

Unbundling: state of the
debate
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Energy package

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Setting the scene

n Low Carbon 2020: minus 20%

n Renewable Energy 2020: up to 20%

n Energy Efficiency: plus 20%

Enabler

Efficient EU wide
energy market

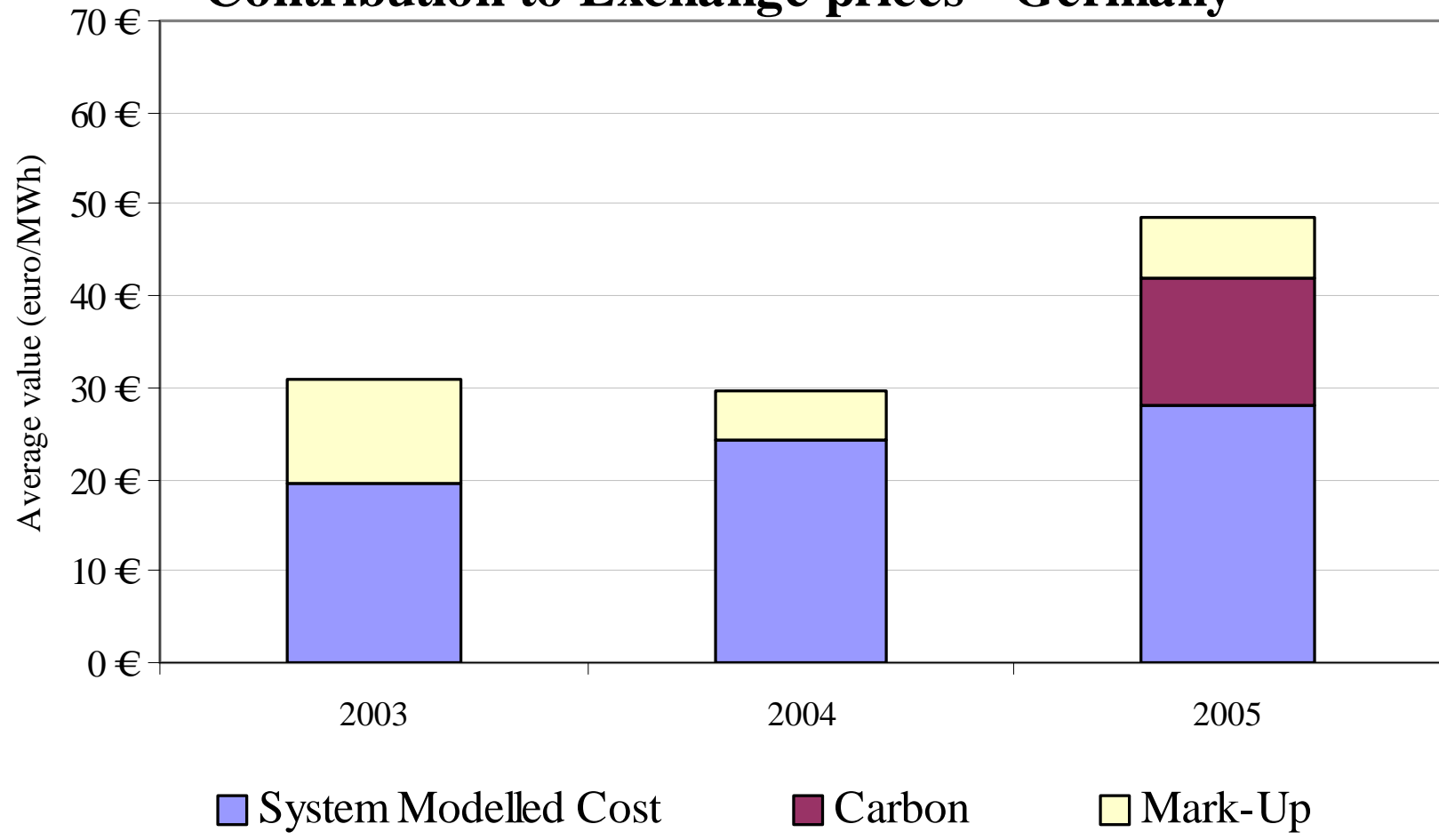
State of market:

Energy Sector
Inquiry

- n High levels of market concentration
- n Inadequate unbundling of supply and network
- n Lack of cross border competition
- n Lack of transparency

Distrust in price formation

Contribution to Exchange prices - Germany



THREE MAJOR DEFICIENCIES

The structural deficiency

Systemic conflict of interest
through
insufficient unbundling of
generation, supply and
networks

The regulatory deficiency

Persistent regulatory gap
where borders are crossed

The deficiency in liquidity

Liquidity lacking for allowing
markets to work

Cutting the Gordian knot:

Effective Unbundling

Energy Council of 15 February: the checklist

- n Equal and open access to transport infrastructures
- n Independence of decisions on investment in infrastructure

Cont.

- n Integration of new power plants
- n New mechanism for TSOs to improve coordination

Different models

- n Full Ownership Unbundling
- n Independent system operators
- n Regional system operators

Full ownership unbundling

- n A separate company which both owns and operates the network assets
- n Limited or zero participation by supply\production companies

Full ownership unbundling

Advantages

- n No discrimination between supply companies, encourages new entry and investment
- n Independent company can be given incentives to invest in network development
- n Can choose optimal operational\ investment solutions
- n Encourages co-operation between networks

Full ownership unbundling

No significant disadvantages

- n Does not worsen external gas dependence
- n Does not increase cost of capital
- n Does not reduce capability to invest
- n Does not damage “negotiation position” of EU gas suppliers

Independent system operators

- n Some improvement to network access, but
 - who is responsible for investments?
 - leakage of confidential information to incumbent.
 - lack of co-ordination between TSOs
 - lack of integrated decision making on network.

Regional system operators

- n A separate independent company as the operator of several networks in different Member States
- n Assets still owned by the incumbent?

Regional system operators

- n This could lead to significant improvements but
 - RSO must replace national TSOs entirely
 - RSO cannot be allowed to amount to a cartel (Article 81)
 - RSO needs control over assets\investments
 - Incumbent must be a passive "owner": blind trust

Conclusion

- n Full ownership unbundling the most effective solution
- n Alternative models (e.g. ISOs\RSOs) risk requiring excessive regulation
- n Strengthened regulatory cooperation also needed

Next stages

n Impact assessment

n EP Resolution

n June Energy Council

n Legislative proposals by Commission