Basic information

2003/0301(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Directive	Procedure completed
Internal market for electricity: safeguard security of supplies, infrastructure investment Repealed by 2016/0377(COD) **Subject** 3.60 Energy policy 3.60.03 Gas, electricity, natural gas, biogas	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ITRE Industry, Research and Energy	CHICHESTER Giles (PPE-DE)	27/07/2004

Former committee responsible	Former rapporteur	Appointed
ITRE Industry, External Trade, Research, Energy	CHICHESTER Giles (PPE-DE)	02/12/2003

Committee for opinion	Rapporteur for opinion	Appointed
ECON Economic and Monetary Affairs	DOS SANTOS Manuel (PSE)	23/09/2004
ENVI Environment, Public Health and Food Safety	GLANTE Norbert (PSE)	01/09/2004
IMCO Internal Market and Consumer Protection	The committee decided not to give an opinion.	

Former committee for opinion	Former rapporteur for opinion	Appointed
ECON Economic and Monetary Affairs	The committee decided not to give an opinion.	
JURI Legal Affairs and Internal Market	The committee decided not to give an opinion.	

	ENVI Environment, Public Health, Consumer Policy	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
Transport, Telecommunications and Energy	2554	2003-12-15
Transport, Telecommunications and Energy	2589	2004-06-10
Transport, Telecommunications and Energy	2625	2004-11-29
Transport, Telecommunications and Energy	2695	2005-12-01

European Commission

Commission DG	Commissioner
Energy and Transport	

Key events

Date	Event	Reference	Summary
10/12/2003	Legislative proposal published	COM(2003)0740	Summary
15/12/2003	Debate in Council		
15/01/2004	Committee referral announced in Parliament, 1st reading		
10/06/2004	Debate in Council		Summary
16/09/2004	Committee referral announced in Parliament, 1st reading		
29/11/2004	Debate in Council		Summary
19/04/2005	Vote in committee, 1st reading		Summary
22/04/2005	Committee report tabled for plenary, 1st reading	A6-0099/2005	
05/07/2005	Decision by Parliament, 1st reading	T6-0267/2005	Summary
05/07/2005	Results of vote in Parliament		
01/12/2005	Act adopted by Council after Parliament's 1st reading		
18/01/2006	Final act signed		
18/01/2006	End of procedure in Parliament		
04/02/2006	Final act published in Official Journal		

Technical information

Procedure reference	2003/0301(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Directive

Amendments and repeals	Repealed by 2016/0377(COD)
Legal basis	EC Treaty (after Amsterdam) EC 095
Stage reached in procedure	Procedure completed
Committee dossier	ITRE/6/21128 ITRE/5/20513

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee opinion	ENVI	PE350.210	09/03/2005	
Committee opinion	ECON	PE350.216	16/03/2005	
Committee report tabled for plenary, 1st reading/single reading		A6-0099/2005	22/04/2005	
Text adopted by Parliament, 1st reading/single reading		T6-0267/2005 OJ C 157 06.07.2006, p. 0018-0061 E	05/07/2005	Summary

Council of the EU

Document type	Reference	Date	Summary
Draft final act	03654/4/2005	18/01/2006	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2003)0740	10/12/2003	Summary
Document attached to the procedure	COM(2003)0743	10/12/2003	Summary
Document attached to the procedure	SEC(2003)1368	10/12/2003	Summary
Commission response to text adopted in plenary	SP(2005)2923	14/07/2005	
Follow-up document	COM(2010)0330	25/06/2010	Summary

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	PT_PARLIAMENT	COM(2010)0330	19/10/2010	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES1444/2004 OJ C 120 20.05.2005, p. 0119-0122	28/10/2004	

Additional information		
Source	**Document**	**Date**
European Commission	EUR-Lex	

