



A leading voice in Europe

ofgem

Europe is

important

because the UK
energy market
is **linked** to the
continent

Economically and physically

Pipelines and wires link us
physically to Europe,
meaning European energy
prices have a major influence
on energy prices here

Legally and through regulation

European energy markets,
legislation and regulatory policy
have an ever-increasing
influence on consumers and
markets in Britain

Ofgem **aims** to be a **leading voice** in Europe

Ofgem works with other European regulators, the European Commission and the UK Government to create a **fully-liberalised** competitive wholesale energy market in Europe.

A key focus is ensuring that gas can be transported and priced across Europe in a fair and non-discriminatory way.

- This means making sure there are no barriers to liberalisation and that all markets operate effectively and efficiently.



Ofgem works **closely** with **key organisations** in Europe

Council of European Energy Regulators (CEER) **European Regulators' Group for Electricity and Gas (ERGEG)**

These organisations develop and share best regulatory practice and provide formal advice to the European Commission, developing and delivering EU regulatory policy.

Ofgem's chairman, Sir John Mogg is President of CEER and Chairman of ERGEG. He is also a member, on a personal basis, of the Commission's High Level Group on Competitiveness, Energy and the Environment.

Ofgem contributes extensively to CEER and ERGEG which undertake essential work on liberalisation issues and we ensure that the development of policy is appropriate and consistent with our overall objectives for Europe.

Ofgem also chairs a number of groups on issues we think are most important to the UK – currently, this includes market integration in both gas and electricity, and gas balancing.

European Commission and DTI

Ofgem liaises closely with the Directorate General for Transport and Energy (DG TREN), which is responsible for developing legislation on, and monitoring competition in, EU energy markets.

We also work with DG Competition, contributing to the important inquiries into EU energy markets. We continuously liaise on key issues – including the recent high gas prices.

Through CEER/ERGEG we have taken a lead role in developing policy proposals for submission to DG TREN and DG Competition, and developing EU regulators' views on key issues.

Ofgem also works closely with the Department of Trade and Industry (DTI) and other Government departments, which promote competition and liberalisation at EU-level discussions on energy policy.

European Parliament

Ofgem maintains a regular dialogue with relevant Members of the European Parliament regarding energy market liberalisation and single market issues.

Current **key** issues

DG Competition inquiry

In February 2006 the European Commission published its initial proposals following an inquiry by DG Competition into the EU gas and electricity markets.

The inquiry was prompted by concerns over unprecedented rises in gas and electricity wholesale prices, barriers to entry and limited customer choice.

The Commission identified a number of key barriers to competition and some possible solutions, including:

- breaking up large vertically integrated energy companies in all member states to allow competition in Europe to develop, including unbundling of storage facilities and pipe and wire networks. This has already happened in Britain.
- access to capacity on the gas and electricity networks needs to be made easier and the process more transparent. This would help companies seeking to export gas to Britain, and
- the amount of information on the market needs to be increased to allow more robust competition. The Commission is proposing to strengthen transparency obligations through regulation or competition law.

Ofgem loaned experts to help the gas inquiry and also provided a number of analytical papers from CEER/ERGEG and on a bilateral basis.

Green Paper

The European Commission also published a Green Paper on energy in March 2006 as a basis for an initial consideration at the European Council. It presented the Commission's initial findings following an investigation by DG TREN into the liberalisation process of EU energy markets.

The Commission noted that much more needed to be done by Member States to ensure that consumers receive the full benefits of market opening.

- There will be further analysis of the market with detailed reviews of each country and a final report in late 2006. These reviews will include aspects such as implementation of legislation, access to networks, effective regulation and unbundling of network companies.
- CEER/ERGEG will continue to provide key information and analysis.

Regional Initiatives

Ofgem has been fully involved through ERGEG in its development of electricity and gas regional initiatives. These Initiatives are crucial to the liberalisation agenda and set out the key issues that will need to be resolved if the benefits from a single competitive market are to be realised.

The Electricity Regional Initiative was launched on 27 February 2006 and the gas initiative will follow in late April. Both will help in a practical way the move towards the development of a single energy market by integrating national markets, largely through the identification and removal of key barriers to competition at a regional level.

Environment

Ofgem plays a key role in European environmental issues such as energy efficiency and renewable energy.

Ofgem chairs a CEER working group which:

- develops regulators' input into the **Sustainable Energy Forum**,
- examines the operation of the EU Emissions Trading Scheme, and
- analyses the operation of national support measures for renewable generation.

Regulatory expertise

Ofgem's technical expertise allows us to offer advice and briefing papers on key relevant issues in Europe.

This has included:

- drafting an advice paper for the European Commission's Directorate General Research on the provision of support for energy projects, and
- working with the European Commission and other regulators on the regulatory framework and the development of efficient wholesale and retail market structures.

Ofgem acts as vice-chair of the EU's new Technology Platform, a cross-sector body with senior representation from European industry, regulators and academia which:

- addresses the challenges facing Europe's electricity networks, and
- identifies innovative, efficient and effective solutions.

Conclusion

Ofgem is actively committed to securing a liberalised, fully competitive wholesale energy market in Europe, because this will bring real benefits to UK and European gas and electricity consumers.

Its central aim is to ensure that the UK has a secure, competitively priced supply of gas from Europe and beyond.