

European energy markets developments – Introduction

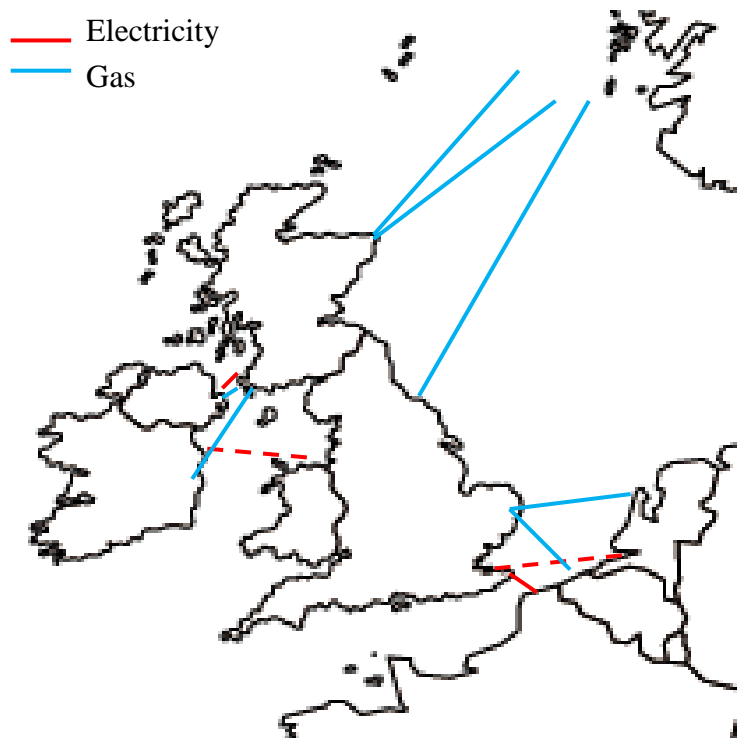
GB Stakeholder event
11th January 2011.

Siobhán Carty, European Strategy
team, OFGEM.

Agenda

- Europe: its impact
- European energy market priorities
 - Sustainability
 - Competitiveness
 - Security of supply
- European institutions
- European Network Codes – scope and process
- How can you engage.

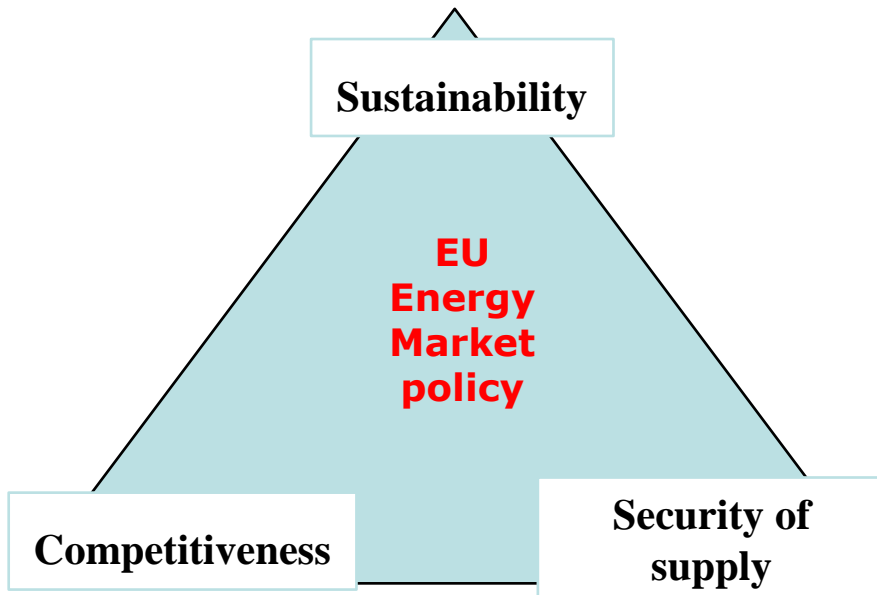
Europe – impact on GB



- Impact on GB price
 - Increased interconnection means convergence of price in Europe
- Security of supply
 - What happens in Europe (and beyond) affects our ability to keep lights on
- National arrangements
 - More energy and environmental European law means changes for us – it takes precedence.

