



# Future commercial development of the European Energy Market

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1<sup>st</sup> May 2007

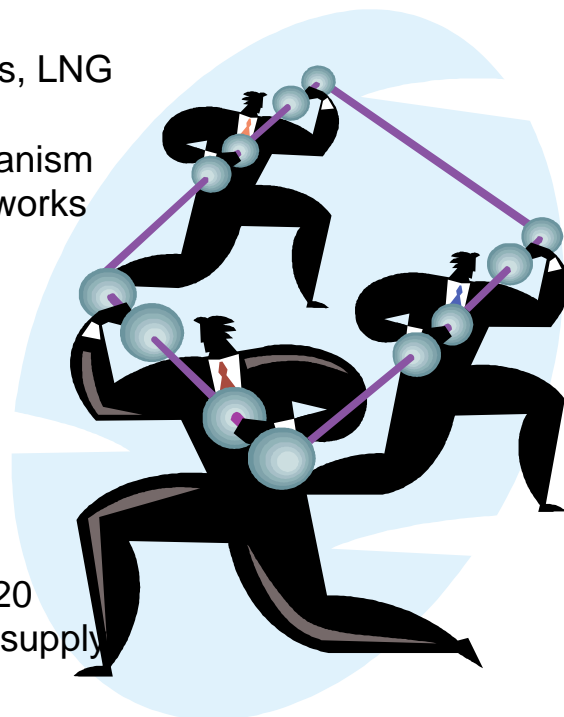
# We have big ambition for the European energy market

## Security of supply

- More investment in EU gas networks, LNG
- Strategic EU gas stocks?
- Improvements in EU oil stock mechanism
- EU reliability rules for electricity networks

## Sustainability

- 20% reduction in ghg emissions by 2020
- 20% renewable contribution to energy supply
- Energy efficiency action plan
- CCS demonstration



## Competition

- Network separation
- Enhanced EU regulation
- More TSO cooperation
- Transparency
- Customers charter

.....but how is all this going to be achieved?

