

# Energy Union and Competition

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# Searching for a new approach: The Energy Union Package

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ENERGY UNION

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE COURT OF JUSTICE, THE COMMITTEE OF THE REGIONS, THE COMMITTEE OF INDEPENDENT EXPERTS AND THE INVESTMENT COURT

A Framework Strategy for a Resilient Energy Union with Growth and Climate Change

- Security of Supply (SoS)
- Internal Energy Market
- Energy Efficiency
- Revolution with renewables ante portas?
- Research and innovation
- Solidarity

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Diversification costs – investments, complexity

Compatibility with competition: who takes the risk?

Procurement union as a cartel to control purchase prices?

Collective procurement only during a crisis? In a long-term business?

Stronger role in global energy markets: legal enforcement instead of strategic analysis?

What is the public benefit of funding and promoting investment and who will finally pay failures?

Problem of partial autarchy of the wealthy consumers vs. dependency and fuel poverty of the socially deprived

Cost allocation in SoS cooperation? (emergency reserve costs a lot – balance of insurance costs and causation costs??)

Inadequate security of electricity: fact based security status by supply assessment?, Public intervention?

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What is the market design in electricity? Central dispatching or self-dispatching – responsibilities?

Missing harmonization of 28 national frameworks to common market rules – organizational gap to get the IEM (road blocker!)

Increasing RES and other subsidized energy jeopardize prices for reliable sources and cause tariff deficits

Insecurities in nuclear power and ETS regime hamper investment decisions

Myths presented by Vaasaett: more competition may cause higher prices (cost of switching, sales activities)

No market design possible without market participants (beyond TSO, NRA – compare EFET standardization)

- Questionable ROI at lower energy prices
- Cost allocation – truth of costs
- Achieve affordability for the poor
- Mobility emission issues – better public transport
- Focusing on resilience as common mindset

A possible long winter demands sufficient food for the animals: alpine region learnt to work hard to permanently increase resilience



# Renewables Support as a lethal injection to the power



Do (paying) consumers feel exposed to administrative despotism and/or failure?