European energy market priorities

European energy market priorities – challenges are not dissimilar to GB

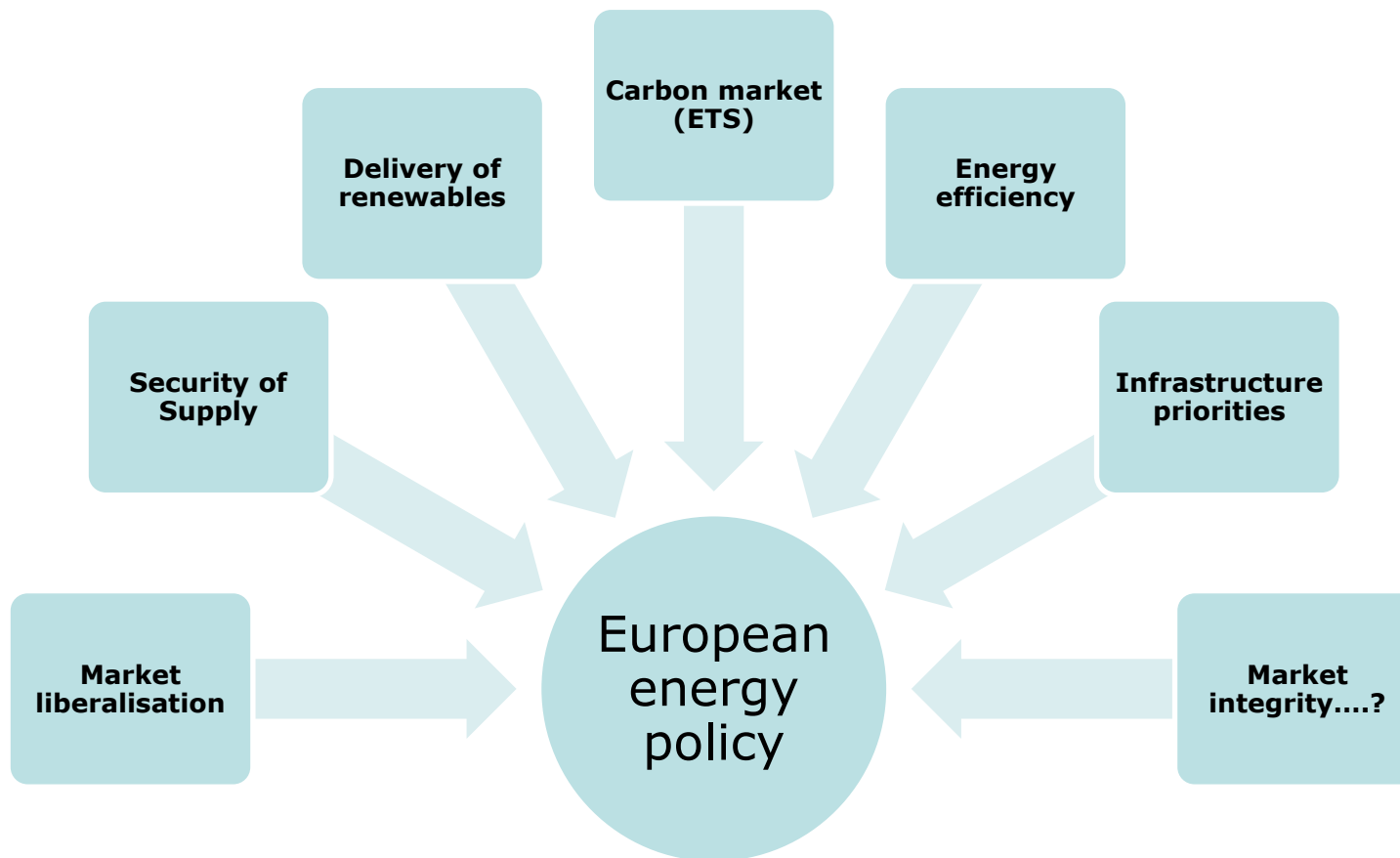


Q) How to achieve “security, sustainability + competitiveness”?

A) Competitive markets and strong/independent regulation...

But the devil is in the detail, and EU negotiations are about compromise.

Reflecting the challenges, European energy policy has various tenets...



... with plenty of developments!