Final act	
Directive 2005/0089 OJ L 033 04.02.2006, p. 0022-0027	Summary

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

2003/0301(COD) - 10/12/2003 - Legislative proposal

PURPOSE : to establish measures aimed at ensuring the proper functioning of the EU internal market for electricity by safeguarding security of electricity supply and by ensuring an adequate level of interconnection between Member States. It establishes a framework within which Member States shall define general, transparent and non-discriminatory policies on security of electricity supply compatible with the requirements of a competitive single market for electricity. PROPOSED ACT : Directive of the European Parliament and of the Council. CONTENT : the European Union is in the process of creating the largest competitive market for electricity and gas in the world. This integration of energy markets will both lead to greater efficiency and contribute to security of supply. In order to do this, however, it is important that the correct incentives are in place on market participants and that a stable framework exists. This applies to generators, network operators and consumers. A truly functioning, integrated electricity market requires significant investment in transmission networks., Interconnections between Member States are a particular priority in order to allow for a higher level of competition between existing companies. Without additional interconnectors, the principles of market opening may become meaningless as companies consolidate their position in particular regions of the European Union and the market becomes segmented. The proposed Directive seeks to ensure that a stable framework exists. It will in particular: - require Member States to have a clearly defined policy towards the supply demand balance which allows for targets for reserve capacity to be set or measures including demand side measures; - require Member States to have defined standards to be met relating to the security of the transmission and distribution networks; - require that each Transmission System Operator submits an (multi)annual investment strategy to its national regulator; - require regulators to submit a summary of these investment programmes to the Commission for consultation with the European Regulators Group on Electricity and Gas and with account having been taken of the Trans European Energy Networks Axes of Priority European Interest; - include a right for regulators to intervene to accelerate the completion of projects and, where necessary, to issue a call for tender on certain projects in the event that the Transmission System Operator is unable or unwilling to complete the projects concerned. Lastly, the Member States shall lay down the rules on penalties applicable to infringements of the national provisions adopted pursuant to this Directive and shall take all measures necessary to ensure that they are implemented. The penalties provided for must be effective, proportionate and dissuasive. FINANCIAL IMPLICATIONS : - Overall multiannual estimate on expenditure : EUR 0,5 million.

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

2003/0301(COD) - 10/12/2003

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.

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

2003/0301(COD) - 05/07/2005 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted a resolution drafted by Giles **CHICHESTER** (EPP-ED, UK) making several amendments to the Commission proposal, which are acceptable to the Council. The procedure will therefore be concluded without a further reading. Parliament emphasised the importance of ensuring continuity of electricity supplies throughout the text. The principal points are as follows:

- Article 1 was reworded to reflect the fact that the primary aim of the directive should be to safeguard security of electricity supply in order to ensure the proper functioning of the EU internal market for electricity.

- Article 2 on definitions was redrafted so that most definitions were those referred to in Directive 2003/54/EC. In addition, Parliament defined some additional phrases, such as “balance between supply and demand” and "security of electricity supply".

- Article 3 was reworded to state that Member States shall ensure a high level of security of electricity supply by taking necessary measures to facilitate a stable investment climate and by defining the roles and responsibilities of competent authorities including regulatory authorities where relevant, and all relevant market actors. The relevant market actors include: transmission and distribution system operators, electricity generators, suppliers, final customers. The Commission’s text had mentioned only transmission system operators and suppliers. In ensuring an appropriate level of interconnection between Member States, special consideration shall be given to each Member State's specific geographical situation, to maintaining a reasonable balance between the costs to build new interconnectors and the benefit for the final consumers, and to ensuring that existing interconnectors are used as efficiently as possible.

- A new clause 4 states that Member States or the competent authorities must ensure that the transmission system operators set the minimum operational rules and obligations on network security. Before setting these rules and obligations, they shall consult with the relevant actors in the countries concerned with which interconnection exists. Member States may require transmission system operators to submit these rules and obligations to the competent authority for approval. Member States will, in particular, ensure that interconnected transmission and, where appropriate, distribution system operators exchange information relating to the operation of networks in a timely fashion and in an effective manner in line with the minimum operational requirements. The same requirements will apply to transmission and distribution system operators that are interconnected with system operators outside the Community.

