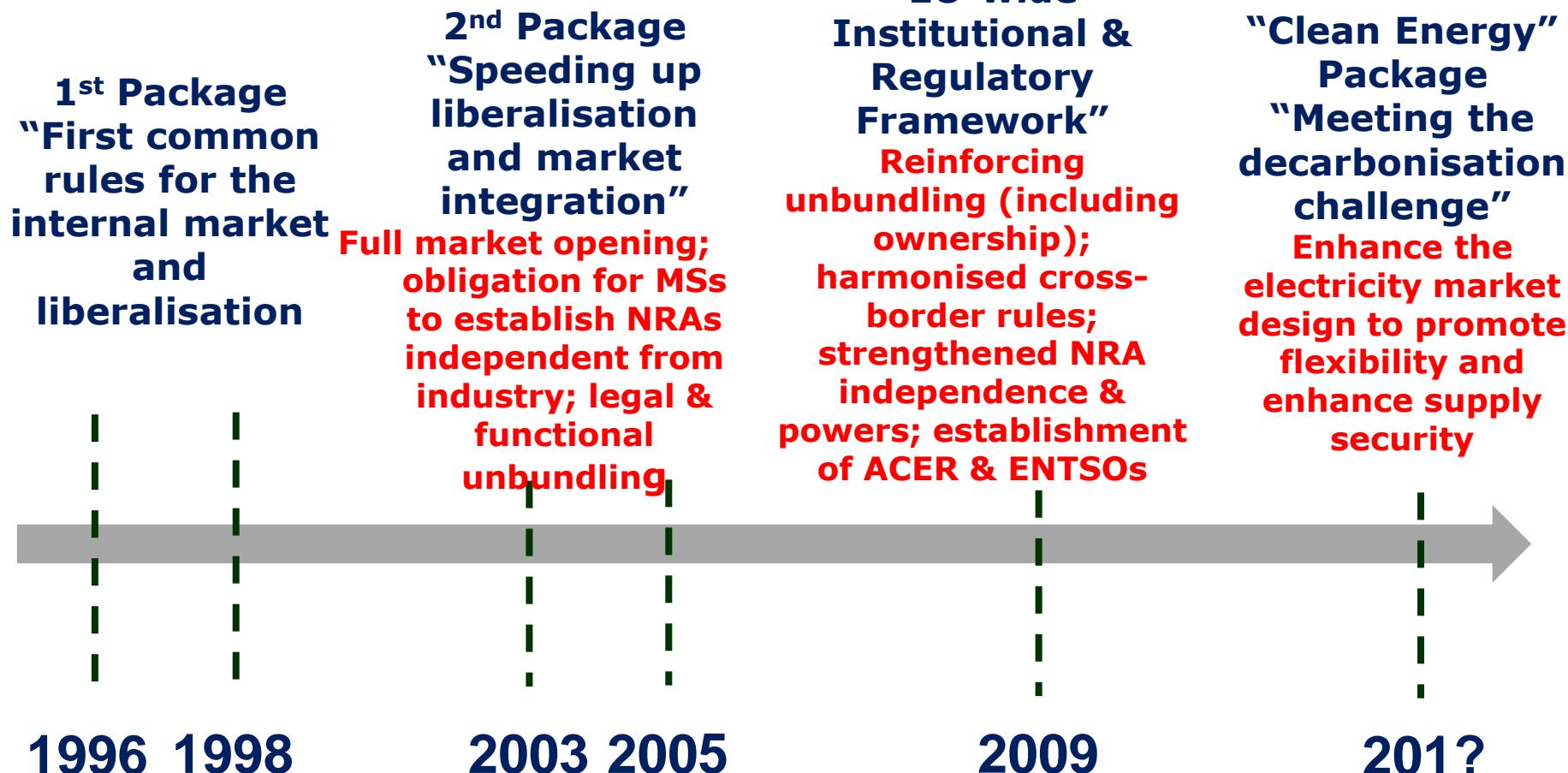


Governance in the wider sense: Institutions and Actors

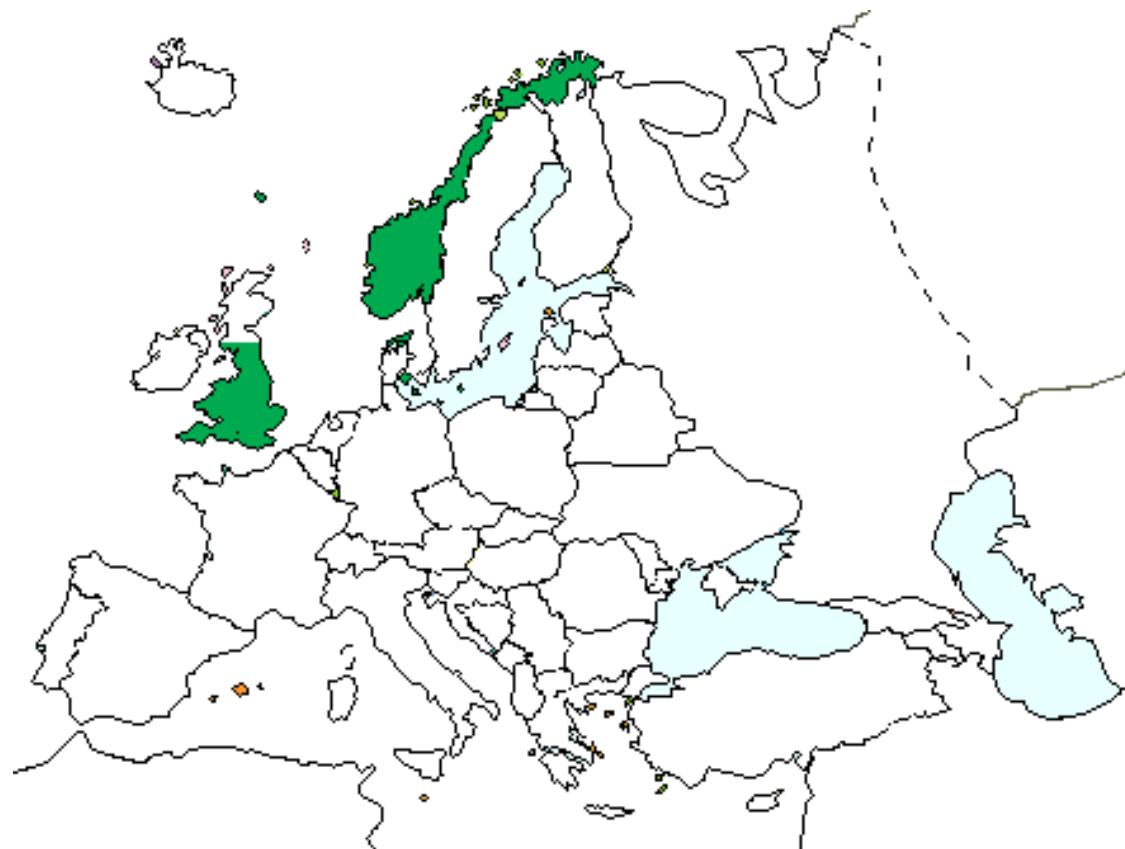
Alberto Pototschnig
Director

**College of Europe - European Energy Policy
ROCK-SOLID or PANTA RHEI?
THE EMERGING GOVERNANCE OF THE ENERGY UNION
Bruges, 3 March 2017**