Priority #1: Sustainable, fair markets

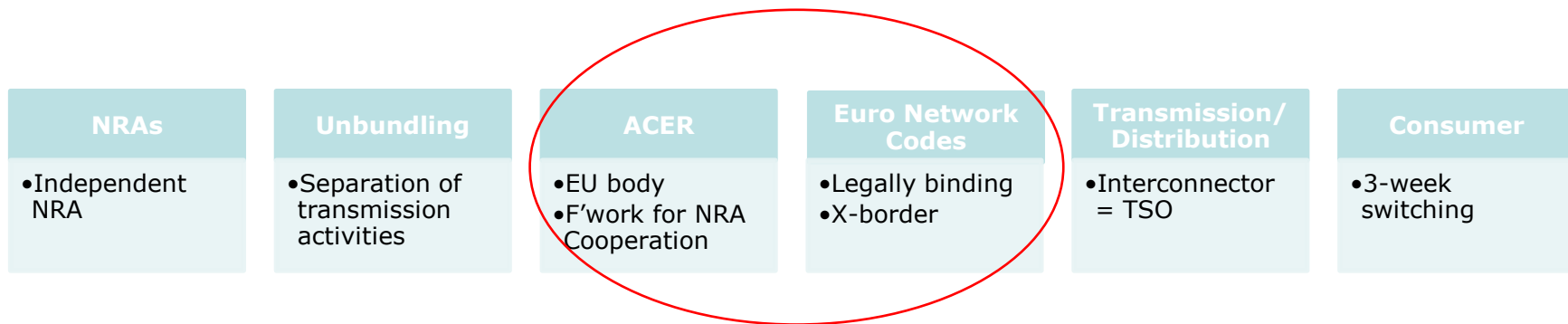
- The Green Package
 - Binding renewables targets;
 - EU ETS: 100% auctioning for power from 2013.
- Commission's Energy Efficiency action plan (for 2011?)
 - (Non-binding?) energy efficiency targets
 - Focus on buildings – but also on consumer information.
- Smart grids and smart meters
 - Task Forces to achieve common standards.
- North Seas Offshore Grid Initiative
 - 10 Member States' commitment to an integrated grid.



Priority #2: Competitive markets (1)

- 1st, 2nd and 3rd Energy Packages
- Florence, Madrid and London Fora
- Market integrity
 - Value of increased energy trading – but risk of market abuse
 - Lack of harmonisation across EU
 - Commission proposals
 - “tailor made rules to cover all relevant... transactions” – but exact scope of proposals is still unclear
 - Significant role for ACER?

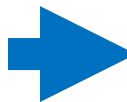
Priority #2: Competitive markets (2) – Third Package and its implementation



Sept '10 – Jan '11: Legislation and licence drafting

February: laid b/f Parliament

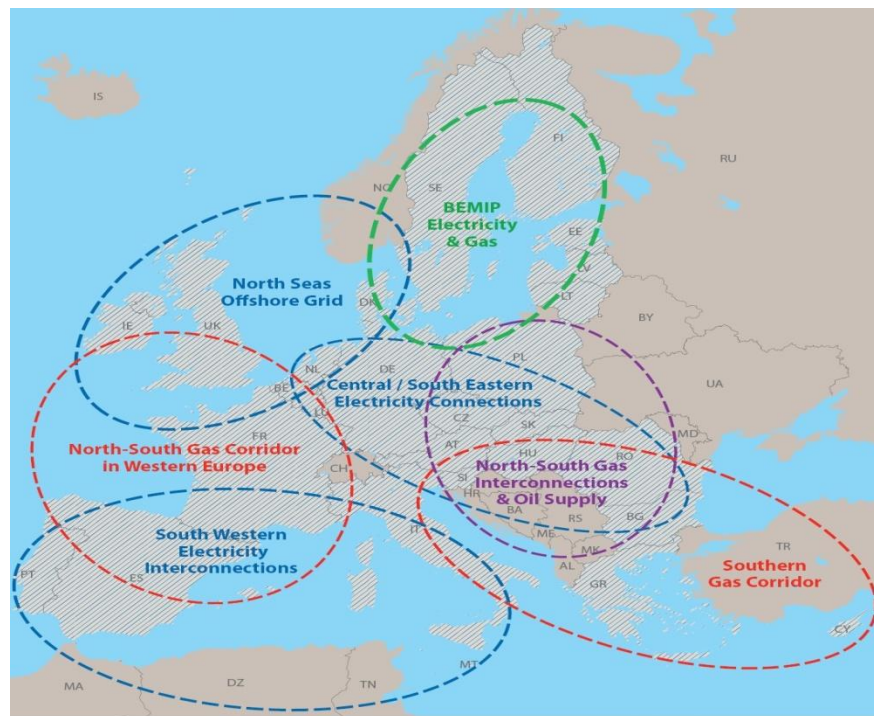
March 2011: Deadline for implementation



The Third Package is likely to align us more closely with other European markets – key opportunity for GB.

Priority #3: Secure energy markets – increased intervention?

- Energy Infrastructure Package
 - “A new European method for infrastructure planning and development”
 - Certain project will receive “prioritisation”
 - Legislative proposal expected in 2011



