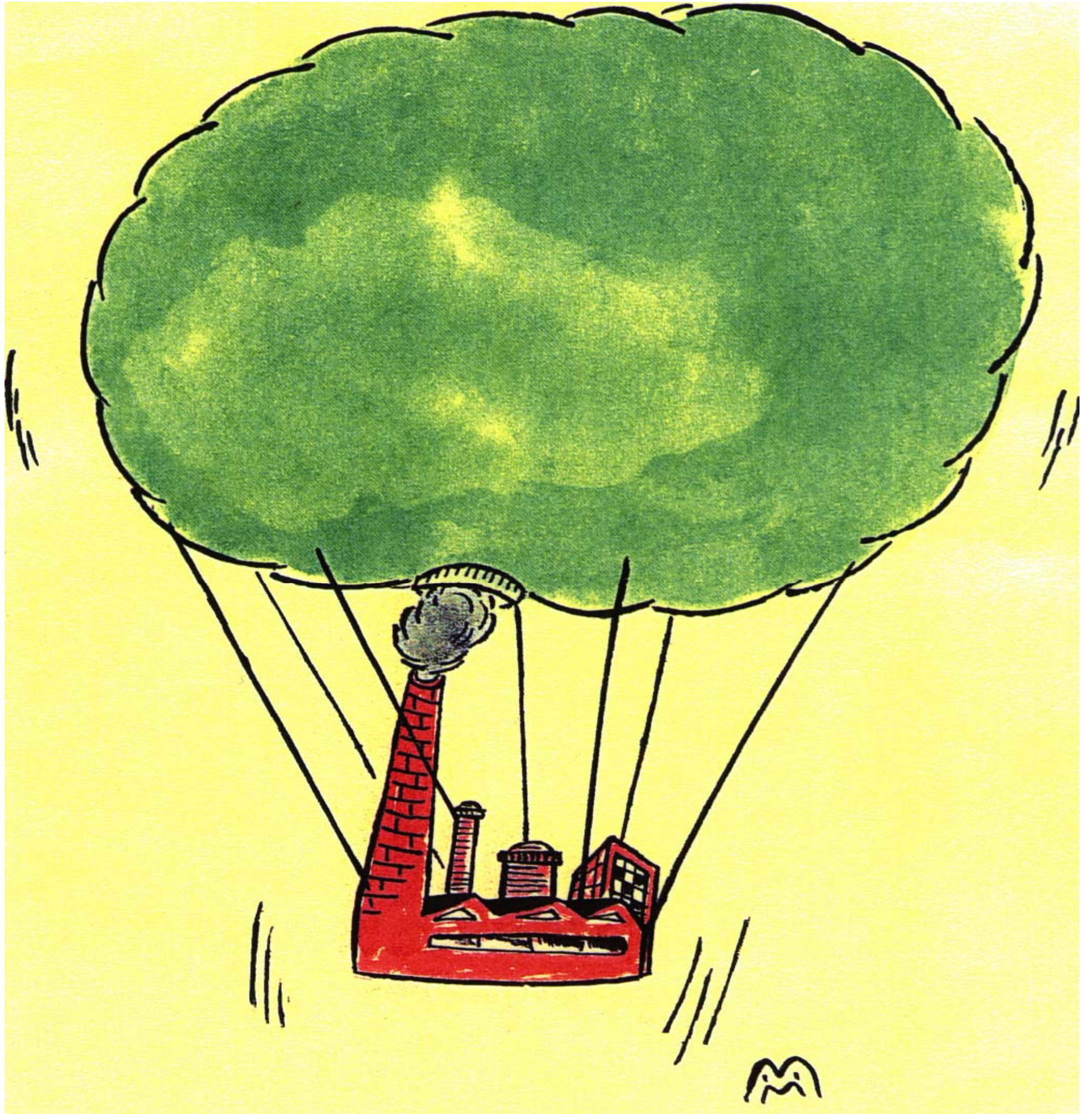
3. CONCLUSIONS AND OPEN QUESTIONS

3) MECHANISMS OF MARKET AND REGULATION SHALL ADAPT ...



TO THE

“GREENING”

OF THE INDUSTRY

3. CONCLUSIONS AND OPEN QUESTIONS

EU MARKET INTEGRATION:

HOW FAST WILL A NEW INDUSTRIAL STRUCTURE EMERGE

AND

HOW EFFICIENT AND COMPETITIVE WILL IT BE

?

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3. CONCLUSIONS AND OPEN QUESTIONS

EU MARKET REGULATION:

BOTTOM UP (CEER → CEER + EUROPEAN COMMISSION)

OR

TOP DOWN (EUROPEAN COMMISSION)

?


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