

# Electricity: common rules for the internal market

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The European Council at Stockholm requested a detailed evaluation of the situation in the electricity sector relating to market opening. This has been carried out in the form of a benchmarking report considering in detail the regimes in place in different Member States for electricity. The report has been compiled using information collected from market players and government agencies following a detailed survey. The report reveals that almost all Member States have passed appropriate legislation to transpose the Directive. In terms of market opening, a number of Member States have either already opened their markets more rapidly than the minimum requirements of the Directive or plan to do so. All Member States except France, Portugal and Greece envisage full market opening in a legal sense before 2008. However, in terms of detailed measures, a number of key barriers to competition have been identified in the report as follows: - excessively high network tariffs, which forms a barrier to competition by discouraging third party access and may provide revenue for cross subsidy of affiliated businesses in the competitive market, - a high level of market power of existing generation companies combined with a lack of liquidity in wholesale and balancing markets which is likely to expose new entrants to the risk of high imbalance charges, - network tariff structures which are not published in advance or subject to ex-ante approval this may lead to uncertainty and create costly and time consuming disputes unless combined with full ownership unbundling, - insufficient unbundling, which may obscure discriminatory charging structures and lead to possible cross subsidy. In addition to the barriers to competition within Member States, there are also several constraints on cross border transactions. The report examines the rules in place at borders for the following conclusion: there exists the beginnings of a coherent system for both cross border tariffs and capacity allocation. However, more development is needed in terms of a more cost effective reflective tariff structure, more information provision, greater integration of capacity allocation procedures between countries and integration with power exchanges. In conclusion, the analysis would seem to indicate that the Member States which have adopted policies along the lines of the Commission's proposal have experienced better performance of the electricity market in terms of customers exercising the right to choose. In addition for the Nordic countries, prices have reduced the most rapidly and are generally lower than average as a result.