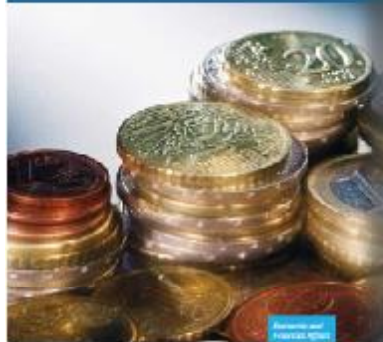


Table 3.1: Electricity tariff deficit – comparison between Member States

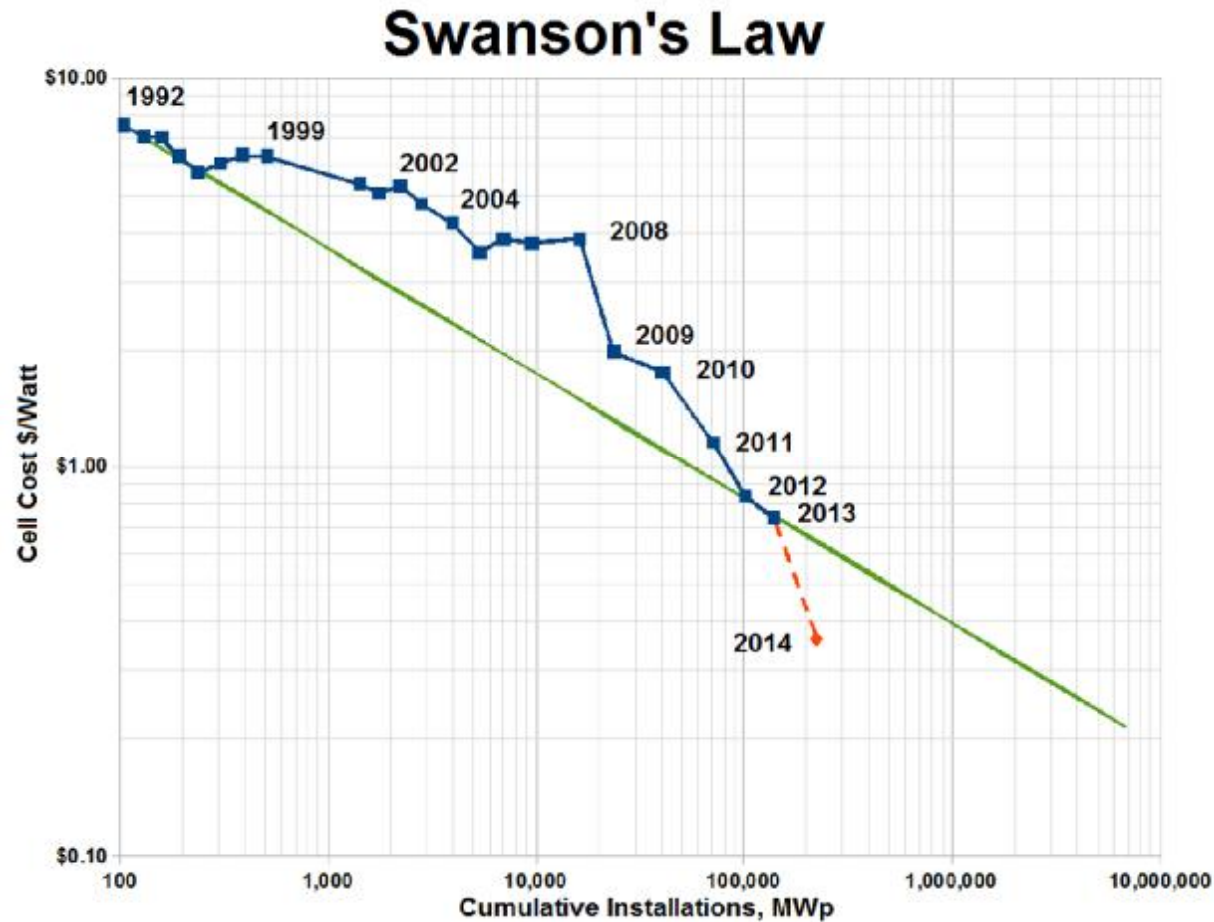
	ES	PT	EL	FR	IT	DE	BG	MT	RO	HU	LV
Cumulated tariff debt, % of GDP, 2013	3	2.2-2.6	0.4	0.2	0.1*	0.01	1-1.5**	N.A.	0.1*	N.A.	N.A.
Cumulated tariff debt, EUR billion, 2013	30	3.7-4.4	0.7	4	1.5*	0.2	0.4-0.6**	N.A.	0.15*	N.A.	N.A.
- on RES account			✓		✓	✓					
- on PSO account				✓							
Scope of the tariff deficit											
- of access costs	✓										
- of integral tariff		✓					✓				
- tariff below costs				✓			✓	✓	✓	✓	✓
Deficit recognized by the authorities or energy regulator?	✓	✓	✓	✓	✓	✓					
Deficit cumulative (i.e. not settled in the following period)?	✓	✓	✓	✓	✓		✓	✓	✓		

