

Internal market in electricity. Third energy package

2007/0195(COD) - 18/06/2008 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted, by 449 votes to 204 and 19 abstentions, a legislative resolution amending the proposal for a Directive of the European Parliament and of the Council, amending Directive 2003/54/EC concerning common rules for the internal market in electricity. The report had been tabled for consideration in plenary by Eluned **MORGAN** (PES, UK) on behalf of the Committee on Industry, Research and Energy.

The main amendments – adopted in 1st reading of the codecision procedure – are as follows:

Full ownership unbundling: Parliament endorsed the views of its competent committee and gave its support to full ownership unbundling, indicating the break-up of large vertically-integrated energy firms, which simultaneously control the assets to produce and distribute electricity. Members rejected the alternative option of "Independent 'System Operator'" that enabled vertically integrated companies to retain the ownership of their network assets. Member States must monitor the process of unbundling vertically integrated undertakings and submit a report to the Commission on the progress achieved.

Energy poverty: this is defined as the situation where a household cannot afford to heat its home to an acceptable standard based on the levels recommended by the World Health Organisation. Member States shall take appropriate measures to protect final customers, and shall in particular ensure that there are adequate safeguards to protect vulnerable customers, including prohibiting the disconnection of pensioners and disabled people in winter. In this context, Member States shall recognise energy poverty and provide definitions of vulnerable customers. They must ensure that rights and obligations linked to vulnerable customers are applied and, in particular, take measures to protect final customers in remote areas. Furthermore, Parliament stipulated that Member States must address energy poverty in national energy action plans in order to ensure that the number of people suffering energy poverty decreases. Such measures may include benefits in social security systems, support for energy efficiency improvements and energy production at the lowest possible prices.

Consumer protection measures: Parliament ensured that consumer protection measures are strengthened in the text, stating that customers should have:

- the right to withdraw from contracts with their electricity providers without charge;
- the right to compensation if service quality levels are not met (as with, for example, inaccurate and delayed billing);
- access to information on their rights through bills and electricity company web sites;
- access to information on procedures to be followed in case of disputes;
- the right to change supplier within two weeks;
- the right to be informed, at least quarterly, of actual electricity consumption and costs;
- access to smart meters within 10 years of the directive's entry into force;

- the right to have their electricity provided by a supplier regardless of the Member State in which the supplier is registered;
- the right to protection against market abuse. To that end, national authorities must be able to impose price caps in uncompetitive markets for a defined and limited period;
- independent complaints services and alternative redress schemes such as an independent energy ombudsman or a consumer body.

Charter: the Commission shall establish, in consultation with relevant stakeholders, a charter listing the rights of energy consumers set out in Community law including in the Directive. Member States shall ensure that energy suppliers take the necessary steps to communicate to all their consumers a copy of that charter and ensure that it is publicly available. National regulatory authorities shall ensure that energy suppliers fulfil those obligations and comply with the consumer rights set out in the charter.

Energy efficiency and pricing formulas: in order to promote energy efficiency, national regulatory authorities shall mandate electricity undertakings to introduce pricing formulas which increase in the cases of greater levels of consumption and shall ensure the active participation of customers and distribution system operators in system operations by supporting the introduction of measures to optimise the use of energy, particularly during peak hours. Such pricing formulas, combined with the introduction of smart metres and grids, shall promote energy efficiency behaviour and the lowest possible costs for household customers, in particular households suffering energy poverty

Support for SMEs: Member States shall ensure that all household customers and small enterprises, (namely enterprises with fewer than 50 occupied persons and an annual turnover or balance sheet not exceeding EUR 10 million), enjoy universal service, that is the right to be supplied with electricity of a specified quality within their territory at cost-based and easily and clearly comparable, transparent and non-discriminatory prices. To ensure the provision of universal service, Member States may appoint a supplier of last resort.

Extended universal service obligation: Member States may impose on undertakings operating in the electricity sector, in the general economic interest, public service obligations which may relate to security, including security of supply, regularity, quality and price of supplies and environmental protection, including energy efficiency, renewable energy and climate protection. Such obligations shall be clearly defined, transparent, non discriminatory, verifiable and shall guarantee equality of access for EU electricity companies to national consumers. In relation to security of supply, energy efficiency/demand-side management and for the fulfilment of environmental and renewable energy targets, Member States may introduce the implementation of long term planning, taking into account the possibility of third parties seeking access to the system.

Renewable energy: national regulatory authority shall require the system operator, when dispatching generating installations, to give priority to generating installations using renewable energy sources or waste or producing combined heat and power except when technical balancing requirements or the safety and reliability of the grid would be compromised. Parliament added that in order to help consumers to reduce their energy costs, Member States may require that electricity revenues from household customers be spent to fund energy efficiency and demand-side measurement programmes for household customers.

National Regulatory Authorities: national regulatory authorities should be given a wider remit to ensure that the European consumer is taken into account in their work.

Cross-border and regional cooperation: national regulatory authorities shall cooperate among themselves for the purpose of harmonising the market design and integrating their national markets at least at one or more regional levels, as a first step towards a fully liberalised internal market. In particular,

they shall promote the cooperation of network operators at a regional level and facilitate their integration at that level with the aim of creating a competitive European market, facilitating the harmonisation of their legal, regulatory and technical framework and, above all, integrating the electricity islands that persist in the EU. Member States shall therefore promote the cross-border and regional cooperation of national regulatory authorities.