The road towards the Internal Energy Market

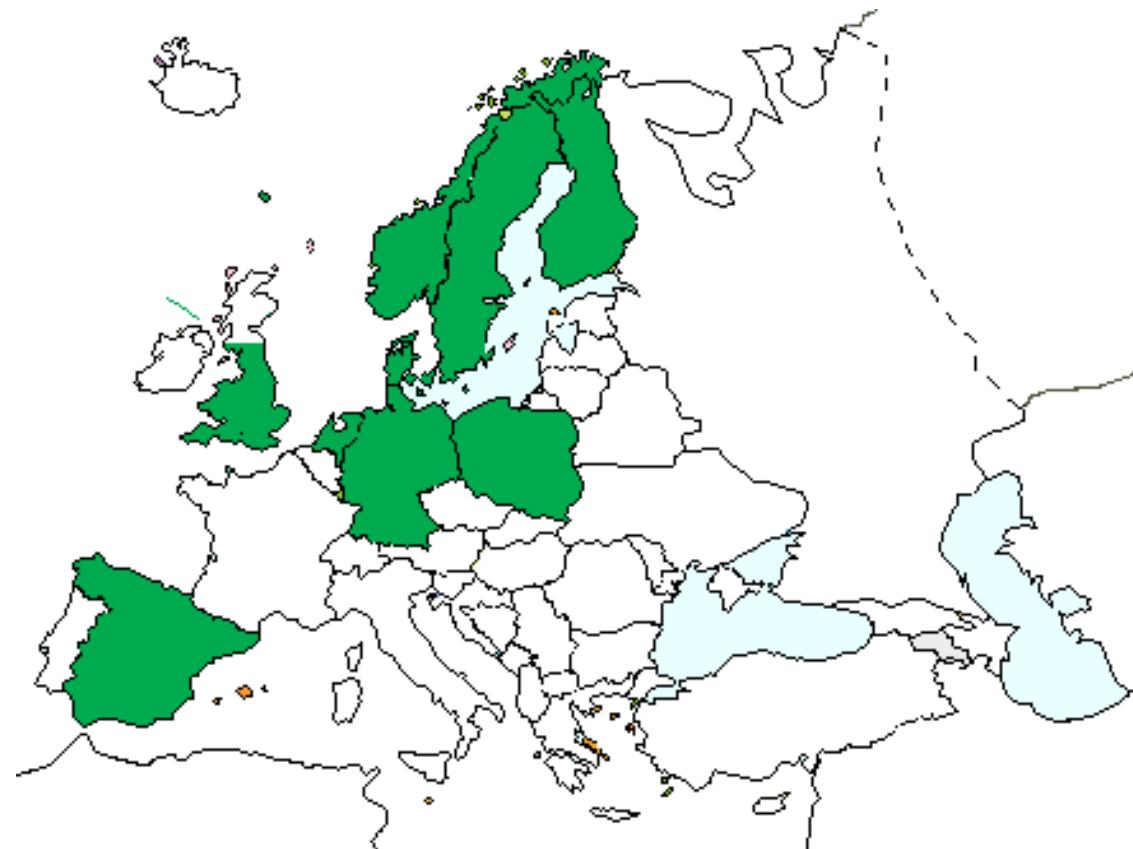


Power Exchanges operating in Europe in 1995



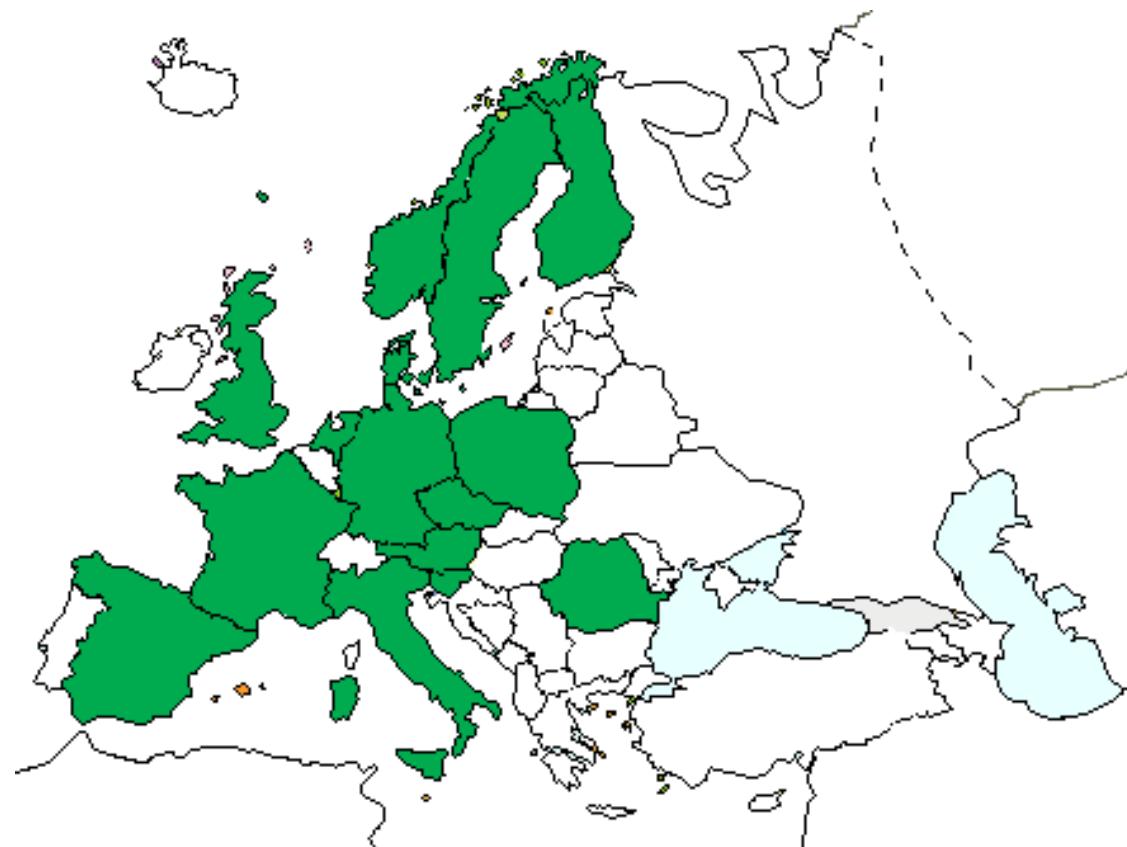
by Ludi