- In Article 6, Parliament replaced selective references to various pieces of Community legislation by a more general requirement to establish a regulatory framework that provides investment signals for both the transmission and distribution system network operators to develop their networks in order to meet foreseeable demand from the market, and facilitates maintenance and, where necessary, renewal of their networks

- In Article 7, the text now states that Member States must ensure that the report referred to in Directive 2003/54/EC covers the overall adequacy of the system to supply current and projected demands for electricity. This will comprise, inter alia, the projected balance of supply and demand for the next five year period. The section of the report relating to interconnection investment must take account of the principles of congestion management. Parliament also limited the powers of the regulatory authorities when it came to the construction of interconnections, and therefore deleted the provisions stipulating that these authorities should endorse or amend the transmission system operators' plans and have the power to impose financial penalties, issue instructions or arrange for an alternative contractor.

- The date of transposition is 24 months after the entry into force of the directive rather than 1 January 2006.

- A progress report will be submitted 48 months after its entry into force.

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

2003/0301(COD) - 29/11/2004

Pending the European Parliament's opinion at first reading, the Council agreed on a general approach regarding a proposal for a Directive on measures to safeguard security of electricity supply and infrastructure investment, whilst the Commission reserved its position at this stage.

The key features of the general approach are as follows:

- As regards the establishment of a high level of security of electricity supply, the text tries to find a balance between binding criteria and optional ones.

- Concerning provisions on operational network security and the need of maintaining a balance between demand and supply, it has been clarified that the main components of security of electricity supply are taken into account in the following way:

1) The operational rules and obligations are foreseen in order to ensure the necessary transmission margins in the network.

2) A specific provision establishes the requirements for the daily management of the systems.

3) The text also reflects the need for momentary generation reserve capacities and other reserve capacities.

- The provisions on transmission and distribution network investment have been simplified by deleting the prioritisation of demand side management measures when investment decisions are taken and removing certain conditions for investment decisions such as the need to take into account the increased possibilities for connecting renewable electricity.

- The role of the regulatory authorities and the Commission regarding investments for interconnection construction has been streamlined and the reporting requirements imposed on TSOs have been simplified.

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

2003/0301(COD) - 25/06/2010 - Follow-up document

In accordance with its obligation under Directive 2005/89/EC, the Commission presents its report on progress concerning measures to safeguard security of electricity supply and infrastructure investment. It outlines the progress made by Member States on the implementation of the Directive and key changes in monitoring electricity security of supply.

Member States have effectively implemented the provisions of the Directive either through the creation of new legislative provisions or the use of existing provisions emanating from other European legislation. Over the short term, there appears to be sufficient network capacity and generation to cope with European electricity demand. However, the picture becomes less clear over the medium and long term. A detailed analysis performed by ENTSO-E in its system adequacy forecast suggests that there will be sufficient generation capacity for the period between 2010 and 2025. However, national reports submitted by Member States indicate that national generation adequacy depends on important assumptions, in particular extending the lifetime of existing units. Without replacing existing generation units, additional capacity of 100-300 GW between 2009 and 2025 would be required.

The 2nd Strategic Energy Review provided a detailed overview of the age of operational generation capacity. In summary, as of end of 2008, the majority of European gas generators were less than 5 years old. However, the majority of coal and nuclear plants was more than 21 years old. Many of them are approaching the date of decommissioning, which is around 40 or more years after the start of operations, depending on the generation type. Combining the need for replacing aging plants with the increasing share of RES based generation, notably on- and offshore wind, as a result of 2020 commitments, and of the Large Combustion Plant Directive 2001/80/EC, presents a significant challenge to system operators over the coming years both in terms of balancing and network adequacy. After 2015, additional investments in generating capacity would be required to maintain the level of adequacy at an appropriate level. ERGEG has expressed concerns that the financial crisis might delay necessary investments that are already under consideration as the economic viability for these projects is put into question due to lower electricity demand.

