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

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This communication gives a brief analysis of the state of play and examines, notably on the basis of the latest results of the Florence process, the action to be taken by operators and the regulatory authorities, under the supervision of the Commission, to make the internal electricity market work smoothly. Certain progress has been made with the implementation of the electricity market both in terms of the degree to which it has been opened up and in the form of falling prices for industrial and domestic consumers. However, if the Community is to reap the full benefits of a competitive, dynamic market, any further liberalisation needs be both quantitative and qualitative in nature. It should lead to a situation where, in due course, all consumers have the right to choose their supplier. In order to secure this right, fair access to the network must be guaranteed through transparent and objective rules and non-discriminatory tariffs. At the same time, standards of public service must be kept high and raised and the effects on employment and the environment must be taken into account. The existing Directive lays down the basic principles concerning the conditions, procedures and rate of liberalisation. However, complementary measures are essential, notably on the cross-border aspects and congestion mmanagement, before a real single electricity market can come into operation. The Florence process was established to meet this need. Based on concertation between the players, it marks an original approach from the institutional and governance points of view. The Commission has involved the Member States and all the leading players in this process, while preserving each party's respective powers. In this way, the Florence process offers incontestable advantages in terms of efficiency and speed, bearing in mind the nature of the issues concerned. For example, the March 2000 meeting of the Forum made tangible progress on cross-border pricing and market transparency. The Commission, in close collaboration with the national regulators, will ensure that the preliminary pricing mechanism scheduled in October 2000 meets the declared objectives, i. e. reflects costs, is objective and transparent and is non-discriminatory. This transitional system will lay the foundation for putting in place a stable, harmonised system. The Commission is overseeing this work. The latest results of the Florence process, notably on the principles for cross-border pricing, will be taken into account or adapted in the amendments to the Directive on the internal market in electricity which the Commission will submit in its communication to the Stockholm European Council. On the same occasion, the Commission could make further proposals on the internal market in electricity, particularly for a significant and faster increase in the number of customers eligible, for greater unbundling of the operational and accounting sides and regulated third-party access. Lastly, as regards congestion and the lack of major interconnectors, the Commission plans to propose a mechanism for concertation between stakeholders with a view to defining a European plan for the major interconnector infrastructure still missing.