## Making it happen – the legislative route

Commission proposals



Council agreement



New directive



National law

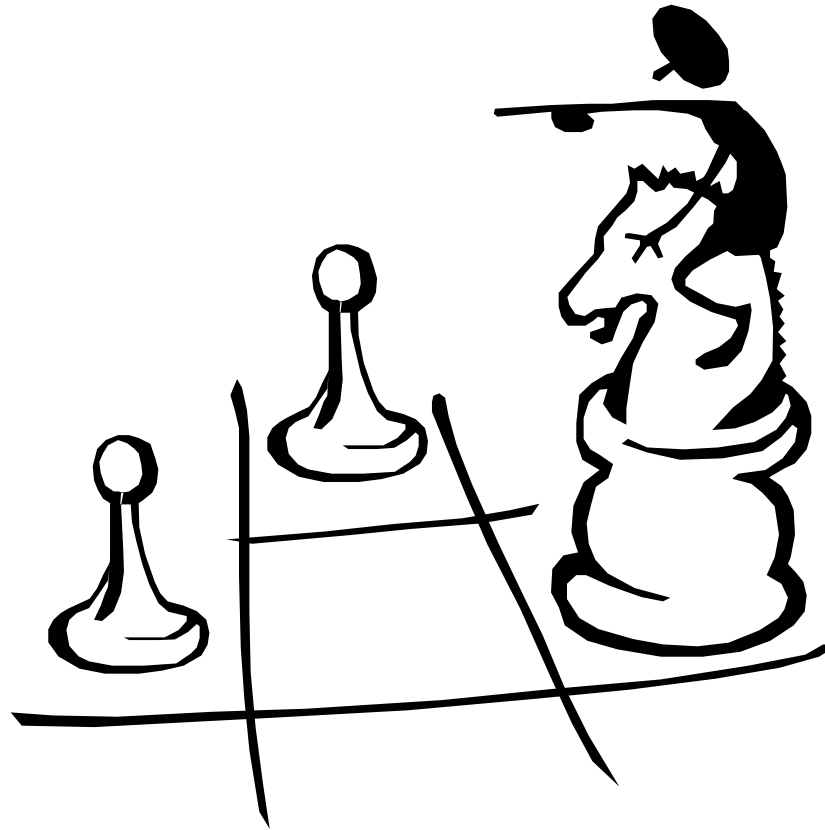


Enforcement



.....but so much needs to be done in so little time

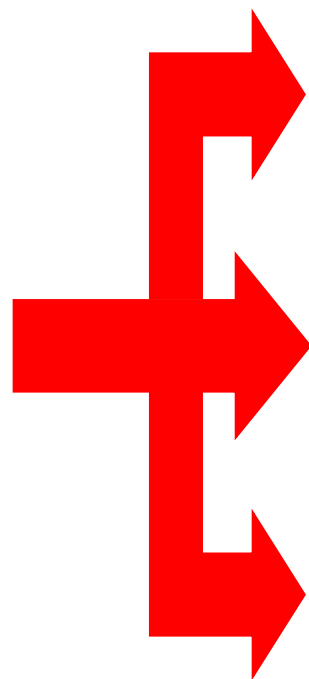
## Alternative – industry driven change



Alignment of commercial and policy goals

