



A REGIONAL APPROACH FOR SOUTH EAST EUROPE

- Role of Regulators and Security of Supply –

Nina GRALL-EDLER, Head of ECRB Section - Regulatory Affairs
Energy Community Secretariat

**ERE Conference “Albanian Energy Sector, Challenges and Regulation”,
7 October 2010**

- ▶ **WHY A REGIONAL APPROACH?**
- ▶ **ABOUT THE ENERGY COMMUNITY – 8th REGION**
 - ▶ **GEOGRAPHIC SCOPE**
 - ▶ **BASICS**
- ▶ **THE ROLE OF REGULATORS**
- ▶ **SECURITY OF SUPPLY**

- ▶ **WHY A REGIONAL APPROACH?**
- ▶ ABOUT THE ENERGY COMMUNITY – 8th REGION
 - ▶ GEOGRAPHIC SCOPE
 - ▶ BASICS
- ▶ THE ROLE OF REGULATORS
- ▶ SECURITY OF SUPPLY

WHY AN ENERGY COMMUNITY?

WHERE DO WE START FROM?

Small Markets

Different Rules

Legal

Institutional

Content

Low Competition

Monopolies

Closed Markets

Regulated Prices

Infrastructure

WHAT IS NEEDED?

Market Integration

Harmonisation

Legal Rules

Market Rules

Comp. Structures

Market Opening

Network TPA

Market Prices

Investments

Stability

Scale

EnC APPROACH

**A REGIONAL
APPROACH AS
SOLUTION!**

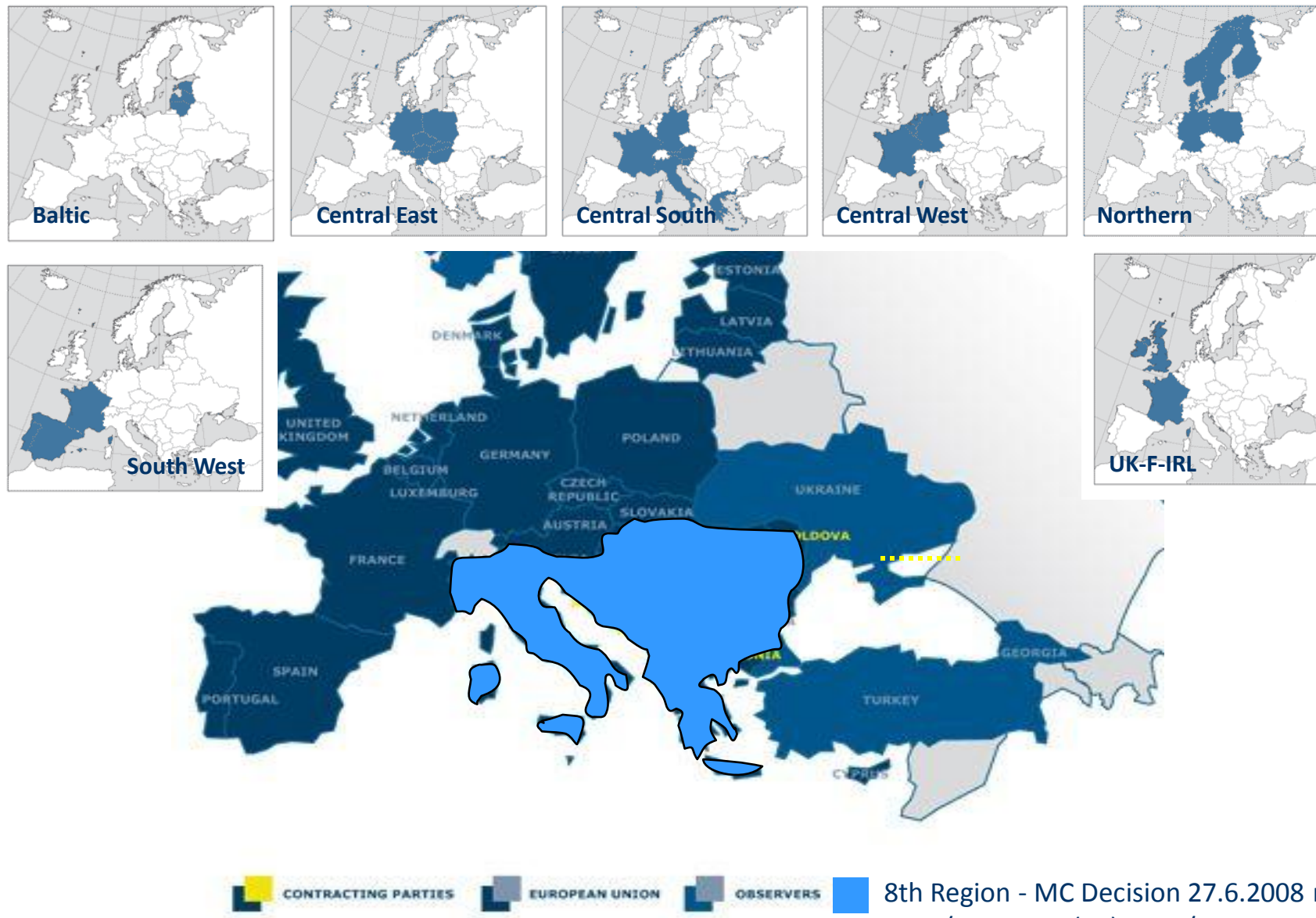
Common Rules

acquis

ECRB

- ▶ WHY A REGIONAL APPROACH?
- ▶ **ABOUT THE ENERGY COMMUNITY – 8th REGION**
 - ▶ **GEOGRAPHIC SCOPE**
 - ▶ **BASICS**
- ▶ THE ROLE OF REGULATORS
- ▶ SECURITY OF SUPPLY

GEOGRAPHIC SCOPE



► TREATY ESTABLISHING THE ENERGY COMMUNITY

■ signed in October 2005; entered into force on 1 Juli 2006

■ Contracting Parties

► European Union

► **8 „Contracting Parties“:** Albania, BiH, former Yugoslav Republic of Macedonia, HR, Moldova, Montenegro, Serbia, UNMIK

■ **14 EU MS** as „Participants“ (since 1.3.2009): AT, BULG, CZ, Cyprus, F, DE, GR, H, IT, NL, ROM, Slovakia, SI, UK

■ **3 Observers:** Georgia, Norway, Turkey

■ **Ukraine** signed the Treaty on 24 Sept 2010

■ Content

► implementation of the Treaty (!) – *acquis* → no dynamic adjustment to EU *acquis* (e.g. 3rd package)! – requires Ministerial Council Decision

► deadlines

► institutional framework

- **Differences between the Contracting Parties widen over time**
- **Acquis primary legislation is still**
 - NOT sufficiently COMPLIANT with the key provisions of the Acquis
 - NOT sufficiently COHERENT accross the region
- **The practical implementation of the Treaty is**
 - FAR BEHIND the transposition of the Acquis and development of required LEGAL FRAMEWORK
 - LAGGING BEHIND (in particular) in effective LIBERALIZATION of the END-USER SUPPLY market
- **Barriers to cross border trade**
 - Destination clauses
 - Import/export fees
 - Different treatment of national and cross border transports