Power Exchanges operating in Europe in 2000



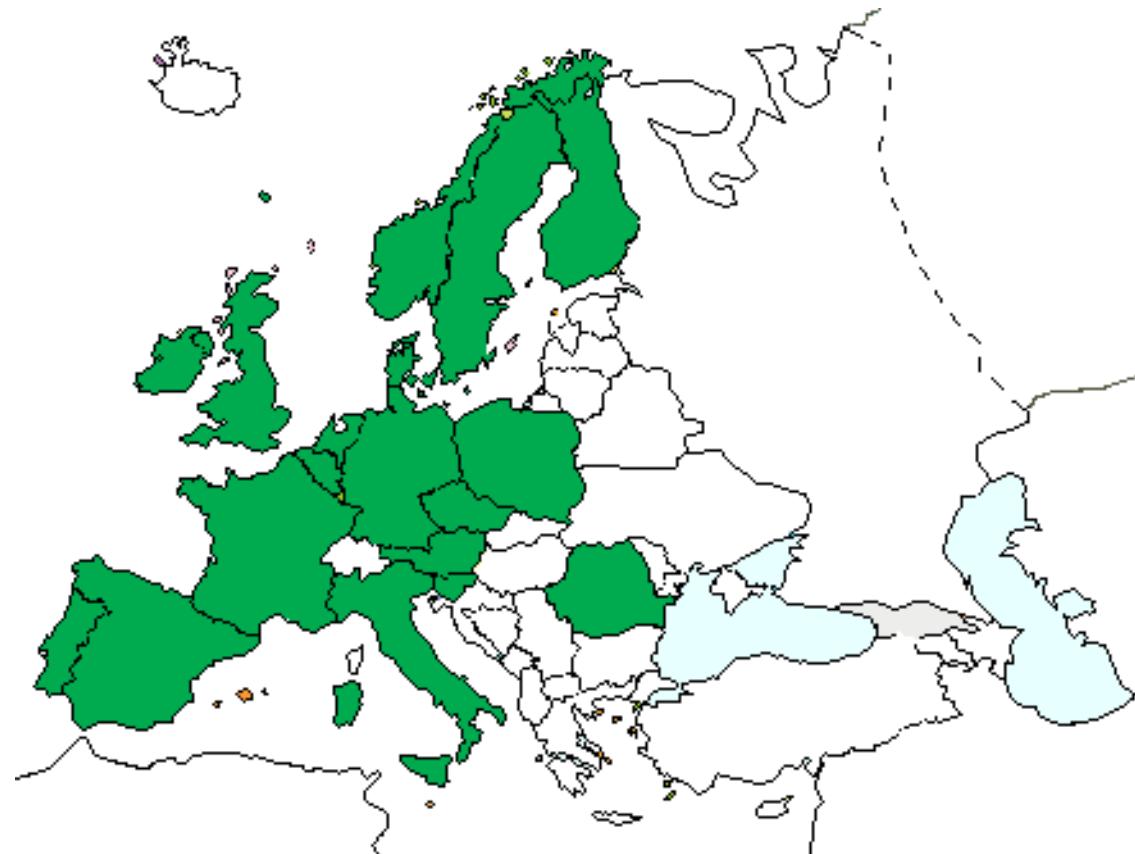
by Ludi

Power Exchanges operating in Europe in 2005



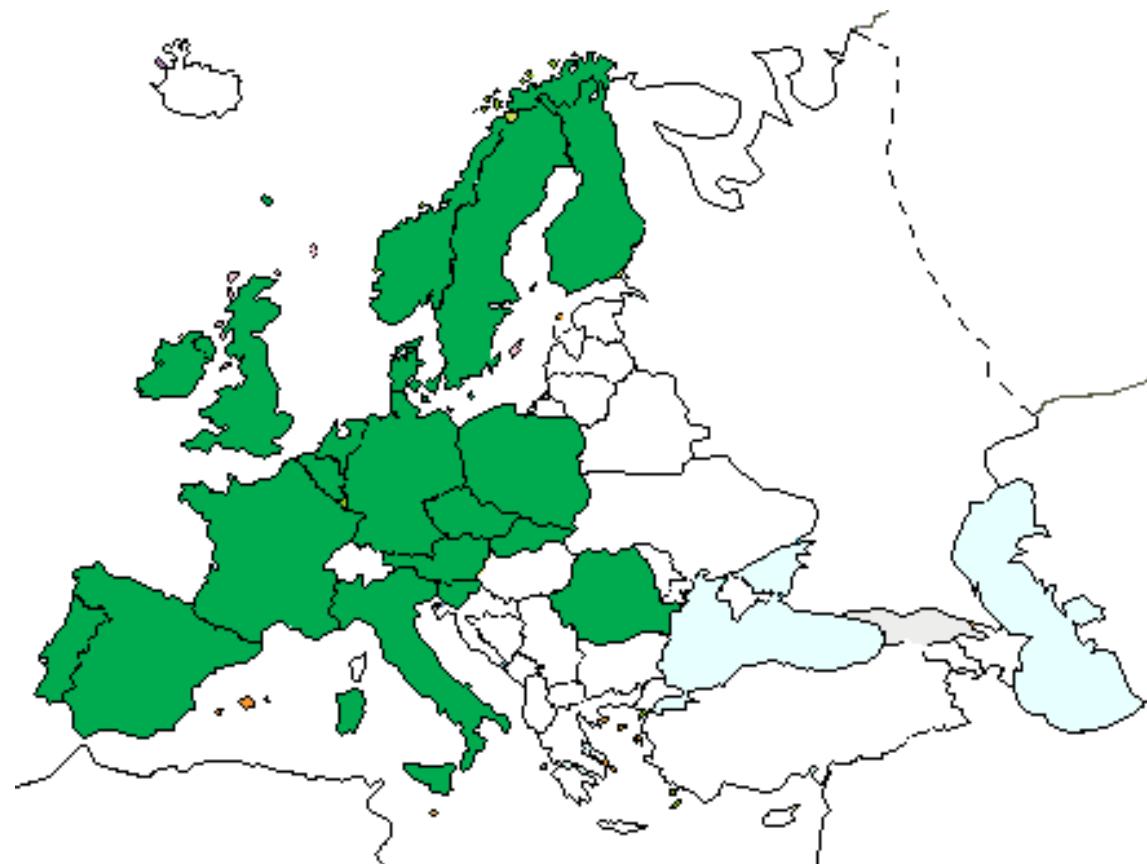
by Ludi