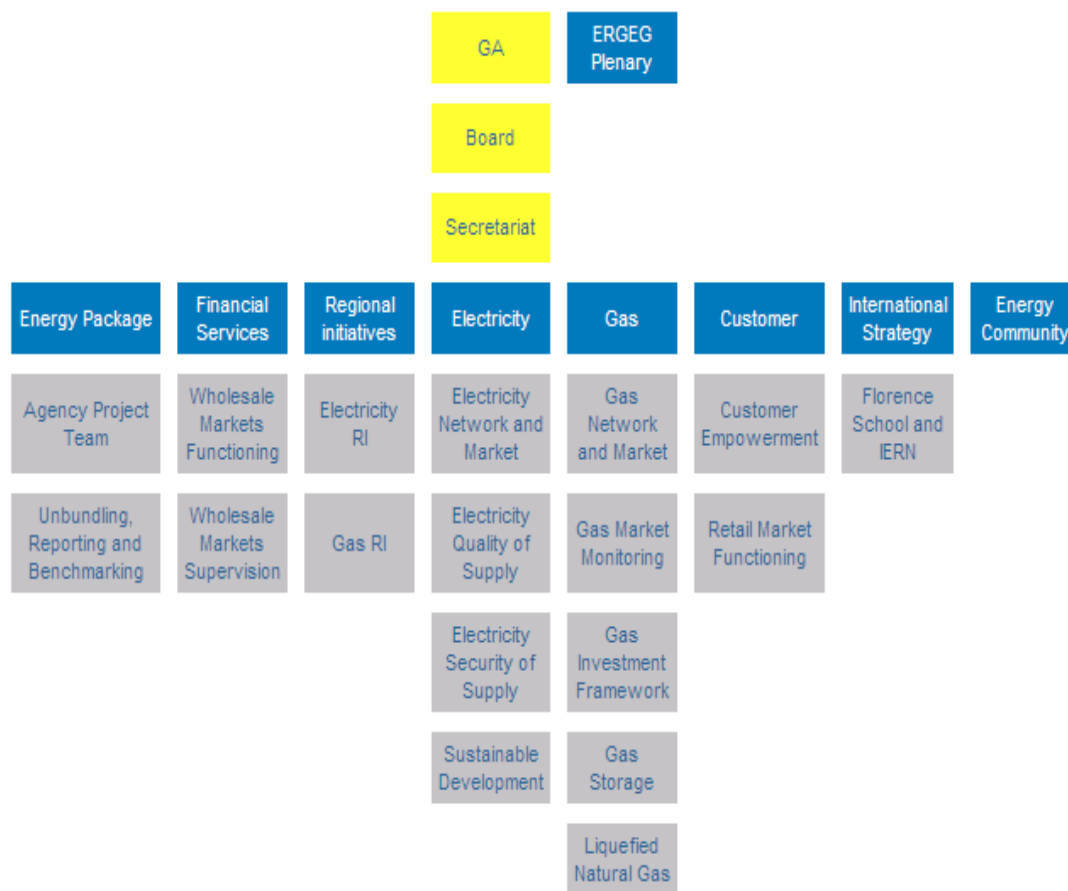
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- Gas Security of Supply Regulation
 - Stricter rules in the event of a gas emergency.

Institutions

Key European institutions – CEER/EREG

- CEER/EREG
 - Coordinates national arrangements
 - Provides Advice to the Commission
 - March: EREG will be replaced by ACER – CEER will become EER.



Key European institutions – Regional Initiatives

Gas - North West Region



Participants: GB plus Netherlands, Belgium, France, Ireland, Germany, Denmark, Sweden, Norway (observer)

Key projects:

- Transparency
- Investment
- Capacity

Electricity - FUI



Participants: GB (chair of region), France and Ireland

Key projects:

- Congestion Management
- Balancing
- Auction co-ordination

Key European institutions – ACER

- Agency for the Cooperation of Energy Regulators (ACER)

Welcome to Ljubljana...

