Internal market for electricity: safeguard security of supplies, infrastructure investment

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This document comprises of the communication from the Commission on energy infrastructure and security of supply. Europe needs an energy industry that is reliable, in terms of security and continuity of supply; sustainable, in terms of its environmental performance; and competitive, i.e. delivering an efficient service to households and business -and thus contributing to the competitiveness of the European Economy and the quality of life of its citizens. The internal market, moreover, needs to contribute to the underlying objective of sustainable competition. This, above all, relates to the EU's environmental commitments to control the emission of greenhouse and other gases. In addition, it must be ensured that the internal energy market develops in a manner that provides the highest possible standards of security of supply for European citizens and industry. This has two elements; system security, and ensuring adequate supplies of gas and electricity in both the medium and the long term. - A successful electricity industry must deliver a continuous equilibrium between supply and demand of electricity while also allowing for competition between different generators and suppliers. In addition to the market opening measures already in force appropriate incentives to invest in both transmission and distribution networks as well as for demand management and\or electricity generation are central to these objectives. Without such investments the reforms of the electricity sector will not succeed and there will be an ever increasing risk of interruptions if demand for electricity continues to grow at its current rate and the strain on the network increases. - As for electricity there is a need to ensure that the gas network is adequately developed to provide both a competitive market structure and ensure security of supply. This point has been emphasised in successive Commission Communications on the energy market. The current situation for gas is however subtly different. Firstly, because actual physical congestion of pipelines is not so frequent and there should already be scope for considerable cross border trade if the regulatory framework was improved; and secondly, because an important difference between gas and electricity is the possibility of storing gas and the greater degree of interruptible consumption. For this reason, an event analogous to a general "black-out" is not likely. This means that the concerns relating to the timing of investment do not have the same degree of importance. However it is still necessary that required infrastructure is developed. It is also of note that the security of supply question is equally related to investments outside the EU. In this context, the Commission proposed a new legislative package to promote investment in the European energy sector to both strengthen competition and help prevent the reoccurrence of the blackouts that took place in the summer of 2003. In particular, it highlights the major importance of a clear demand management, through the development of a more oriented energy efficiency policy. It also emphasises the need of a clear EU legislative framework for the proper functioning of a competitive internal market for electricity, by safeguarding security of electricity supply and ensuring an adequate level of interconnection between Member States, through general, transparent and non-discriminatory policies. Moreover, the Commission makes further proposals for the Energy Transeuropean networks in electricity and gas, in order to make it more efficient, to link decisively the future new Member States to the Energy Single Market, and to develop a similar approach with neighbouring countries. It also proposes a regulation on cross-border exchanges in gas which will incorporate in the EU legislation the guidelines agreed by the sector and empower the national regulators to ensure their implementation.