Power Exchanges operating in Europe in 2008



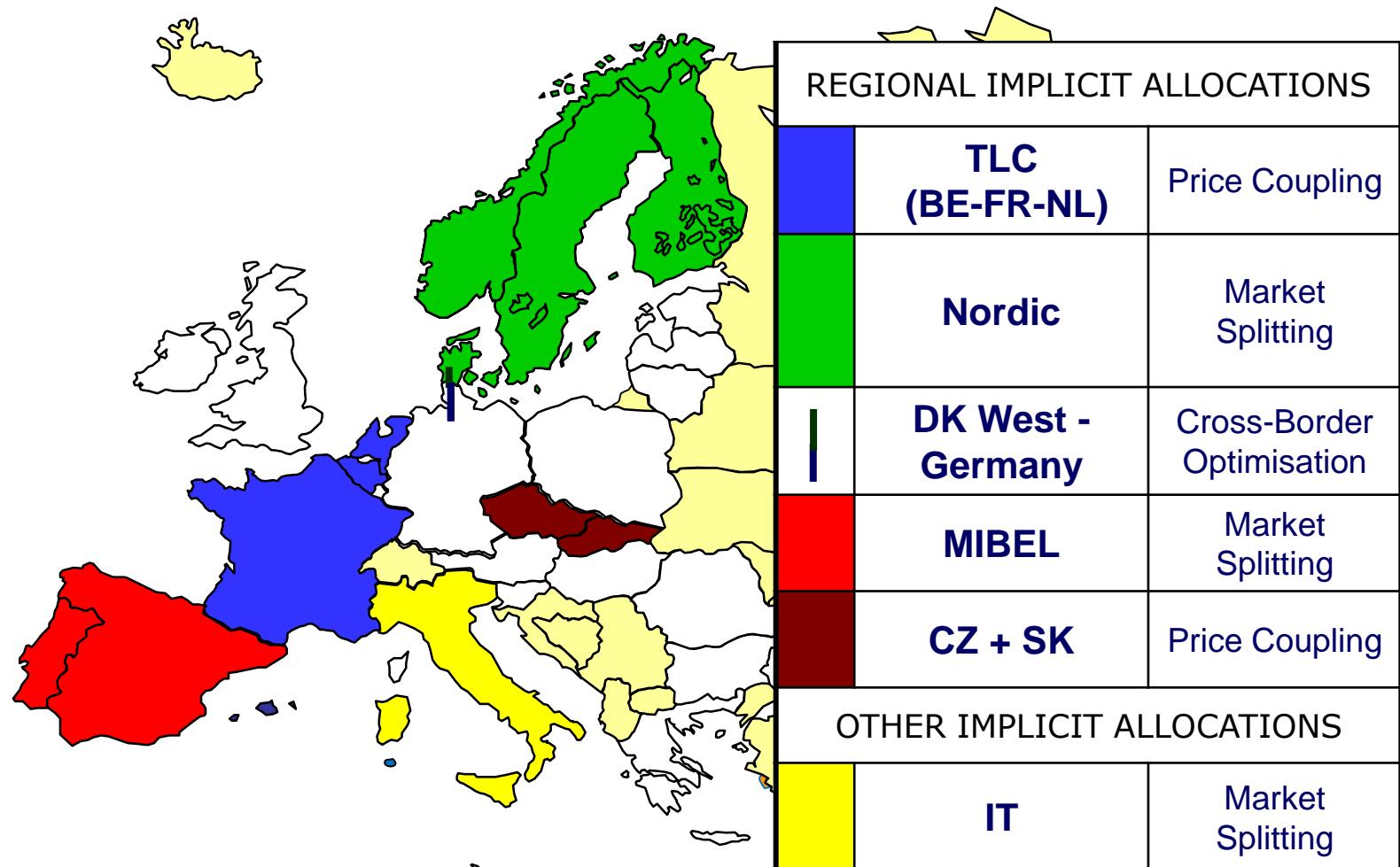
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Power Exchanges operating in Europe in 2010