Similarly, changes in demand patterns may need to be factored in as energy efficiency measures including Smart Meters take effect. As supported by the regulators, incentive based schemes should be employed to facilitate new network investment, and consideration should be given to the utilisation of Smart Grid technology.

The Third Energy Package will bring important changes for monitoring security of supply. ENTSOE's obligation to produce a biennial 10 year development plan that covers all aspects relevant for monitoring of security of supply – both on the side of generation and transmission adequacies, is a significant step forward. Although non-binding in nature it will provide an appropriate basis for ENTSO's network codes on network security and reliability.

As the EU approaches its 2020 climate targets, Member States should be increasingly vigilant of potential security of supply issues and take early enough appropriate measures to modernise and adapt their systems to the new challenges so that consumers can enjoy a high quality, low carbon and continuous supply of electricity.

The report explained some of the future evolutions in the European electricity system, notably with regard to the integration of massive amounts of electricity from renewable energy sources and the need to curb greenhouse gas emissions in the energy sector: fuel shift towards electricity in the overall energy mix; increasing distance between production and consumption due to higher reliance on renewable energy sources; intermittency of the major renewable sources (wind and solar

photovoltaic), increasing the need for balancing capacity, be it conventional or renewable; potentially increased role of electricity imports from outside the EU, due to high "green electricity" potential in neighbouring regions. These evolutions will require massive investments and appropriate incentive schemes for delivering these investments in a timely manner, while ensuring competition, sustainability and security of supply. The European Commission is therefore currently preparing an

Energy Infrastructure Package, whose role will be to encourage the development of European energy infrastructure. This new package will build upon the current TEN-E framework and establish a complete set of policies, taking into account existing procedures and financing for infrastructure development.

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.

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

2003/0301(COD) - 10/06/2004

The Council took note of a progress report concerning the proposals for a Directive

concerning measures to safeguard security of electricity supply and infrastructure investment as

well as the proposal for a Directive on energy end-use efficiency and energy services.

Both proposals were considered acceptable as concerns the overall objectives, i.e. the importance of managing supply and demand in the internal market, but complex and controversial as concerns the measures to achieve these objectives. Further detailed examination will be needed on both texts.

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

2003/0301(COD) - 10/12/2003 - Document attached to the procedure

COMMISSION'S IMPACT ASSESSMENT

1. PROBLEM IDENTIFICATION

Currently, there are a number of undesirable and unsustainable trends emerging in European electricity markets which jeopardise the Commission's objectives to ensure sustainability, enhance security and supply and improve competitiveness. It is vital to ensure that different Community policies, targeted on the above-mentioned three objectives, are compatible and that the configuration of the physical characteristics of the network, market structure and technology are in place to deliver these objectives. Of particular concern is the need for measures relating to infrastructure development and relating to security of supply.

For more information regarding the context of this problem, please refer to the complementary summaries of Communications COM(2003)0743 and COM(2003)0740.

2. OBJECTIVE

This paper is intended to address some key outstanding issues which, in particular, relate to the need for additional transmission investment, to include environmental considerations in network investment decisions, as well as the need for a clearly policy statement to be made by Member States concerning the market for electricity generation and ensuring a balance between supply and demand. Security of electricity supply is important since the use of electricity is central to the functioning and well-being of society. New interconnections are required at EU level to support the internal market and to allow for competition between the existing electricity companies in Europe. Without this happening, and in the absence of measures by Member States to reduce the dominant position of the largest companies, the possibility of choosing between different suppliers will remain an illusion for many customers.

The proposal addresses **the need for Member States to have a stable regulatory framework for maintaining the supply-demand balance**.