## The commercial imperative

**Win**  
(meet customer needs better  
than competitors)  
**&**  
**Grow**



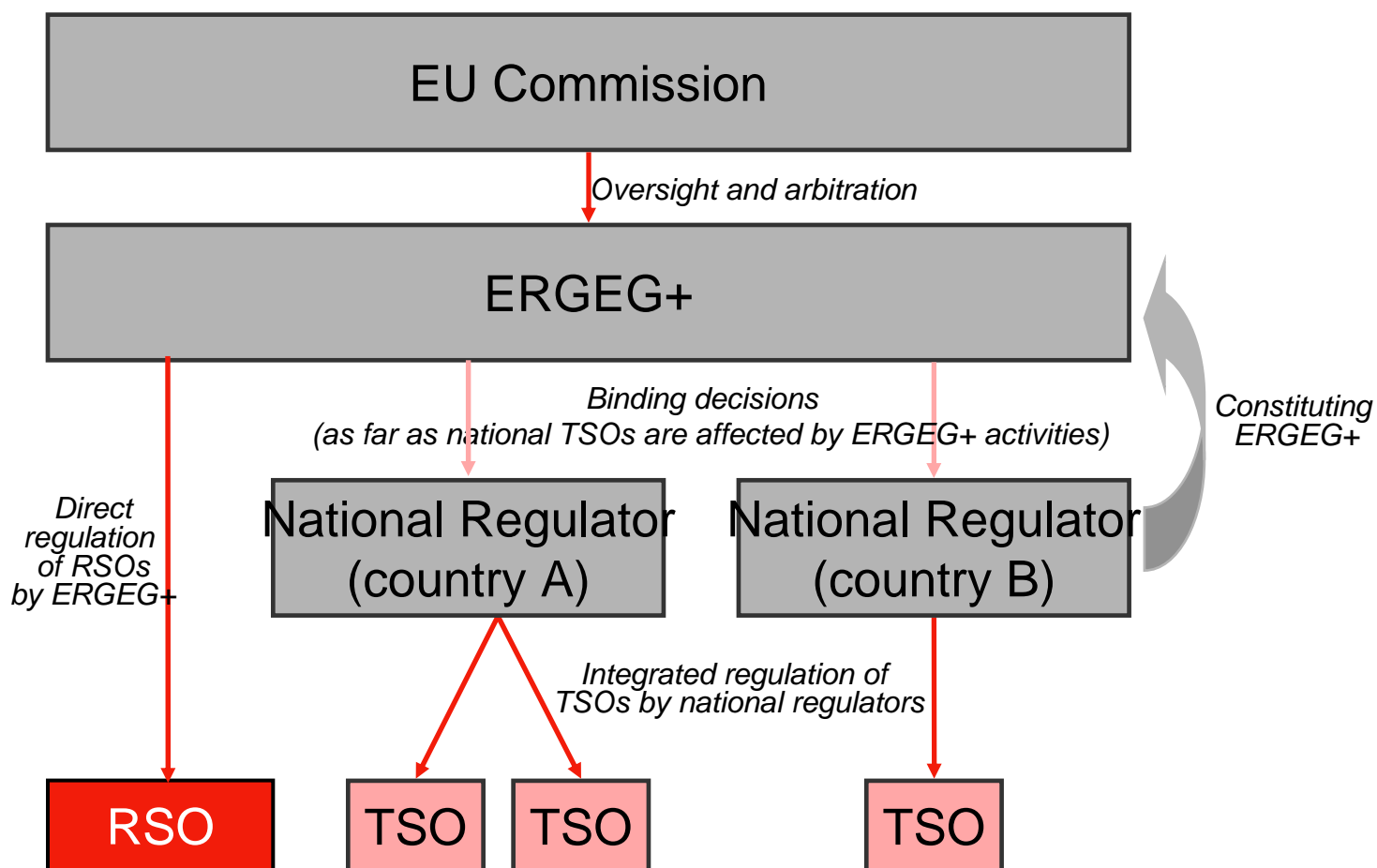
Increase market size – European focus

Focused incentive based regulations

Shape customer (stakeholder) needs

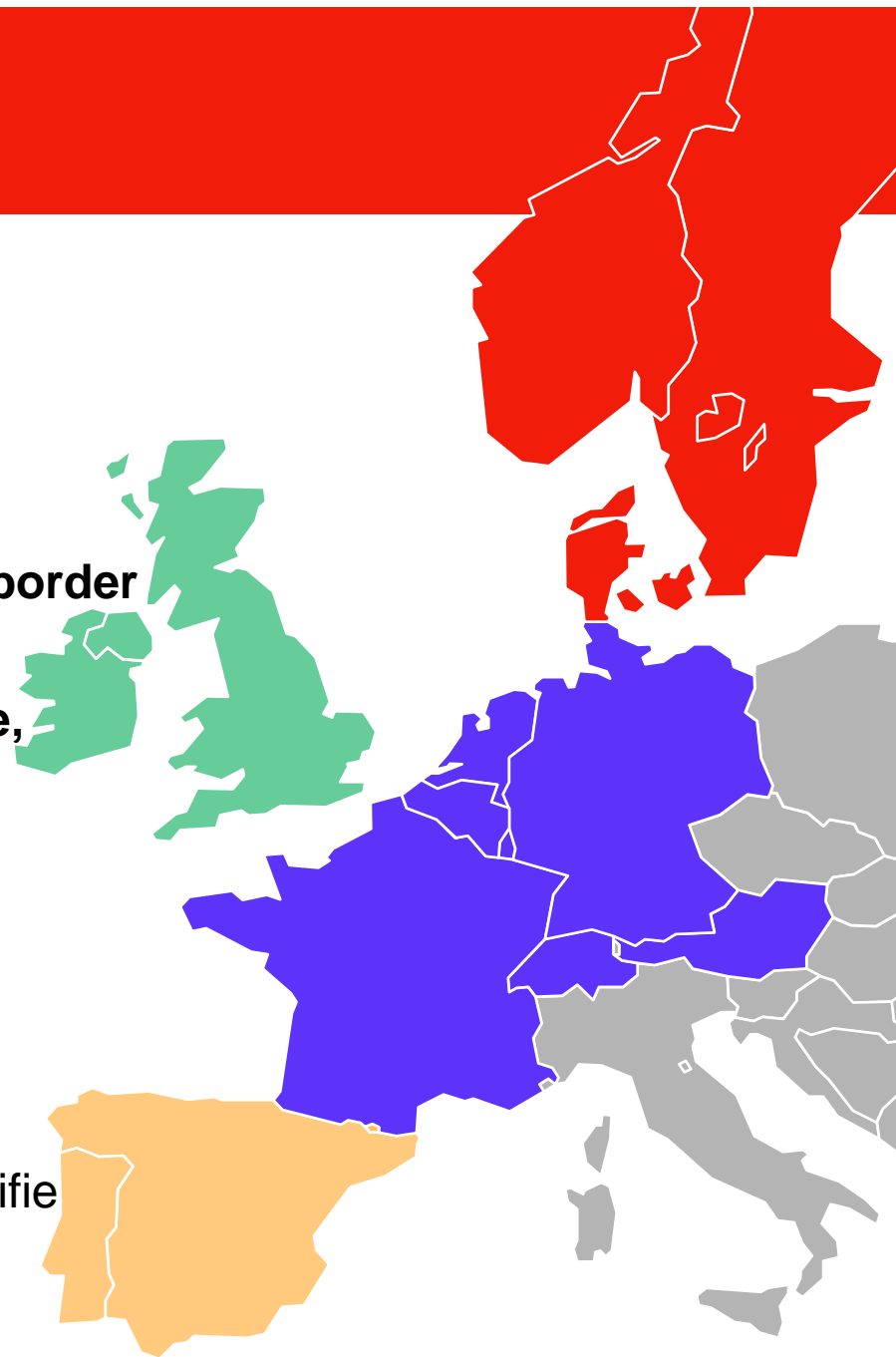
So, what does this mean in practise?

