



INTERNAL ENERGY MARKET

In order to harmonise and liberalise the EU's internal energy market, measures have been adopted since 1996 to address market access, transparency and regulation, consumer protection, supporting interconnection, and adequate levels of supply. These measures aim to build a more competitive, customer-centred, flexible and non-discriminatory EU electricity market with market-based supply prices. In so doing, they strengthen and expand the rights of individual customers and energy communities, address energy poverty, clarify the roles and responsibilities of market participants and regulators and address the security of the supply of electricity, gas and oil, as well as the development of trans-European networks for transporting electricity and gas.

LEGAL BASIS

Article 194 and Article 114 of the Treaty on the Functioning of the European Union (TFEU).

OBJECTIVES

In the energy sector, completion of the EU's internal market requires: the removal of numerous obstacles and trade barriers; the approximation of tax and pricing policies and measures in respect of norms and standards; and environmental and safety regulations. The objective is to ensure a functioning market with fair market access and a high level of consumer protection, as well as adequate levels of interconnection and generation capacity.

ACHIEVEMENTS

A. Liberalisation of gas and electricity markets

During the 1990s, when most national electricity and natural gas markets were still monopolised, the European Union and the Member States decided to open these markets gradually to competition. The first liberalisation directives (First Energy Package) were adopted in 1996 (electricity) and 1998 (gas), to be transposed into Member States' legal systems by 1998 (electricity) and 2000 (gas). The Second Energy Package was adopted in 2003, its directives to be transposed into national law by Member States by 2004, with some provisions entering into force only in 2007. Industrial and domestic consumers were now free to choose their own gas and electricity suppliers from a wider range of competitors. In April 2009, a Third Energy Package seeking to further liberalise the internal electricity and gas markets was adopted,



amending the second package and providing the cornerstone for the implementation of the internal energy market.

B. Further steps

As announced in the Energy Union strategy ([COM\(2015\) 0080](#)), in order to give consumers secure, sustainable, competitive and affordable energy, the Commission put forward a set of legislative proposals for a new EU energy market design on 30 November 2016. The 'Clean Energy for all Europeans' ([COM\(2016\) 0860](#)) package aims to implement the Energy Union and covers energy efficiency, renewable energy, the design of the electricity market, security of electricity supply and governance rules for the Energy Union. To complete the internal energy market, the Commission therefore proposed measures in the Electricity Directive ([COM\(2016\) 0864](#)), Electricity Regulation ([COM\(2016\) 0861](#)) and Risk-Preparedness Regulation ([COM\(2016\) 0862](#)).

The proposal for a directive on common rules for the internal market in electricity ([COM\(2016\) 0864](#)) recasts Directive 2009/72/EC. The proposal is focused on:

- Clearer and more frequent electricity bills: electricity customers would have the freedom to choose a supplier or aggregator, aided by certified comparison tools, without fees for changing supplier, and to opt for a dynamic price contract and a smart meter.
- Protecting poor or vulnerable customers: Member States would be obliged to offer targeted protection by monitoring and reporting the number of households in energy poverty.
- Engaging new market players: aggregators would be free to participate in the retail market; local energy communities would have the right to engage in local energy generation, distribution, aggregation, storage and energy efficiency services and have access to all organised markets; Member States would regulate data exchange between market participants.
- Facilitating electro-mobility: Member States would have to facilitate the connection of recharging points for electric vehicles to the electricity distribution network, and open ownership and operation of these charging points to third parties.
- Clarifying the tasks of distribution system operators (DSOs) and introducing a procedure for planning the development of the distribution network.

The proposal for the Risk-Preparedness Regulation ([COM\(2016\) 0862](#)) aims at strengthening risk-preparedness by encouraging cooperation between transmission system operators (TSOs) inside the EU, TSOs in neighbouring countries and the European Agency for the Cooperation of Energy Regulators. It also aims at facilitating the cross-border management of electricity grids in case of an electricity crisis, through the new Regional Operating Centres, which are introduced in the related proposal for a regulation on the internal electricity market ([COM\(2016\) 0861](#)). Four sets of measures are proposed: (1) common rules on how to prevent and prepare for electricity crises to ensure cross-border cooperation; (2) common rules for managing crisis situations; (3) common methods to assess risks related to security of supply; (4) a common framework for better evaluation and monitoring of security of electricity supply.



