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

2003/0301(COD) - 18/01/2006 - Final act

PURPOSE: to establish measures safeguarding security of electricity supply and infrastructure investment.

LEGISLATIVE ACT: Directive of the European Parliament and of the Council concerning measures to safeguard security of electricity supply and infrastructure investment.

CONTENT: to guarantee a secure electricity supply and to secure a competitive internal electricity market co-operation between national transmission system operators is essential. Particularly when this concerns network security, transfer capacity, information provision and network modelling. A lack of co-ordination can be detrimental to the development of equal conditions in the field of competition as well as acting as a brake on the security of supply. The stated objective of this Directive, therefore, is to secure electricity supplies based on fair competition and to create a fully operational internal electricity market. In summary, the main provisions of the Directive are as follows:

The Directive’s purpose will be to establish measures which safeguard the security of electricity supply, to guarantee an adequate level of generation capacity; to guarantee an adequate balance between supply and demand and to set up an appropriate level of inter-connection between Member States for the development of the internal market. Further, the Directive establishes a framework within which the Member States are to define transparent, stable and non-discriminatory policies on security of electricity compatible with the requirements of a competitive internal market for electricity.

The Directive’s objectives are to be implemented via the Member States who are obliged to ensure a high level of security of electricity supply by setting up a stable investment climate and by defining the roles and responsibilities of the various competent authorities. In terms of operational network security, the Directive specifies that the Member States must ensure that the transmission system operators set the minimum operational rules and obligations on network security. These rules may need approval from the authorities. In turn, the distribution system operators are expected to comply with the minimum operational rules and obligations on network security. In particular, the Member States are expected to ensure that interconnected transmission and distribution system operators exchange information relating to the operation of networks.

On the matter of maintaining a balance between supply and demand, Member States must take appropriate measures to maintain a balance between the demand for electricity and the availability of generation capacity. This should be done by encouraging the establishment of a wholesale market framework that provides suitable price signals for generation and consumption and by requiring transmission system operators to ensure that an appropriate level of generation reserve capacity is available for balancing purposes and/or to adopt equivalent market based measures.

The Directive states that, notwithstanding Articles 87 and 88 of the Treaty, Member States may take additional measures that facilitate new generation capacity and the entry of new generation companies to the market. Measures may also be introduced facilitating the removal of barriers that prevent the use of interruptible contracts, the removal of barriers that prevent the conclusion of contracts of varying lengths for both producers and customers, the adoption of real-time demand management technologies such as advanced metering systems and energy conservation measures.

Lastly, on the matter of network investment, the Directive obliges the Member States to establish a regulatory framework that provides investment signals for both the transmission and distribution system network operators to develop their networks in such a way that they can meet foreseeable demand and that facilitates maintenance as well as the renewal of their networks. Merchant investments in interconnections should be allowed. However, any such investment must be taken in close co-operation between the relevant transmission system operators. To complement the provisions of the Directive specific reporting procedures are laid out and specified.

TRANSPOSITION: Member States must bring into force all the necessary provisions by 24 February 2008. By, 1 December 2007, the Member States must notify the Commission of the text of the provisions of national law which they adopt in the field covered by this Directive.

ENTRY INTO FORCE: 24 February 2006.