

# **COMPETITION IN ELECTRICITY MARKET ACCORDING TO THE REGULATION OF DIRECTIVE 2003/54/ EC**

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**Key words: Energy supply - Electricity market – Competition - Public service**

The main element of European energy policy is the creation of internal gas and electricity markets. From 1<sup>st</sup> of July 2007 all consumers can choose their electricity and gas services free. It sounds very simple, but it is not so simple legislative task for member states. Common market for gas and electricity promotes the use of renewable energy sources, increases the safety of gas and electricity supply and competitiveness of the European Community. The directive of 2003/54/EC determines the main elements of competition in electricity markets and the legal tasks of member states and undertakings. In my presentation I'm going to examine in three main subjects (discrimination, public service obligations, and conditions of activities) effects of European directive on competition in electricity market.

Energy market is a special element of European economy. Electricity power has advantages and disadvantages. Electricity is mostly produced in the Community, it is not depends on import and it can be generated using different technologies and raw material. But electricity can't be stored, so supply has to follow consumers' demand. We don't use electricity in its original forms, the use always needs transformation of electricity to light, heat etc. and at last electricity services are fixed to network, so all actors of the market must access to the network-system. The most important speciality of electricity supply is that it is a public service, because everyone wants continuous and safe supply, so member states mainly restricted competition in this sector. Liberalization of electricity market doesn't mean free competition, because electricity supply is still public service, and it still has specialities, so some restriction must be remained. General competition rules in themselves can't be useful in this sector, special regulation is needed, which takes account the characteristics of this market and completes the general rules of competition.

Member States “shall not discriminate between these undertakings as regards either rights or obligations.” But some exemptions can be found: relicts of previous national legislation (for example: long-term contracts) and some infringements determined by the directive. In spite of principle of competition electricity supply is still a public service and member states still have the right to determine public service obligations but in a common legal frame. The rules of public service obligations have two groups: when member states shall determine PSO, and when it is possible for member states to regulate these types of services.

The main element of electricity supply is the access to system and electricity transport. The good state of systems is evitable and member states can't leave out of consideration the person of system operator. The directive emphasis this distinguished place of operators in electricity supply. Transport is not free for competition, because only by the state appointed operators have the right to provide these activities, so transmission and distribution operators have exclusive rights, but they mustn't take part in other activities: in generation and in services. This restriction of competition can be owned to specialities of electricity sector, namely to system fixity. On consumers side consumers can't choose between operators by reason of exclusive rights, but also operators can't choose between systems' users, if they refuse transmission, their decisions have to be based on technical, non-discriminatory conditions. This measure is important to guarantee the highest level of competition and to avoid collusion of market's actors.

If system operator is part of a vertically integrated undertaking, the rules of unbundling come to the front. Unbundling has four forms: ownership-, legal-, and management unbundling and unbundling of accounts. Management or functional unbundling is the minimum obligatory level of unbundling. It means, that persons, who takes part in management of the transmission system operator, can't participate in the decisions of the integrated electricity undertaking, which directly or indirectly provide generation, and supply of electricity. These persons make their decision independently and have effective decision-making rights, independent from the integrated electricity undertaking. Unbundling of accounts: Member States shall ensure that undertakings keep separate accounts for each of their activities, separately for transmission or distribution and separately for supply and generation. National authorities have the right to access to the accounts of electricity markets.

Opening up electricity market has not resulted free competition, although this principle can't be the aim of special regulation due to characteristics of this sector. With the rules of Directive 2003/54/EC the European Community would like to regulate the best conceivable level of competition in all member states. Some elements of the Directive have preserved restrictions of competition, while others have resulted competitive electricity market in member states.

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