



# European Commission

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## **Completing the Internal Energy Market**

### **Public service objectives in electricity**

**Milano - Seminar on Regulation of Electricity  
supply Quality - 8 June 2001**

**Bonifacio García Porras, Unit Internal Market**



Directorate General for Energy and Transport



# Main elements 96/92

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- Competition in generation (electricity)
  - Three step market opening
  - Management unbundling TSO (electricity)
  - Accounting unbundling TSO
  - Access to the network - negotiated or regulated
  - **Possibility to impose public service obligations**
  - Reciprocity clause
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# *Public service obligations in 96/92*

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## **Article 3 of the current Directive**

- Allows MS to introduce exceptions (Psos)
- Psos to ensure security of supply, consumer and environmental protection
- Up to MS (“subsidiarity”) subject to control by Commission
- Psos are necessary when free competition, left to itself, cannot necessarily guarantee those objectives





# *Public service obligations in 96/92*

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## **Article 3 of the current Directive**

- When PSO's are imposed, the Commission controls
- Psos need to be clearly defined, transparent, non-discriminatory and verifiable
- The exceptions to the competition rules can affect rules on new generation, TPA, direct lines





## *Improving Standards of Service*

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- The impact so far on service standards has been **positive**: standards have gone up.
  - Not many requests for PSOs (article 3) received by the Commission
  - Market opening and competition has generally been compatible with service standards
  - Room for improvement exists, in particular in the context of full market opening
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# Commission proposal - 13 March

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The Communication takes stock of the progress of the internal energy market: degree of opening, prices, environment, security of supply and employment.

## **A revision of the Electricity and Gas Directives**

The draft Directive proposes qualitative as well as quantitative measures to create a truly operational internal energy market

The draft Regulation sets rules for cross-border trade in electricity: tarification and congestion management.





# Public hearing of 14/09/2000

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## **Greater market opening**

All agreed except trade unions and gas companies

## **Strengthened legal unbundling**

All agreed except gas companies

## **Regulated access to the network**

All agreed except gas companies

## **Public service obligations**

All agreed standards increased except one trade union

## **Independent regulator**

Large majority in favour





# Revision of the Directives

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## Greater opening of the market

**Quantitative** Full opening of national markets  
by 2005

Revision of the  
existing  
Electricity and  
Gas Directives

## Better functioning of the market

**Qualitative**

- higher level of unbundling
- regulated third-party access
- independent regulators
- improve public service provisions
- safeguard security of supply







# Improving standards of service

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## Public service

### Revision of the existing Electricity and Gas Directives

The impact so far on service standards has been **positive**: standards have gone up.

The Commission proposes to increase their level further:

- **Universal service**
- **Protection of vulnerable consumers**
- **Better protection of consumer rights**  
contractual terms, disputes settlement
- **social and economic cohesion, environmental protection and security of supply**
- **Continuous benchmark exercise** of service levels in Member States





# Improving standards of service

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## Universal Service

### Revision of the existing Electricity and Gas Directives

- MS obliged to ensure Universal Service (US);
- US specifically defined as the “right to be **supplied** with electricity of a specified **quality** within their territory **at affordable and reasonable prices**”;





# Improving standards of service

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## Protection of final customers

### Revision of the existing Electricity and Gas Directives

#### **1. The contract shall specify:**

- identity and address of supplier;
- the service quality levels offered, as well as the time for initial connection;
- types of maintenance service offered;
- means to obtain up-to-date information on tariffs, maintenance charges,...
- duration of the contract, other conditions
- any compensation and the refund arrangements if quality levels are not met;
- method of initiating procedures for settlement of disputes

#### **2. receive adequate notice of modification of contractual conditions**

#### **3. Transparent information on prices, tariffs and on standards terms and conditions**

#### **4. Composition of the fuel mix in the bills**





# Improving standards of service

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## Protection of vulnerable customers

### Revision of the existing Electricity and Gas Directives

- MS shall also implement appropriate measures to protect vulnerable customers of inter alia, the elderly, the unemployed, the handicapped, etc





# Improving standards of service

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## Dispute settlement mechanisms

### Revision of the existing Electricity and Gas Directives

The procedures shall be:

- Transparent, simple and inexpensive
- Disputes to be settled fairly and promptly
- With a system of reimbursement and/or compensation
- Commission Recommendation 98/257/EC





# Improving standards of service

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## Other public service objectives

### Revision of the existing Electricity and Gas Directives

- Social and economic cohesion
- Environmental protection
- Security of supply (notably through interconnection capacity)





# Improving standards of service

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## Benchmarking

### Revision of the existing Electricity and Gas Directives

- MS to notify (every 2 years) all measures to achieve US (with or without derogation competition rules
- Report of the Commission on how MS have met high public service standards
- Possible recommendations





# Stockholm European Council

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- The European Council took note of the Commission's proposals and:
    - “invites the Council to examine them as soon as possible. ... The question of timetables for the electricity and gas markets will be considered in order to implement the objective of market-opening in these sectors as soon as possible”.
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## Conclusion

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- Commission proposals are urgent,
  - Commission proposals represent a package
  - Commission proposals represent a balanced approach to establish full market opening in quantitative and qualitative terms
  - In terms of public service standards, the proposal represents a significant step forward
  - Negotiations in the Council and Parliament
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# Conclusion

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- Thank you
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