# RSO & ERGEG+: Driving investment to unify European market



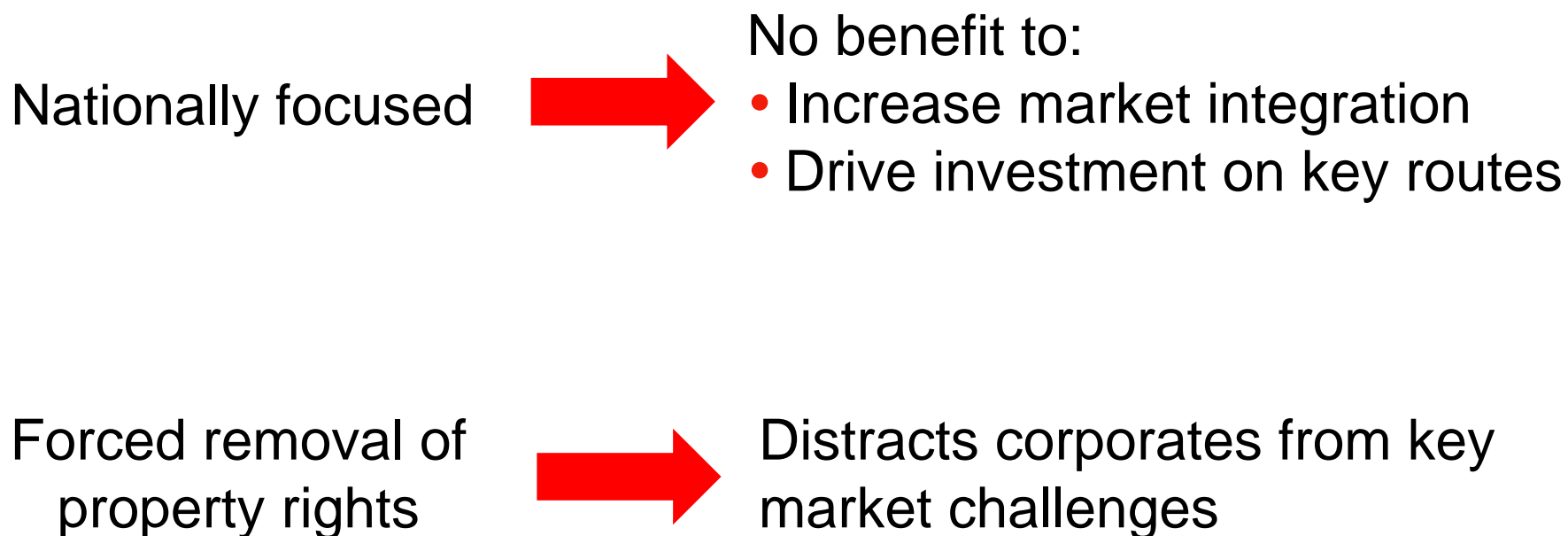
## Possible RSO tasks\*

- **Technical rules**
- **Calculation of bottleneck capacities**
- **Congestion management and cross-border intra day trading**
- **Cross-border procurement of reserve, balancing, and redispatch services**
- **Rules for connections to the grid**
- **Transparency platform**
- **Regional planning of interconnector investments:**
  - RSO identifies extension needs
  - TSOs are *obliged* to remove the identified congestions and set up the *concrete* technical investment programs