The proposal for a regulation on the internal market for electricity ([COM\(2016\) 0861](#)) recasts [Regulation \(EC\) No 714/2009](#), in order to make the electricity market fit for flexibility, decarbonisation and innovation by providing for undistorted market signals. The proposal consists of seven other legislative proposals. Five of these relate to electricity supply, to revise the rules for electricity trading, clarify the responsibilities of market participants, and define principles for assessing capacity needs and for market-based capacity mechanisms.

C. Energy market regulation: the European Agency for the Cooperation of Energy Regulators

The European Agency for the Cooperation of Energy Regulators (ACER) has been operational since March 2011 ([Regulation \(EC\) No 713/2009](#)). ACER is mainly responsible for promoting cooperation between national regulatory authorities at regional and European level and for monitoring development of the network and the internal electricity and gas markets. It also has the competence to investigate cases of market abuse and to coordinate the application of appropriate penalties with the Member States. The responsibility for applying sanctions applicable to infringements lies, however, in the hands of the Member States.

As a further step, two regulations were adopted, creating structures of cooperation for European Network Transmission Systems Operators (ENTSOs): one for electricity ([Regulation \(EC\) No 714/2009](#)) and one for gas ([Regulation \(EC\) No 715/2009](#)) amended by Commission [Decision 2010/685/EU](#). The ENTSOs, together with ACER, create detailed network access rules and technical codes, and ensure the coordination of grid operation through the exchange of operational information and the development of common safety and emergency standards and procedures. ENTSOs are also responsible for drafting a 10-year network investment plan every two years, which are then in turn reviewed by ACER.

In addition, [Directive 2008/92/EC](#) seeks to improve the transparency of gas and electricity prices charged to industrial end-users by obliging Member States to ensure that these prices and the pricing systems used are communicated to Eurostat twice a year. In October 2011, the EU adopted [Regulation \(EU\) No 1227/2011](#) on wholesale energy market integrity and transparency (REMIT) aiming to guarantee fair trading practices on European energy markets.

On 30 November 2016, the Commission proposed a regulation ([COM\(2016\) 0863](#)) to reform ACER to recast legal acts and strengthen its main role as a coordinator of the action of national regulators, especially in those areas where fragmented national decision-making on issues with cross-border relevance would lead to problems or inconsistencies for the internal market. The list of tasks has therefore been updated to include ACER's duties in the field of wholesale market supervision and cross-border infrastructure, to give ACER more responsibility in elaborating and submitting the final proposal for a network code to the Commission and in influencing the regional electricity market (bidding zone) review process (laid down in the recast of the Electricity Regulation ([COM\(2016\) 0861](#))).



D. Security of the supply of electricity, natural gas and oil

[Directive 2005/89/EC](#) establishes measures aimed at safeguarding the security of electricity supply, to ensure the proper functioning of the internal market for electricity, an adequate level of interconnection between Member States, an adequate level of generation capacity, and balance between supply and demand. In light of the crucial importance of gas for the energy supply of the European Union and as a response to the Russian-Ukrainian gas crisis during the winter of 2008-2009, [Regulation \(EU\) No 994/2010](#) concerning measures to safeguard the security of gas supply was adopted in 2010. The regulation aims to strengthen prevention and crisis response mechanisms. With the aim of ensuring secure oil supply, [Directive 2009/119/EC](#) obliges Member States to maintain minimum oil stocks, corresponding to 90 days of average daily net imports or 61 days of average daily inland consumption, whichever of the two quantities is greater. In response to concerns regarding the delivery of Russian gas via Ukraine, the Commission released its Energy Security Strategy in May 2014 ([COM\(2014\) 0330](#)). The strategy aims to ensure a stable and abundant supply of energy for European citizens and the economy. It lays out measures such as increasing energy efficiency, indigenous energy production and completing missing infrastructure links to redirect energy to where it is needed during a crisis.