3. POLICY OPTIONS AND IMPACTS

3.1 – "Do nothing" approach: this leaves the Member States to find a solution on an individual basis with only ad-hoc bilateral co-operation as considered necessary. On the issue of **transmission**, this would leave decisions on infrastructure up to Member States and more specifically transmission system operators (TSOs). **This was rejected** because, firstly, a number of TSOs are vertically integrated and, secondly, in some Member States, regulatory practice is not conducive to new infrastructure investments and this creates problems when considering the issue at European level. A further variation of the 'do-nothing' approach would be for the Commission to stop in its efforts to accelerate cross border interconnection. Such an approach would rely on new investment in the generation market to deliver the competition goals of the Community.

In relation to the issue of **balancing supply and demand,** there are also some key choices to be made. This approach would mean that the only obligations on Member States would be those contained in the new Electricity Directive (2003/54). This already obliges Member States to monitor the supply-demand balance and report to the Commission.

The '**do nothing' option** would probably mean **negative consequences from the environmental point of view**. Offshore wind farm would, for example, have a more limited impact on the internal market. Similar criticisms apply to a "**weaker version"** of the proposal to the extent that this would mean slower progress with the projects under discussion.

Moreover, this option would **reduce the one-off investment costs but this would damage the functioning of the competitive market** and mean that the ongoing benefits of competition would be forgone. The main effect of the proposal is to accelerate the effectiveness of introducing competition as

discussed in the section above. On the other hand, this approach might be the **preferred option for consumers** since they are familiar with the current framework and may not welcome being asked to think more about their consumption decisions.

3.2 - "Light" approach: the Commission can choose to play a co-ordinating role by encouraging the Member States to co-operate more generally in formulating their policies but without any obligations.

A lighter version of the proposal requiring, for example, more voluntary coordination, would risk realising only part of the benefits. Since the above analysis suggests the benefits of the investments being covered outweigh the costs, this is also rejected. There is also the problem of asymmetric implementation of, for example, the requirement to publish a supply-demand policy which would risk problems of market distortion and free-riding. This approach would be to merely strengthen the existing co-operative approach through, for example, the Florence Forum and the existing co-operation between the Commission and national regulators. This approach **was also rejected since these discussions are a voluntary arrangement and experience has shown that it is difficult to get many difficult concrete issues resolved through such arrangements without binding rules.** Since part of the objective is to remove regulatory risk, a voluntary approach might even be a disincentive to investment.

3.3 - "A more interventionist approach": is one where the Commission seeks to place obligations on Member States to fulfil certain requirements in how they organise their policy on the issue concerned and how they interact with each other. The most extreme intervention is where the Commission would propose a Community-level solution to the problem being considered. **More interventionist possibilities**, such as the introduction of a common standard for reserve capacity or a common EU approach to the generation market **were rejected due to subsidiarity reasons and the recognition that the reality of the electricity market still amounts to national or regional markets that are not very well interconnected**.

CONCLUSION: for the current proposal relating to **infrastructure**, the approach taken is mainly in terms of coordination of practice in existing Member States with some obligation to provide a framework compatible with regulated third party access and some reporting obligations on projects of European Interest. **The proposed approach is therefore relatively "light".**

Concerning **security of supply**, the approach is **more prescriptive** in that is requires Member States to have a clearly defined policy for this subject. It does, however, leave a considerable amount of choice available to Member States as to the approach to be taken.

5. FOLLOW-UP

Relating to infrastructure, the TEN guidelines envisage that, **every two years**, the Commission shall draw up a report on the implementation of the projects of common interest as listed in the TEN-E Guidelines. Regarding **supply and demand**, there is already an obligation in the existing Electricity Directive on Member States and the Commission to co-operate in producing a regular report monitoring the position. This will be extended somewhat by the new proposal since the Commission will also be required to monitor the coherence of the different approaches in Member States and seek to minimise any distortions that might arise.