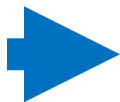


July '10:
Appointment
of Director

**September
'10:** First
Work
Programme
agreed

August '10 – on-going: Appointment of staff

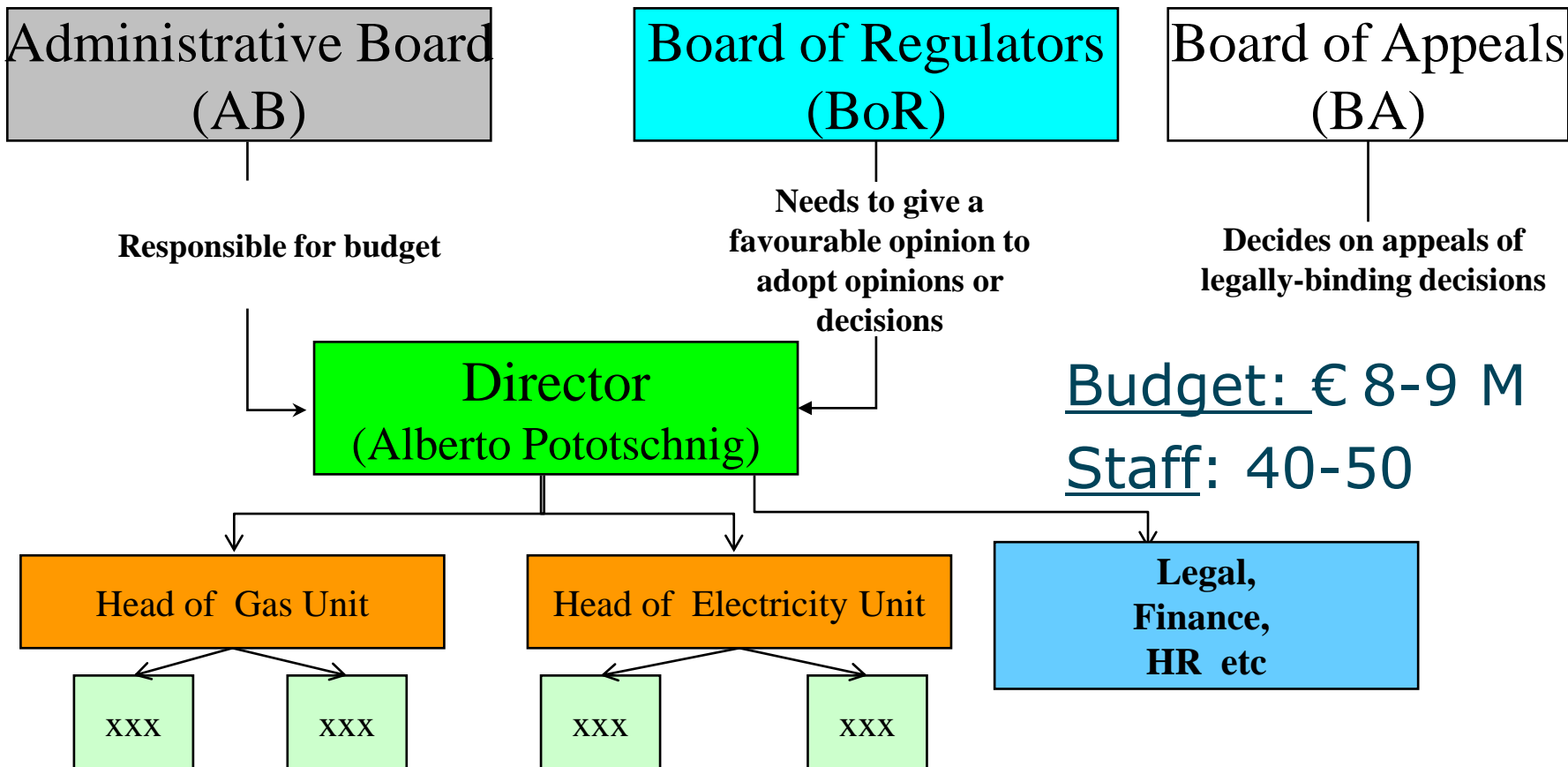
**March
2011:**
ACER
become
operational



ACER's powers and duties

- Set the Framework Guidelines for European Network Codes, or provide option on the Framework Guidelines
- Monitor the TSOs' (ENTSOs) development and Member States' implementation of the Codes
- Opine on European 10-year network development plan
- Power to determine cross-border disputes between NRAs
- Market monitoring.

ACER's organisational structure



Key European institutions – the EU



The Commission

- Initiatives legislation.
- Will adopt Codes and Guidelines.



The Parliament

- Co-legislator.
- May ask Commission to propose legislation.
- Consumer and environment-focused.



The Council

- Co-legislator – strong role in influencing.
- National interests reflected (DECC).

We have opportunity to influence the negotiations.

Other key European organisations

- ENTSO-E/G
 - Represents all European TSOs;
 - Responsible for
 - Development of 10-year network development plan
 - Drafting of European codes....

- Industry representative organisations
 - Can have strong role in influencing the negotiations



... and International organisations

- International Co-operation of Energy Regulators
 - Voluntary framework for cooperation among NRA world-wide;
 - Focus on issues such as security of supply and renewables.

