

EFFECTIVE AND EFFICIENT UNBUNDLING OF TRANSMISSION SYSTEM OPERATORS (TSO)

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Key words

Depending on the outcome of the EU Council and EU Parliament deliberations, the new proposed legislative package presented by the European Commission on 19/09/2007 might have far reaching consequences on both the internal and the external dimensions of the energy and natural gas markets. Is necessary to give supports the Commission's aim to achieve a fully functioning internal market. This requires a lot of questions just like, effective application of the current legislation (particularly I am concerned with the topic of unbundling in v EU), non discriminatory access and system operation, stable regulatory framework conducive to support investment needs for Europe's supplies etc. I like to show shortly, where we are now in EU?

Resume

Proposal for a Directive of the Council emending Directive 2003/54/EC concerning common rules for the internal market in electricity and repealing Directive 96/92/EC. The European Commission has 19.9.2007 published a third liberalization package of energy regulations. It represents a proposal for an amendment of the Regulation on common rules for the internal market in electricity, Directive on conditions for access to the network for cross-border electricity trade and proposal of a new Directive on constitution of a European Agency for Cooperation of Energy Regulatory Offices.

I supports adoption of the package and hopes that it will be primarily the endeavour to improve the interconnection among member states that will contribute to the completion of a single European energy market without any pointless barriers. The proposal of the third liberalization package of the EU contains mainly a proposal of a Directive which will amend Directive 2003/54/ES on common rules for the internal market in electricity. The proposal

imposes an obligation on member states to ensure implementation of ownership unbundling at the level of transmission system operators, or establishment of an independent system operator within one year following the transposition of the Directive into their national law.

I see the coordination of the activities of national regulatory offices as the best means to integrate their decision-making practices. However, it believes that powers of the new organ need to be exactly and exhaustively determined in the final version of the new Regulation. The third amended regulation is the Resolution No 1228/2003 on Conditions for Access to the Network for Cross-border Electricity Trade. The proposal of the Regulation states that transmission system operators should cooperate within Europe through the European Transmission System Operator as an organ accountable to the European Commission. Within the European network, a ten-year investment plan for the whole EU will be adopted and, along with that, an obligation to cooperate at regional level will be imposed on transmission system operators.

Any future legislation should aim at a well functioning internal market and at preserving the ability of energy companies to become globally competitive, to invest and to determine their portfolios and their long term strategies. In this respect, I see it is necessary the need for EU external policy to support dialogue and partnership under a general umbrella of reciprocity with producing countries as a way to strengthen European security of supply.

A pragmatic approach is expected by the European Commission concerning the most discussed issues of the degree of ownership separation of production/supplies from transmission activities, which will enable the member countries to choose between full ownership separation, already existing in a number of member countries today, and a new option based on the function of an independent system operation (ISO), which will, of course, be more demanding from the regulatory point of view and will include in the national and community level a further regulatory link permitted to ensure competitive pricing and equal access to energy networks.

Depending on the outcome of the EU Council and EU Parliament deliberations, the new proposed legislative package presented by the European Commission on 19/09/2007 might have far reaching consequences on both the internal and the external dimensions of the energy and natural gas markets. It is necessary to give supports the Commission's aim to achieve a fully

functioning internal market. This requires: effective application of the current legislation, non discriminatory access and system operation, stable regulatory framework conducive to support investment needs for Europe's supplies, improved regulatory process, improved TSO co-operation, the lack of legal unbundling and insufficient managerial separation of transmission and distribution system operators to ensure their independence. Insufficient legal unbundling of TSO/DSO to guaranty independence. On the question on unbundling is necessary stressed the following: any solution must be implemented coherently and must be proportioned, ISO is a possible alternative to be studied, other feasible solutions may exist and better, well targeted regulation should be sought.

Proposal for a directive of the European Parliament and of the council amending Directive 2003/54/ec concerning common rules for the internal market in electricity - how to resolve the dispute between member states in order the package is adopted in 2008. Some of Member states EU give support the efforts of the European Commission regarding the creation of a functioning single market with electricity. It simultaneously considers as a fundamental prerequisite for the functioning of the market, besides the sufficient production capacities, also the sufficient and accessible pan-European transmission capacities. Therefore, these states promote harmonisation of the regulation procedures and regional coordination of the transmission systems. With regard to these aims, some of Member states EU support the objectives and intentions of the European Commission in the area of cross border trade with electricity with a view to create a single market at least at regional level. The cooperation at regional level is fundamental . Nevertheless, some of Member states EU are not sure whether the appropriate instruments were chosen to achieve this goal.

The agreement regarding unbundling on the territory of EU will be not easy and the discussion will last for just a longer time. I have shortly focused on two different points of view about solving this problem of unbundling, namely by a group of EU states which doesn't directly support separating from vertical corporations and another group of EU states in the second part of this essay which support separating. In my opinion it is necessary to reconsider the definition and designation of roles and tasks notably of transmission system (TSO). Vertically integrated dominant energy companies are designated as the major disrupters of the market environment impeding market access to competitors. Therefore proposals for either forced separation or so called independent system operator (ISO) have been raised. Alternative Proposal of 8 EU countries for ownership unbundling and independent ISO

operator – so called Effective and Efficient Unbundling – (EEU). In principle, the EEU defines making the current system more rigorous by introducing duty to elaborate so called compliance program for each TSO (a kind of TSO functioning Codex) and regulators' supervision over its performance. Though the Commission formally welcomed this proposal and promised discussion over it, its current position towards this proposal is negative. Probably ISO regarding gas unbundling is not a real alternative from reason: has never been implemented in gas industry, leads to a loss of all competencies (for example technical,...), creates problems of reparation of responsibilities, industrial and financial risks.

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