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

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Entidade Reguladora dos Serviços Energéticos

CEEP Discussion Days, “Services of general interest, pillars of the European model”
Coimbra, March 5, 2003
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
1. BUILDING THE INTERNAL ENERGY MARKET

- LIBERALIZATION
- VERTICALLY INTEGRATED NATIONAL MONOPOLY
- EUROPEAN INTEGRATION “EUROPEANIZATION”
- REGULATION
- NETWORKS
- COMPETITORS
- EUROPEAN MARKET

“EUROPEANIZATION”
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
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 $\approx 33\%$

ACTUAL $\approx 66\%$

2007 $= 100\%$
1. BUILDING THE INTERNAL ENERGY MARKET

COMPETITION

G
T
D
S
WHOLESALE MARKETS
(Power Exchanges, Hubs, Settlement, Imbalance Markets, etc.)
RETAIL MARKETS

(MEASUREMENTS, SWITCHING, ETC.)
1. BUILDING THE INTERNAL ENERGY MARKET

REGIONAL MARKET INTEGRATION

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ENTIDADE REGULADORA DOS SERVIÇOS ENERGÉTICOS
1. BUILDING THE INTERNAL ENERGY MARKET

REGIONAL MARKET INTEGRATION

(2)
1. BUILDING THE INTERNAL ENERGY MARKET

REGIONAL MARKET INTEGRATION

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1. BUILDING THE INTERNAL ENERGY MARKET

REGIONAL MARKET INTEGRATION

(C4)
1. BUILDING THE INTERNAL ENERGY MARKET

- Ireland
- N.Ireland
- Norway
- Sweden
- Finland
- Poland
- Estonia
- Latvia
- Lithuania
- Russia
- Great Britain
- Belgium
- Netherlands
- W. Denmark
- E. Denmark
- Czech Republic
- Slovakia
- France
- Switzerland
- Austria
- Hungary
- Italy
- Slovenia
- Croatia
- FRY
- Romania
- Moldova
- Bulgaria
- Montenegro
- Albania
- Greece
- Turkey
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
1. BUILDING THE INTERNAL ENERGY MARKET
THE CHALLENGES OF INTEGRATING EUROPEAN ENERGY MARKETS

NETWORK INTEGRATION
MARKET DESIGN & IMPLEMENTATION
“INTEGRATED” AGENTS
FINANCIAL TOOLS
SUITABLE REGULATION

MARKET INTEGRATION
1. BUILDING THE INTERNAL ENERGY MARKET

THE CHALLENGES OF INTEGRATING EUROPEAN ENERGY MARKETS

NEW ORGANIZATIONS AND INSTITUTIONS:

• CEER (REGULATORS)

• ETSO, GTE (SYSTEM OPERATORS)

• CONSUMERS, TRADERS, MARKET OPERATORS, ETC.
THE EUROPEAN MODEL:
REGULATION BY COOPERATION
INQUIRY PLANNED

Watchdog under fire for not barking

By Adrian Michaels
in New York
2. ENERGY MARKETS AND THE GENERAL INTEREST

ENERGY POLICY GOALS:

• COMPETITIVENESS OF EUROPEAN ECONOMY

• SECURITY OF SUPPLY

• ENVIRONMENT
2. ENERGY MARKETS AND THE GENERAL INTEREST

OTHER “GENERAL INTEREST” ISSUES:

• VULNERABLE CUSTOMERS

• QUALITY OF SUPPLY

• EMPLOYMENT

• R & D
2. ENERGY MARKETS AND THE GENERAL INTEREST

- **COMPANY**
  - **COSTS**
  - **PROFIT**
  - **PRICE QUALITY**

- **SHAREHOLDERS**
  - Economic Efficiency

- **CUSTOMERS**
  - Price stability
  - Price equity
  - Energy efficiency
  - Reliability
  - Security of supply
  - Environmental protection
  - Universal service
  - etc.

- **PUBLIC INTEREST**

- **REGULATOR**
  - **RULES**
    - (Regulatory Contract)
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”. 
3. CONCLUSIONS AND OPEN QUESTIONS

1) ELECTRICITY AND NATURAL GAS LIBERALIZATION

IS POSSIBLE
3. CONCLUSIONS AND OPEN QUESTIONS

2) ELECTRICITY AND NATURAL GAS LIBERALIZATION

IS BENEFIC
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?
3. CONCLUSIONS AND OPEN QUESTIONS

EU MARKET REGULATION:

BOTTOM UP (CEER + CEER + EUROPEAN COMMISSION)

OR

TOP DOWN (EUROPEAN COMMISSION)

?
sortie  exit