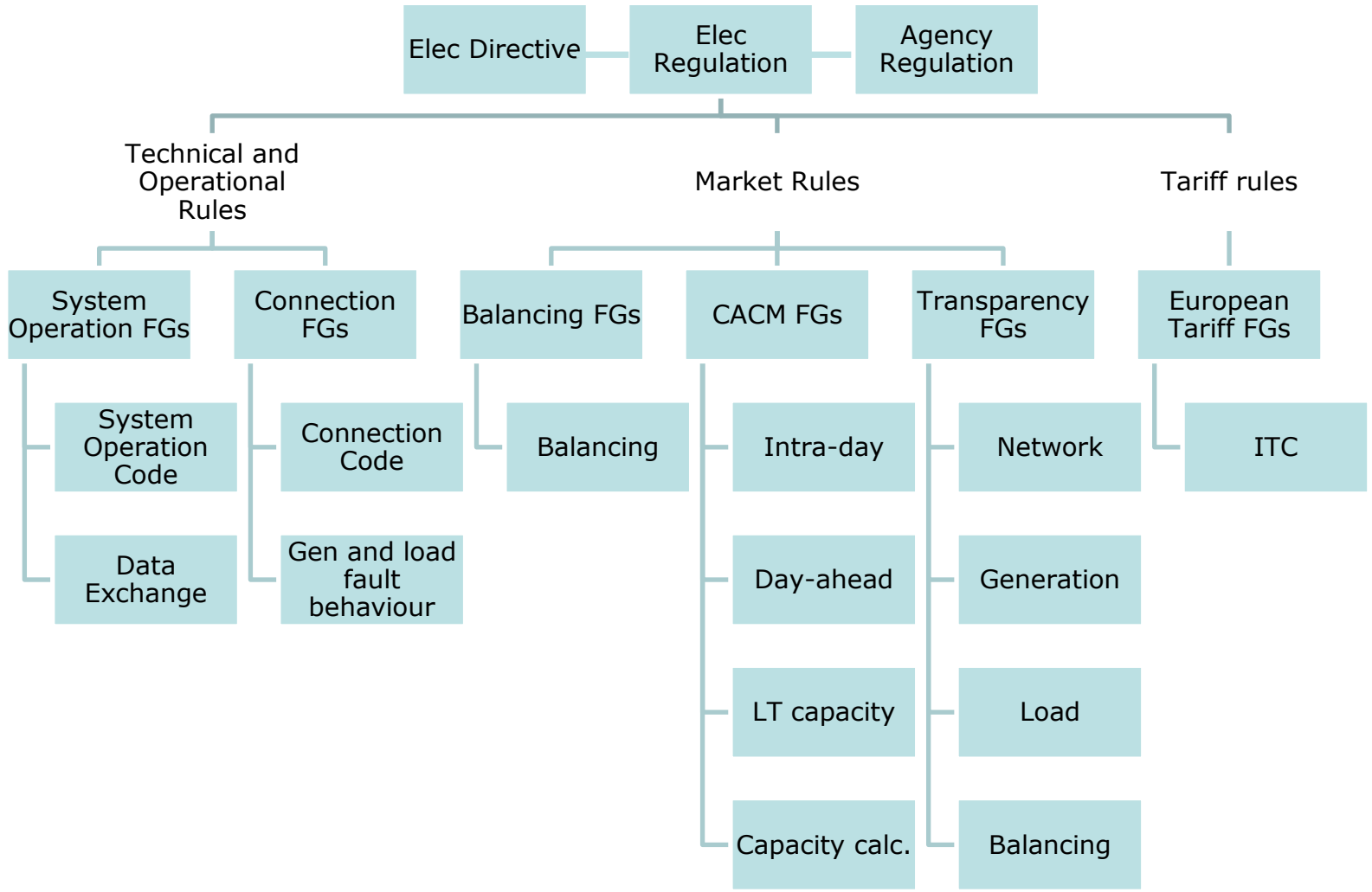


European Network Codes

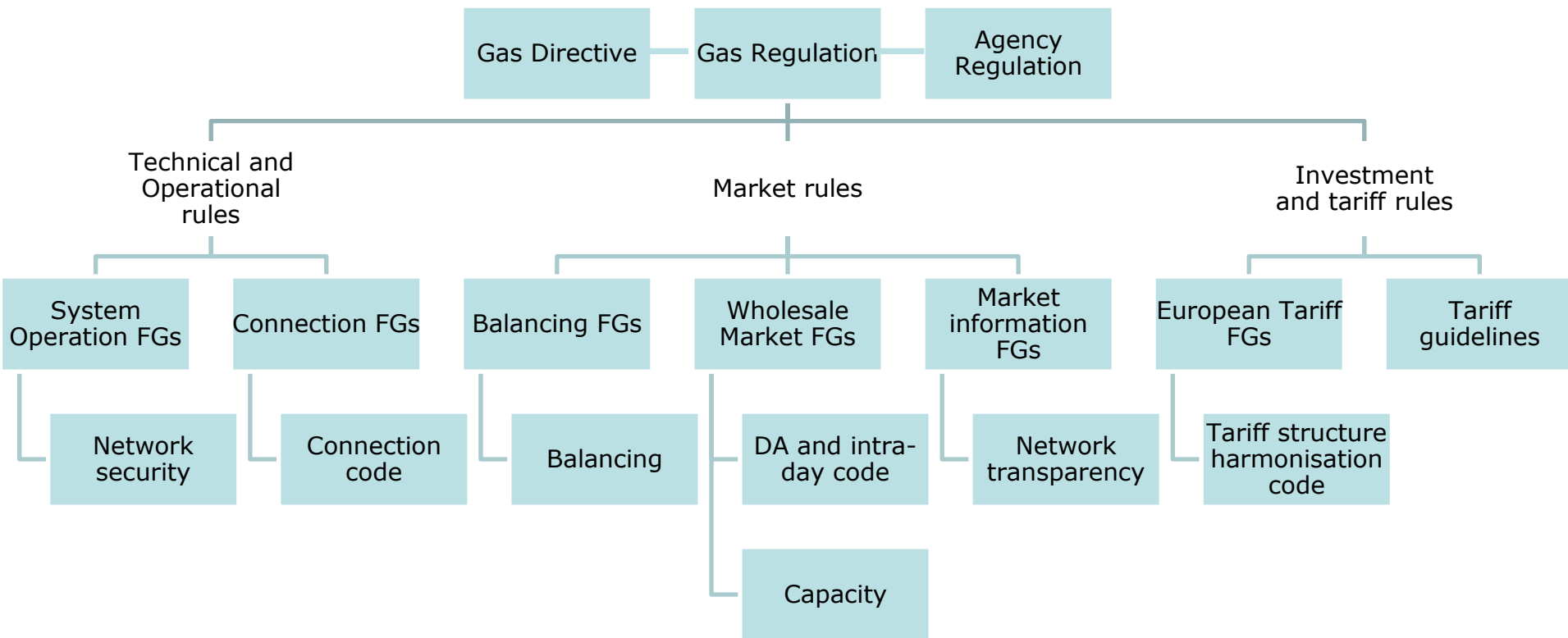
European Network Codes

- Rules for cross-border arrangements
 - Unlikely to look like GB Codes
 - Legally-binding – and take precedence over GB arrangements!
- Cross-border
 - What does this mean in Single Energy Market?
- Through ERGEG, we are playing key role in development of the objective and scope – or framework – of the Codes.

