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

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PURPOSE : to present the second report on harmonisation of technical requirements stemming from Directive 96/92/EC concerning common rules for the internal market in electricity. CONTENT : this report is the follow up to the first report to the Council and the European Parliament on harmonisation requirements pursuant to Article 25 (1) of Directive 96/92/EC concerning common rules for the internal market in electricity. According to Article 25, the first report had to be submitted within one year following the entry into force of the Directive on 19 February 1997. At that early stage of the two year implementation phase, it was unclear which structural choices several Member States would take in order to implement the Directive. Based on the discussions with Member States at the biannual meetings of the "follow-up" Group for the implementation of the Electricity Directive, the Commission identified the issue of promotion of renewables as the main focus of the first report on harmonisation requirements. However, the Commission was already aware that there might be several other areas, which are not specifically addressed by the Directive, but nevertheless might require harmonisation or at least which deserve regulatory attention to guarantee the proper and efficient functioning of the internal electricity market. In this light, the Commission proposed that there should be not one report on harmonisation requirements, but that at least a second report would be drafted in the light of experience after finalisation of the implementation at national level of the Directive. Thus approach has been supported by the Council. It is the objective of the second report to draw attention of the Council and the European Parliament to a wide range of already existing or expected obstacles within the single market of electricity. This report is structured in three parts: - the first deals with the need to ensure that the implementation of the electricity directive does not result in 15 liberalised but separate and rather isolated electricity markets, thereby failing to produce the benefits from synergies, scale economies and shared resources throughout the EU. Thus, obstacles to the cross-border trade of electricity among Member States have to be actively addressed. This report therefore focuses on three issues: firstly, the availability of tranmission capacity over the interconnectors between Member States; secondly, the necessity to establish a system of non prohibitive, but rather trade facilitating, crossborder transmission tarification; and, thirdly, the issue of crossborder exchanges of electricity with third countries; - the second part of this report discusses whether there is a need for regulation of the electricity network at the European level, in particular in order to address the cross-border issue discussed in part one; - part three considers the necessity to ensure a level playing field on the EU internal market for electricity, addressing therefore, structural issues that might lead to important distortions of the conditions of competition between Member States. To a large extent, this will be achieved through theapplication of the competition rules of each Member State and those of the Community. However, some areas might create structural distortions, which cannot be tackled by the competition rules alone. This report examines three such areas, without prejudice that there might exist an even wider field of problems. The issues covered in this report are environmental standards in electricity generation, accounting standards for nuclear decommissioning, and taxation. In conclusion, this report does not intend to draw final conclusions on the issues raised. It does not claim to be exhaustive in the selection of questions, not to cover all aspects of the issues discussed. The questions addressed by this report are so far reaching that the chapter can only draw the attention to the problems and, in some cases, indicate some first lines of reflection. Concrete follow-up of the individual issues raised will be decided upon by the Commission in the light of the outcome of the subsequent discussions with the Council and the European Parliament, and comments received from interested parties in reponse to this document.