Note:  
\* 2012, \*\* World Bank forecast

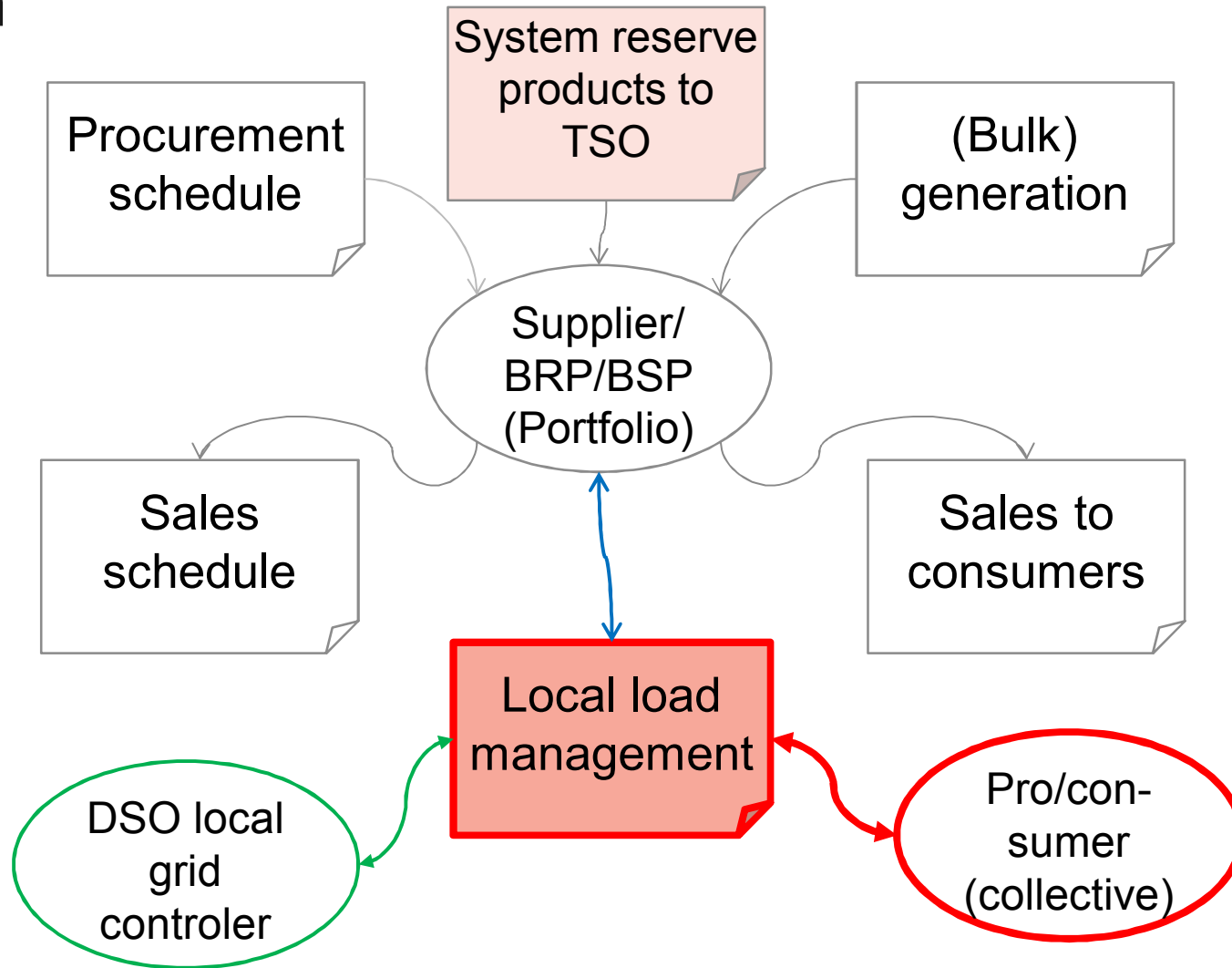
Source: Commission Services

Renewables are the future of DG!  
(Photovoltaic future main Decentralized  
Generators)