- ▶ WHY A REGIONAL APPROACH?
- ▶ ABOUT THE ENERGY COMMUNITY – 8th REGION
 - ▶ GEOGRAPHIC SCOPE
 - ▶ BASICS
- ▶ **THE ROLE OF REGULATORS**
- ▶ SECURITY OF SUPPLY

- **Treaty establishing the Energy Community**

- 2nd EU Gas and Electricity Directives (2003/54/EC, 2003/55/EC) and Regulations ((EC) 1228/2003, (EC) 1775/2005) defining **role of regulators**

- **Key role in setting the market framework**

- Approve network tariffs and balancing charges
 - Approve access conditions (market rules)
 - Approve Dispute settlement
 - Regulated TPA is the rule

- **Independence is key!**

- **In praxi...**

- Powers are broadly established in line with the acquis throughout the Region
 - REAL independence is the biggest challenge

3rd package improvements for regulators in a nutshell...

- **Stronger independence**
- **Enhanced powers**
- **Issue binding decisions**
- **Stronger oversight of energy companies and insight rights**
 - carry out investigations into the functioning of the markets and impose proportionate measures
 - require from undertakings relevant information
 - impose effective, proportionate and dissuasive penalties (up to 10% of annual turnover)
 - appropriate rights of investigation and relevant powers of instruction for dispute settlement
- **Consumer protection responsibilities**
- **One single regulatory authority at national level**

Also here: a regional approach is the solution!

- Cooperation of energy regulators supports the harmonized development of regulatory rules in the Energy Community
- Streamlining of regulatory measures and a stable regulatory market framework as key promoter for core objectives of the Treaty - market integration, facilitation of investments, competition, security of supply
- Regulatory rules to be harmonized to the maximum extent possible on a cross-border basis
- Otherwise create barriers to trade across borders, to investments and consequently security of supply

⇒ ECRB as a common regional platform of regulators

- ▶ WHY A REGIONAL APPROACH?
- ▶ ABOUT THE ENERGY COMMUNITY – 8th REGION
 - ▶ GEOGRAPHIC SCOPE
 - ▶ BASICS
- ▶ THE ROLE OF REGULATORS
- ▶ **SECURITY OF SUPPLY**

► GAS RING





► Legal requirement of regionally coordinated CAM & CMP

► Status quo: bilateral coordination at best

► THIS DOES NOT MEET THE LEGAL OBLIGATIONS!

Also for security of supply a regional approach is the solution!

THANK YOU VERY MUCH FOR YOUR ATTENTION!

CONTACT

Nina Grall-Edler
Head of ECRB Section, Regulatory Affairs
Energy Community Secretariat
Nina.grall@energy-community.org
Web: www.energy-community.org