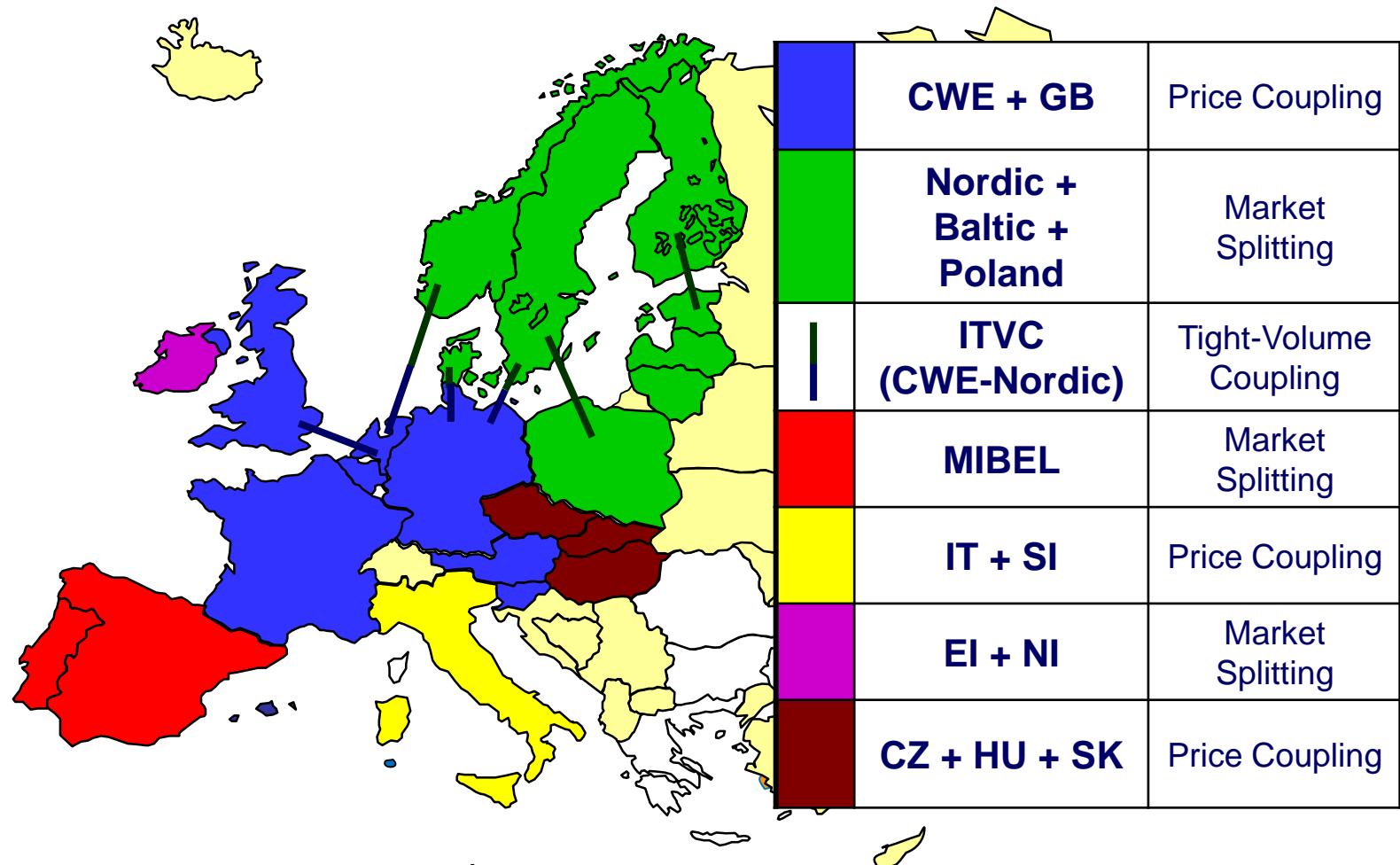


by Ludi

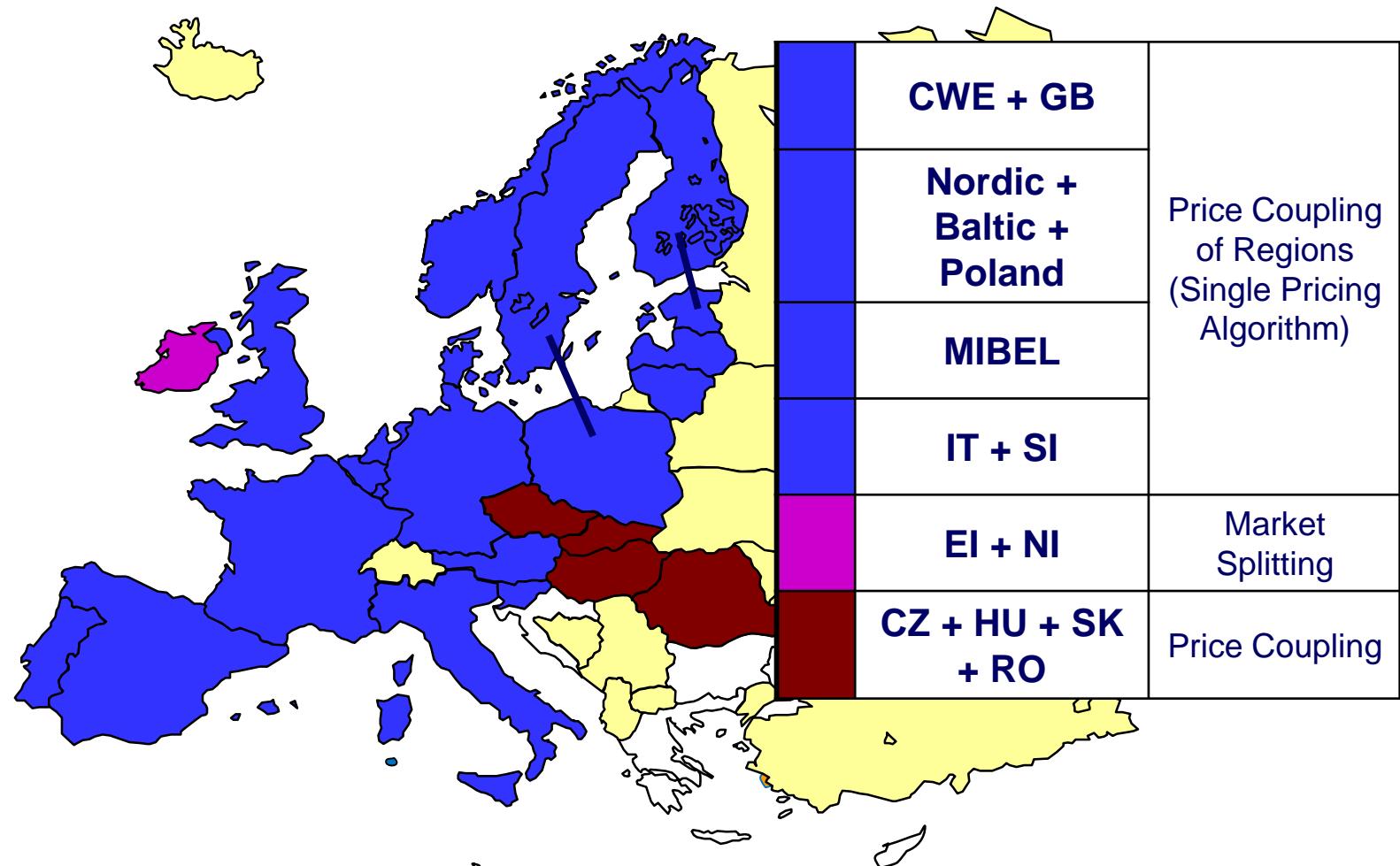
Regional Markets - October 2010



Regional Markets - October 2013