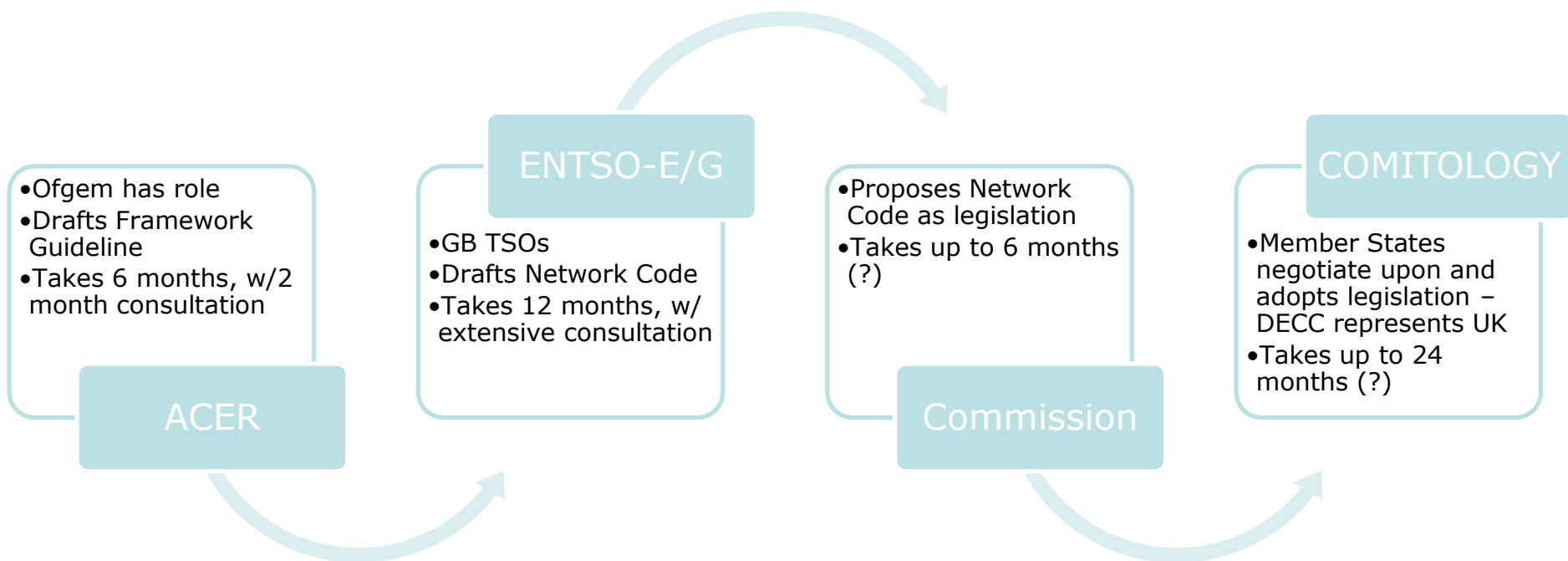
Electricity Network Codes



Gas Network Codes



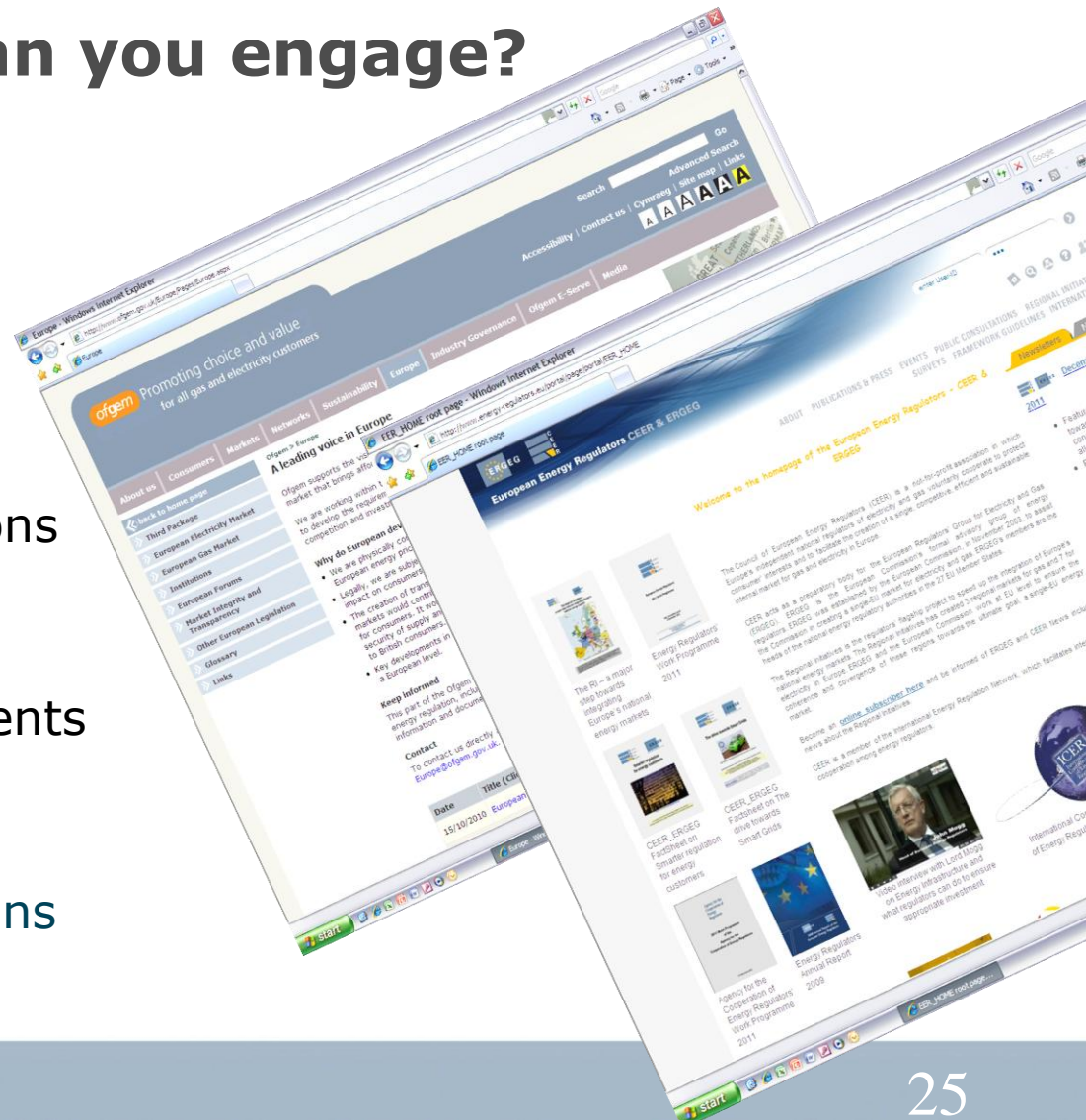
Process for the development of Framework Guideline and network code process



- ACER or anyone with an interest in the code may propose an amendment. This may be adopted by the Commission, following an ACER consultation.

How can you engage?

- Through us
 - Our door is (almost!) always open
- Through EER/ACER
 - Respond to consultations
 - Participate in expert groups
 - Attend stakeholder events
- Through European representative organisations



What can we do for you?

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, a hand is shown holding a white document. In the foreground, there is a close-up of a blue gas burner. The overall theme is energy and customer service.

ofgem

Promoting choice and value
for all gas and electricity customers