\* for electricity, similar approach needed for gas

## Full Ownership Unbundling – a bad example



Rigorously enforced legal unbundling the right way forward

## ETS – emerging consensus?

### Consistency

- European harmonization of allocation rules (must move towards auctioning) and cap setting
- Installations across Europe have to be treated equally
- No burden sharing agreements for the ETS sectors between member states

### Stability

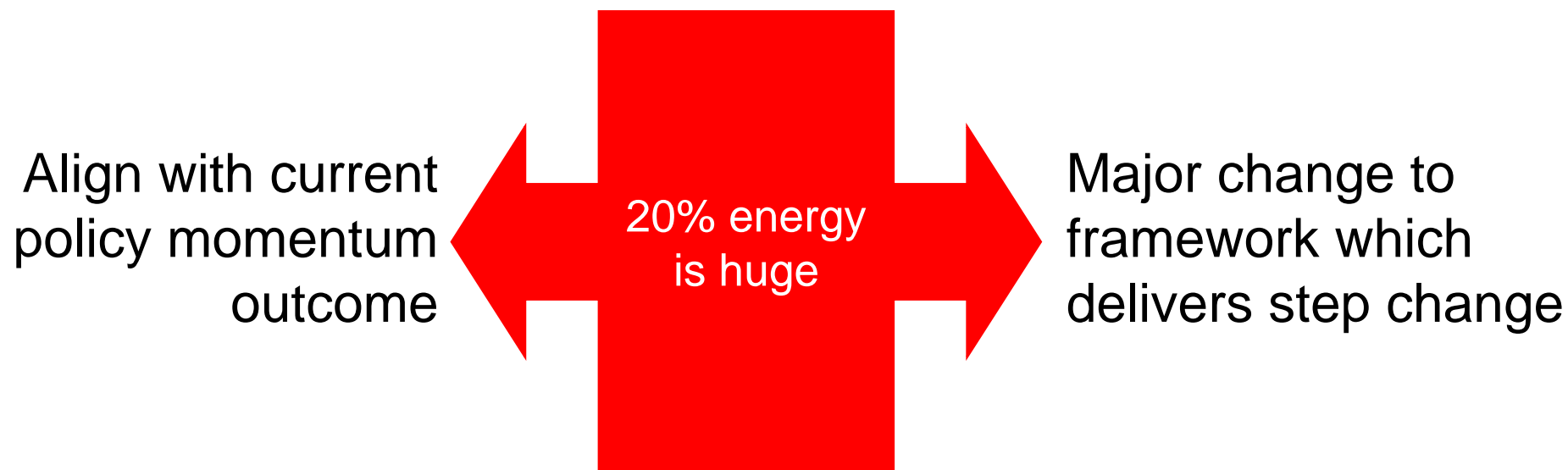
- Clarity in long term reduction targets
- Stability of the allocation rules for a longer period of time (e.g. trading periods of 10 years)

### Equal treatment

- Equal treatment of existing and new installations
- Equal treatment of industrial generation and utilities

..a good example of a focused Europe-wide policy alongside efforts to engage customer and stakeholder groups

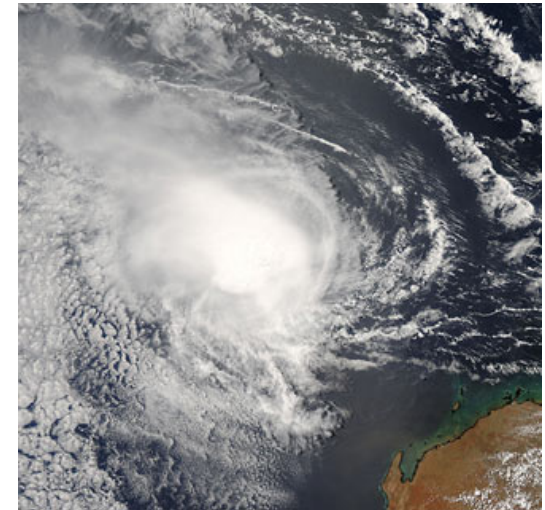
## Renewables target – a major challenge



Need to clarify way forward quickly:

- Align with commercial imperative
- Note risks of change – regardless of merits of start and end points

# The future commercial development of the European energy market.....



.....needs 'smart policy' to deliver the future market  
that we need

*e.on*

Changing Energy