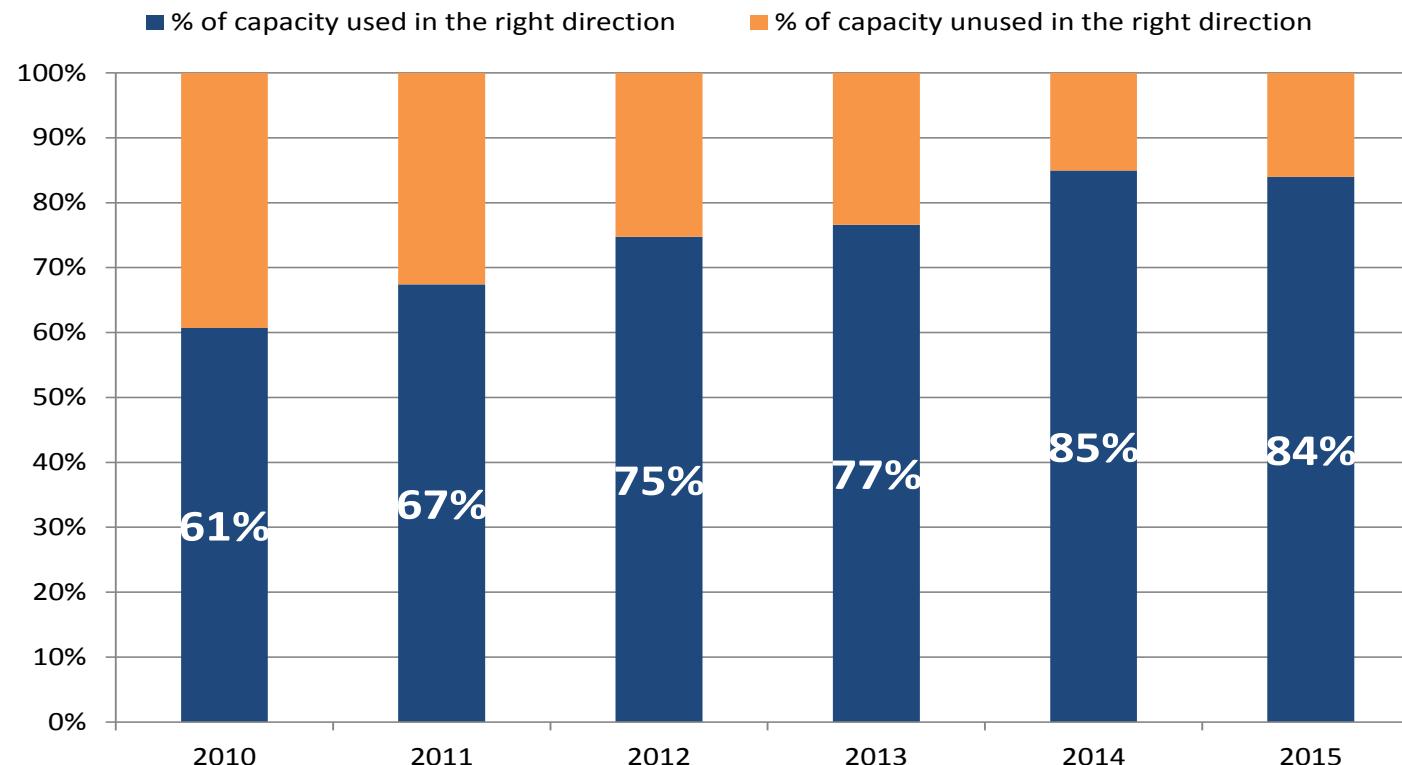


Regional Markets - October 2016



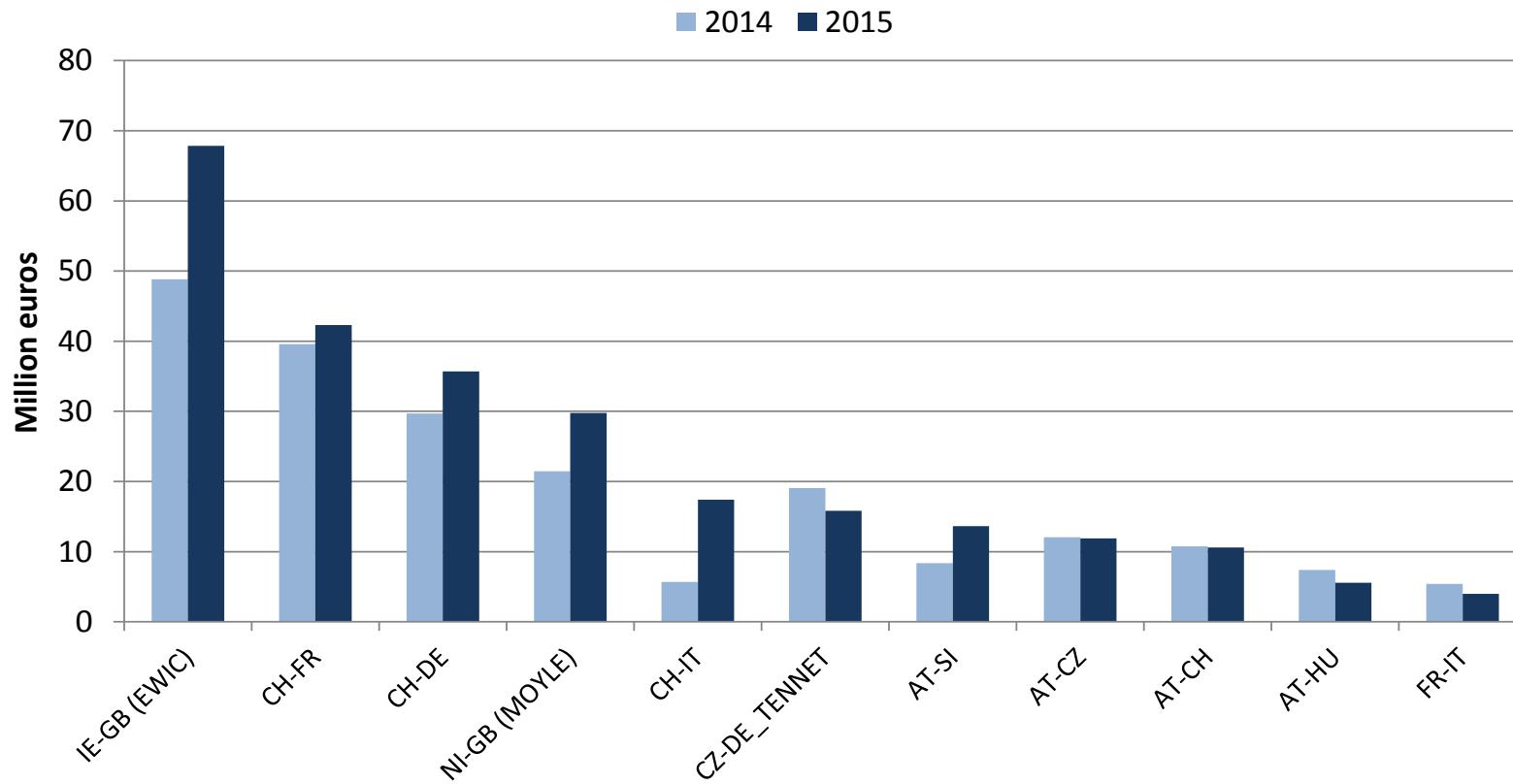
Efficiency in the use of cross-border capacity has increased over the years ...

