Energy, electricity and gas: liberalisation of markets (Directives 96/92/EC, 98/30/EC)

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After the Commissioner, Ms DE PALACIO, had given a progress report on the liberalisation of the electricity and gas markets and outlined the role played here by the Florence process (electricity) and the Madrid process (gas), the Council discussed the present state of liberalisation of these markets (Directives 96/92/EC (electricity) and 98/30/EC (gas)). The discussion centred on: - the most appropriate indicators for monitoring market developments following liberalisation, the obstacles to speeding up liberalisation and the time schedule to be followed for this process; - the role to be played by services of general economic interest in ensuring the highest possible standards of service; - the elements to be given the highest priority in an overall evaluation of the possible social implications of liberalising the markets. After its discussion, the Council adopted the following conclusions: 1. in regard to the electricity market, it welcomes the recent presentation by the Commission of its communication "Recent progress with building the internal electricity market", as well as the progress made on the implementation of the Electricity Directive (96/92/EC) and the fact that most Member States have already opened their markets beyond the minimum requirements set by that Directive; The Council stresses the need to ensure that the levels of inter-TSO (transmission systems operator) payments to enter into force by October 2000, as well as the systems for financing the payments, are refined and fully in line with the principles of non-discrimination, cost-reflectiveness, simplicity and transparency and are on a non-transaction basis; It invites Member States, regulators/national administrations and the Commission to ensure that the way in which these systems are designed and the payments and compensation of individual TSOs are passed through to their respective network users, which to a certain extent would be left to subsidiarity under the provisional system, does not distort competition and, as far as is reasonably possible, is cost-reflective and places costs on those responsible for them, and provides the appropriate cost-allocation signals to market players; It stresses the need to harmonise, where necessary, national tarification systems for cross-border transactions, including the split between the charges on G (generation, i.e. production) and L (load, i.e. consumption) applied, in order to achieve a level playing field for cross-border transactions; It invites the Commission, Member States and national regulators/national administrations to develop, in liaison with ETSO, a robust tarification system for the longer term; It calls on the Commission, Member States and regulators / national administrations to ensure a timely implementation of these tarification mechanisms and congestion management measures, in line with the schedule for implementation proposed at the recent meeting of the Florence Forum; It asks the Commission to present a progress report at the latest by April 2001. 2. In regard to the gas market, the Council notes with satisfaction the progress made on the implementation of the GasDirective (98/30/EC) and stresses the importance of timely implementation by Member States to allow gas market opening and competition to take real effect no later than 10 August 2000; In order to ensure the smooth functioning of the internal gas market, it invites Member States, regulators/national administrations, the Commission, gas transmission system operators and all other relevant market players, in line with the principle of subsidiarity, to continue progress and to proceed speedily, in the context of the European Gas Regulatory Forum, "the Madrid process", to identify potential problems and to seek solutions to relevant issues related to the internal gas market, including ensuring non-discriminatory tarification of access to the gas system for cross-border trade, access to necessary ancillary services, congestion management and interoperability; The Council recognises the need to develop sufficient and, where necessary, additional interconnector capacity in Europe to ensure that the functioning of the internal electricity and gas market is hampered by neither physical constraints nor institutional factors affecting trade, including as regards isolated, peripheral and island networks, thereby contributing to security of supply; It stresses the need to create favourable market conditions for further investments and to mobilise all relevant resources to this effect; Lastly, the Council underlines the

necessity to analyse carefully the effects of liberalisation on the development of employment in the electricity and gas sector as well as in other sectors potentially benefiting from the overall positive effects of liberalisation in terms of competitiveness and price and cost reductions.