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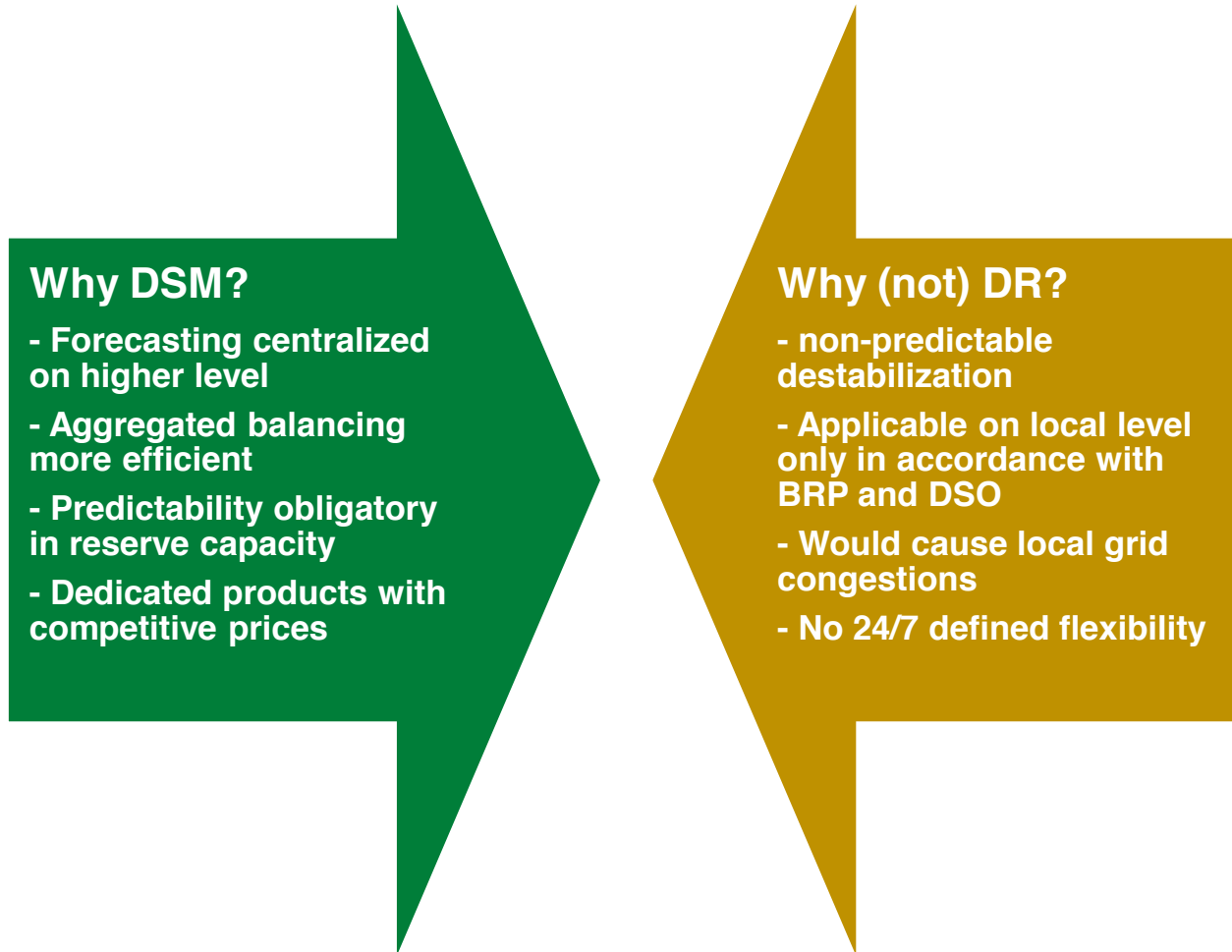
# Consequence of decentralization Transition to a new flexibility of the Power System





# Demand Response and/or Demand Side Management in the complex power market?

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Too much technology-orientated: missing system specification due to lack of system analysis

Generation interacts with consumption: consumer behavior expected, but still not analyzed to meet RES

Needs for holistic approach – integration of elements

- Generation characteristics (generally, esp. RES)
- Consumer habits and real flexibilities (including possible substitution)
- Grid impact
- Market organization, interfaces, standards, products, tariffs, etc.
- Adaption of and inventing new appliances, storage facilities  
(compare flexibility of thermal storage heating 80 years ago)

Considering roles, responsibilities, rules, recipients, rates, recovery, reaction, etc.

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Is one of six principles of the Charter of Fundamental Rights of the European Union (dignity, freedoms, equality, **solidarity**, citizens' rights and justice)

Solidarity means taking **responsibility** – not only between regions, but even more between government/administration and citizens (see historical free medieval city republics)

It could as well develop towards an alternative economic and social system

Questionable compatibility with a competitive market model (cartel?)

Equal treatment as stipulation to balance individual rights versus common interests (problem with competition authorities)

Solidarity means Social Adequacy to become real

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## Social Adequacy

### Inclusion

Social targeting & innovation  
Responsibilities  
PSO not only end suppliers

### Cost allocation

Avoid cross subsidies  
Energy efficiency incentives  
Regulation demand side

### Road map

Priorities  
Involvement EU; EC and EnC  
Harmonization in regions

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Thank you for your attention



“Two communities work very well together. Luckily, neither of them knows about the other one”  
Nedko Solakov (BG) from “Working Together Stories”, #2, 2006, evn collection