Percentage of available capacity (NTC) used in the “right direction” in the presence of a significant price differential in all EU electricity interconnectors – 2010 (4Q)-2015 (%)



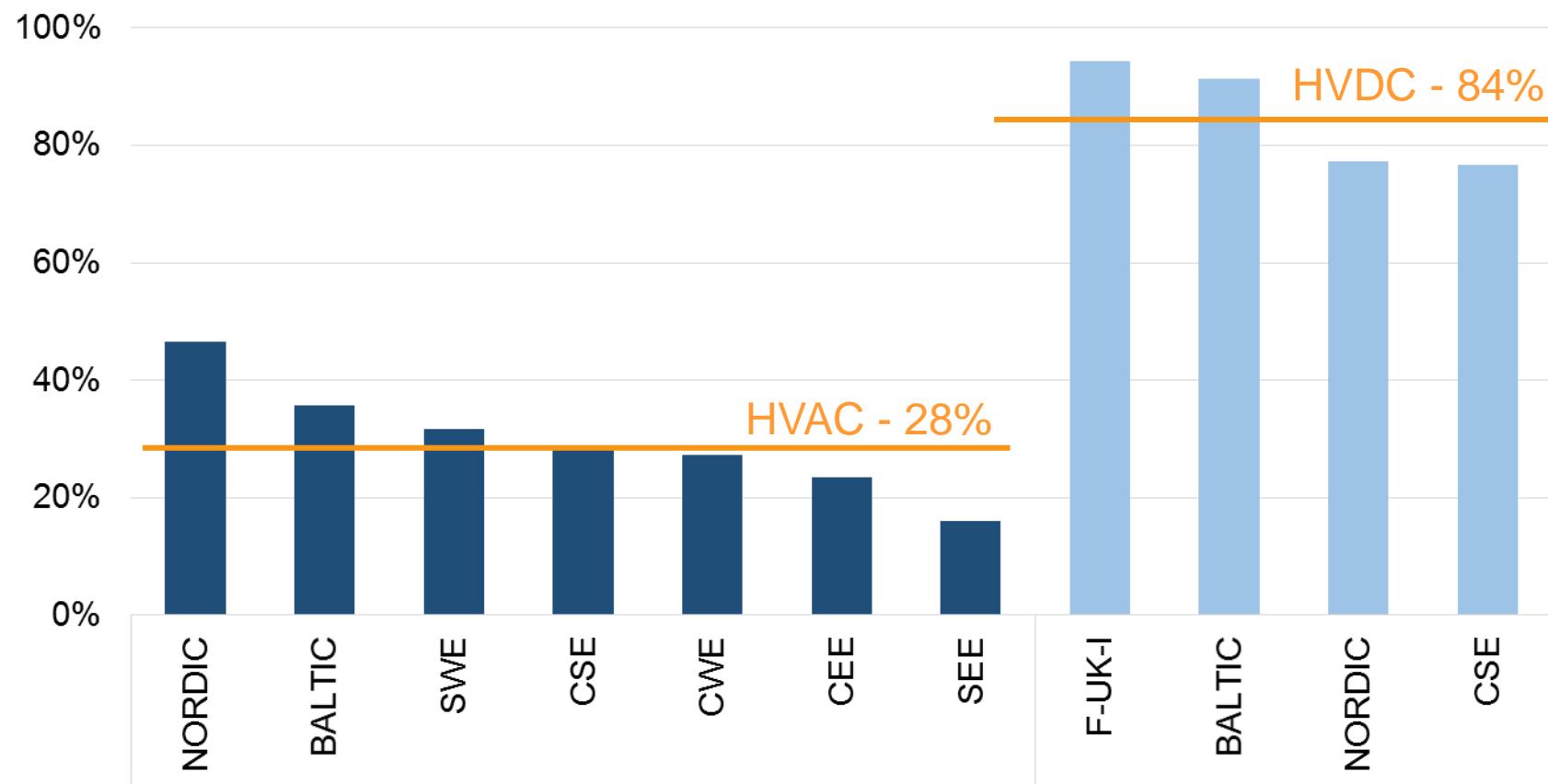
... but there are still room for improvements

**Estimated “loss in social welfare” due to the absence of market coupling,
 per border – 2014–2015 (million euros)**



In the EU Internal Electricity Market, a large share of the physical interconnection capacity is not used for trading

Share of the aggregated thermal capacity of interconnectors made available for trading – 2015 (%)



Recommendation No 02/2016 of 11 November 2016 on High-Level Principles (HLP) for:

- the common capacity calculation methodologies (CCMs)
- the redispatching and countertrading cost sharing methodologies (CSMs)

CCMs

HLP1: limitations on internal network elements should not be considered in the CCMs

Deviations from the HLPs are possible, but they should be duly justified

CSMs

HLP3: the costs of remedial actions should be shared based on the 'polluter-pays principle' where the unscheduled flows over the overloaded network elements should be identified as 'polluters' and they should contribute to the costs in proportion to their contribution to the overload

The EU Energy Sector: trends and challenges

**Moving towards a
Low-Carbon Society**

**Uncertainty over
Future Gas Demand**

**Increased penetration of
non-programmable
Renewable Sources**

**New uses
of Gas**

**Adequacy Concerns and
greater need for Flexibility
of the Electricity System**

**Gas used for Flexible
Power Generation**

**Flexibility and
Adequacy Markets in
Electricity**

**More liquid, flexible
and integrated Gas
Markets**

**Greater engagement
of consumers**

The new Governance of the IEM (slide from 2010)