On 8 November 2017, the Commission adopted a legislative proposal for a targeted revision of the 2009 natural gas directive ([COM\(2017\) 0660](#)). This would make key provisions of the gas directive immediately applicable to cross-border gas pipelines with third countries, or more specifically, to those parts of the pipelines that fall within the territory of the EU. This would help to ensure that no current, planned and future gas infrastructure project between an EU Member State and a third country distorts the energy single market or weakens security of supply in the EU.

E. Trans-European Networks for Energy (TEN-E)

[Regulation \(EU\) No 347/2013](#) lays down guidelines for trans-European energy networks that identify projects of common interest (PCI) and priority projects among trans-European electricity and gas networks. Projects of common interest have priority for the granting of financial aid provided for under [Regulation \(EC\) No 2236/95](#). The budget allocated to the TEN-E is mainly intended for financing feasibility studies. Other instruments may also step in to part-finance investments, for example the European Structural and Investment Funds or the European Fund for Strategic Investments (EFSI). [Regulation \(EU\) No 256/2014](#) of the European Parliament and of the Council of 26 February 2014 concerning the notification to the Commission of investment projects in energy infrastructure within the European Union requires Member States to notify the Commission of their investment projects in energy infrastructure.

In its communication entitled 'A Budget for Europe 2020' ([COM\(2011\) 0500](#)), the Commission put forward a new mechanism, the Connecting Europe Facility (CEF), for funding priority projects in the field of energy, transport and critical digital infrastructure from 2014 to 2020. In November 2013, Parliament endorsed the deal reached with the Council on the budget for the CEF, with EUR 5.12 billion earmarked for the development of trans-European energy infrastructure projects ([P7_TA\(2013\)0463](#)). Several projects



of common interest were selected for EU support, based on the energy infrastructure guidelines endorsed in March 2013 by the Council and Parliament ([P7_TA\(2013\)0061](#)).

ROLE OF THE EUROPEAN PARLIAMENT

In adopting the legislative package on internal energy markets, Parliament has strongly supported transmission ownership unbundling in the electricity sector as the most effective tool to promote investment in infrastructure in a non-discriminatory way, fair access to the grid for new entrants, and transparency in the market. Parliament has also stressed the importance of a European common view of mid-term investments (indicative European 10-year plan focused on interconnections); greater cooperation between regulatory authorities, Member States and transmission system operators; and a strong process of harmonisation of network access conditions. On the initiative of Parliament, special importance was placed on consumer rights, which was part of the deal achieved with the Council: the resolutions insisted on increasing consumer rights (change of suppliers, direct information through smart meters and efficient treatment of complaints made to an energy ‘ombudsman’). Parliament also obtained recognition of the concept of ‘energy poverty’. It has strongly supported the establishment of ACER, stressing that it had to be granted the necessary powers to overcome those issues that cannot be solved by national regulators and which hamper the integration and proper functioning of the internal market.

Recent major resolutions:

- 12 September 2017: new rules were adopted to allow neighbouring countries to help each other to manage gas crises, provide for cross-border solidarity and transparency of gas supply contracts.
- 2 March 2017: MEPs approved the rules requiring Member States to inform the Commission of their plans to negotiate energy supply deals with third countries before opening negotiations.
- 25 October 2016: Parliament supported a resolution for an EU strategy for liquefied natural gas (LNG) to make energy supplies more secure, cut carbon emissions and deliver affordable prices.
- 13 September 2016: Parliament’s resolution entitled ‘Towards a new energy market design’ advocates a combination of liquid short-term markets and long-term price signals, in order to make the market fit for a growing share of renewables and active consumers.
- 26 May 2016: Parliament’s resolution on delivering a new deal for energy customers calls for citizens to be empowered to produce, consume, store or trade their own renewable energy, to engage in the energy market and to participate in demand response.

Frédéric Gouardères
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