The Governance of the Energy Sector: what is new in the Clean Energy Package

Actors

- **Regional Operational Centres (ROCs)**
- **EU DSO Entity**

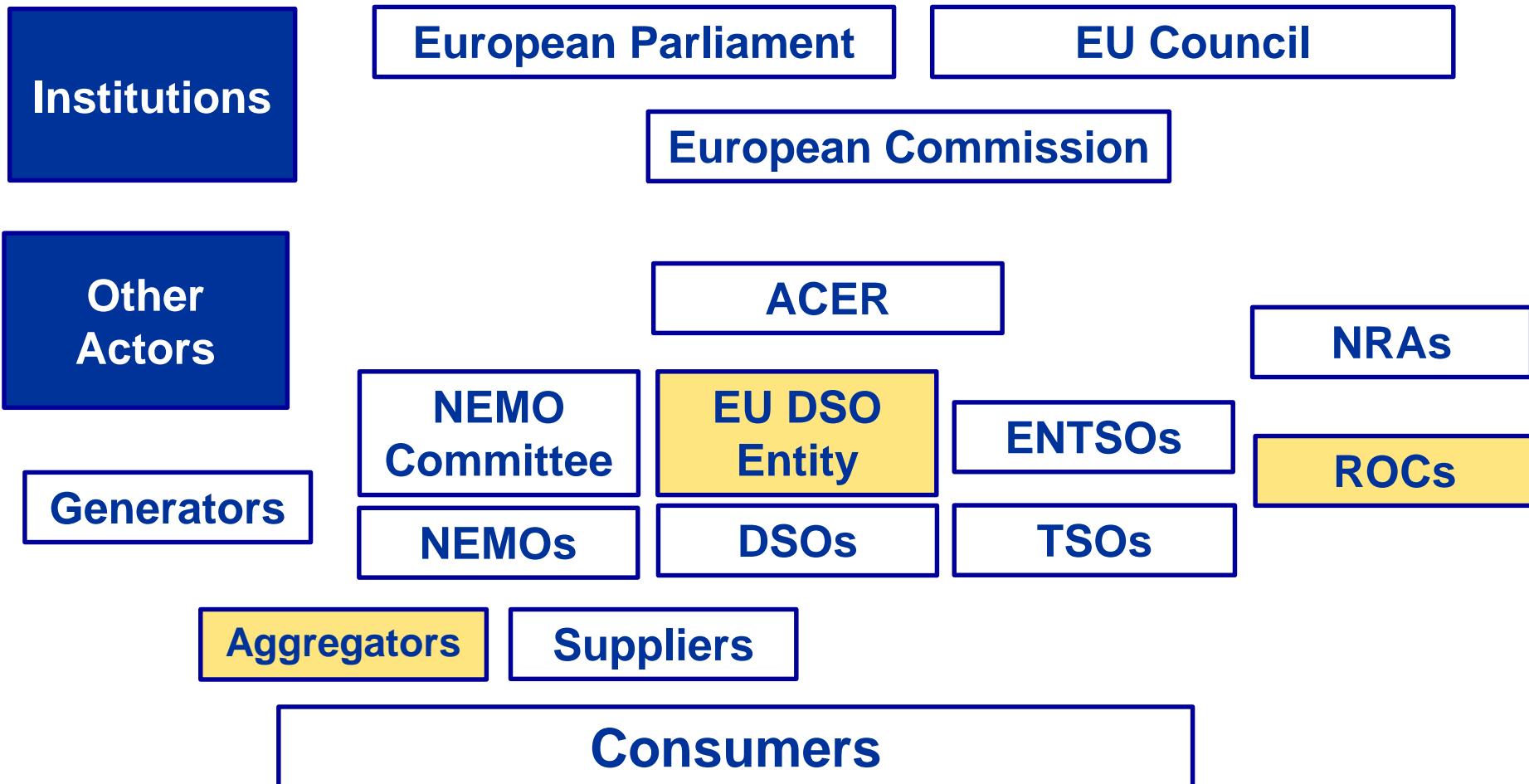
Processes

- **Regional decision-making on “terms and conditions or methodologies”**
- **Bidding-zone (re)configurations decided by the Commission**

Market Integration

- **European Adequacy Assessment and Risk Preparedness**
- **Cross-border Participation in Capacity Mechanisms**

Energy Union Governance: Institutions and Actors





Thank you
for your attention

The Energy Union Strategy and ACER

“EU-wide regulation of the single market should be strengthened, through a ***significant reinforcement of the powers and independence of ACER*** to carry out regulatory functions at the European level in order to enable it to effectively oversee the development of the internal energy market and the related market rules as well as to deal with all cross-border issues necessary to create a seamless internal market.”

Communication from the Commission, A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy, COM(2015) 80 final, 25.2.2015, page 9

The New Energy Market Design and ACER

*"ACER acts primarily through recommendations and opinions and has very limited decision-making rights. In line with the increased cooperation of system operators, **the powers and independence of ACER may need to be reinforced so that it is able to carry out regulatory functions at European level where needed. ACER could then arbitrate in regional and EU level disputes.***

*The reinforcement of the powers of ACER could include giving the agency the power **to adopt directly applicable and binding decisions on EU-level initiatives and cross-border issues** and introduction **of enforcement powers to ensure compliance with such decisions.**"*

Communication from the Commission launching the public consultation process on a new energy market design, COM(2015) 340 final, 15.7.2015, par. 3.4

The proposed new tasks for ACER at a glance

- Directly reviewing and finalising ***Network Code proposals*** for submission to the Commission
- Directly deciding on ***terms and conditions or methodologies*** for Network Code implementation (current “all NRA” decision)
- Deciding on the methodology and assumptions for the ***bidding-zone review***
- Defining methodologies for a coordinated ***European Adequacy Assessment***
- Defining technical parameters for the ***cross-border participation in capacity mechanisms***
- Coordinating national actions related to ***risk preparedness***
- Overseeing ***Regional Operational Centres***
- Ensuring progressive ***convergence of transmission and distribution tariff methodologies***
- Supporting the creation of a ***EU DSO Entity***
- Possibility of issuing recommendations to NRAs and market players, ***on its own initiative***