



EESC Hearing

Brussels, 7th May 2008

Putting Regulators in the Driving Seat

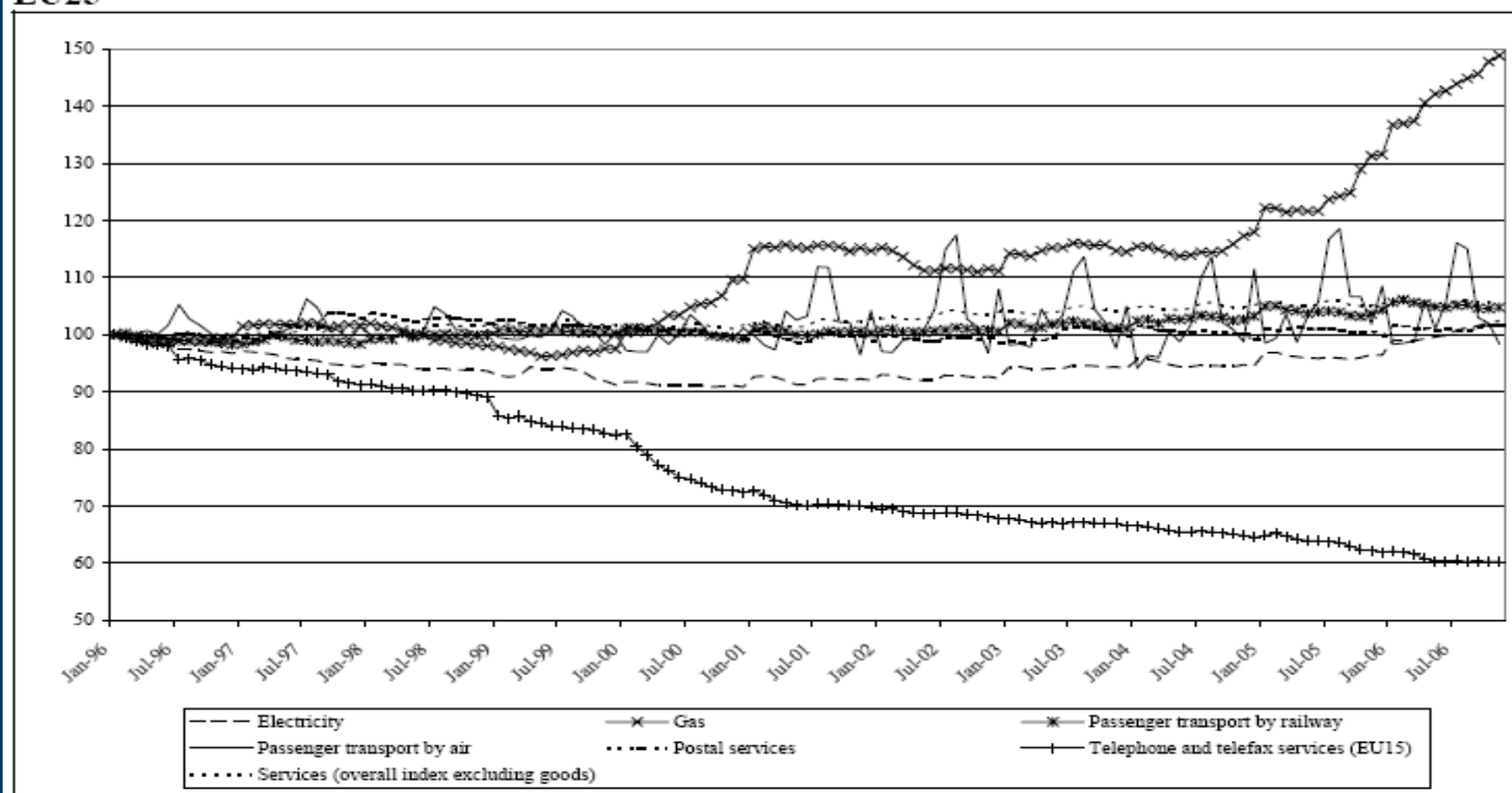
BEUC's Comments on the 3rd Energy
Package

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Energy: Increasing prices

Figure 1: Evolution of network industry price indices relative to the all-items HICP since 1996, EU25



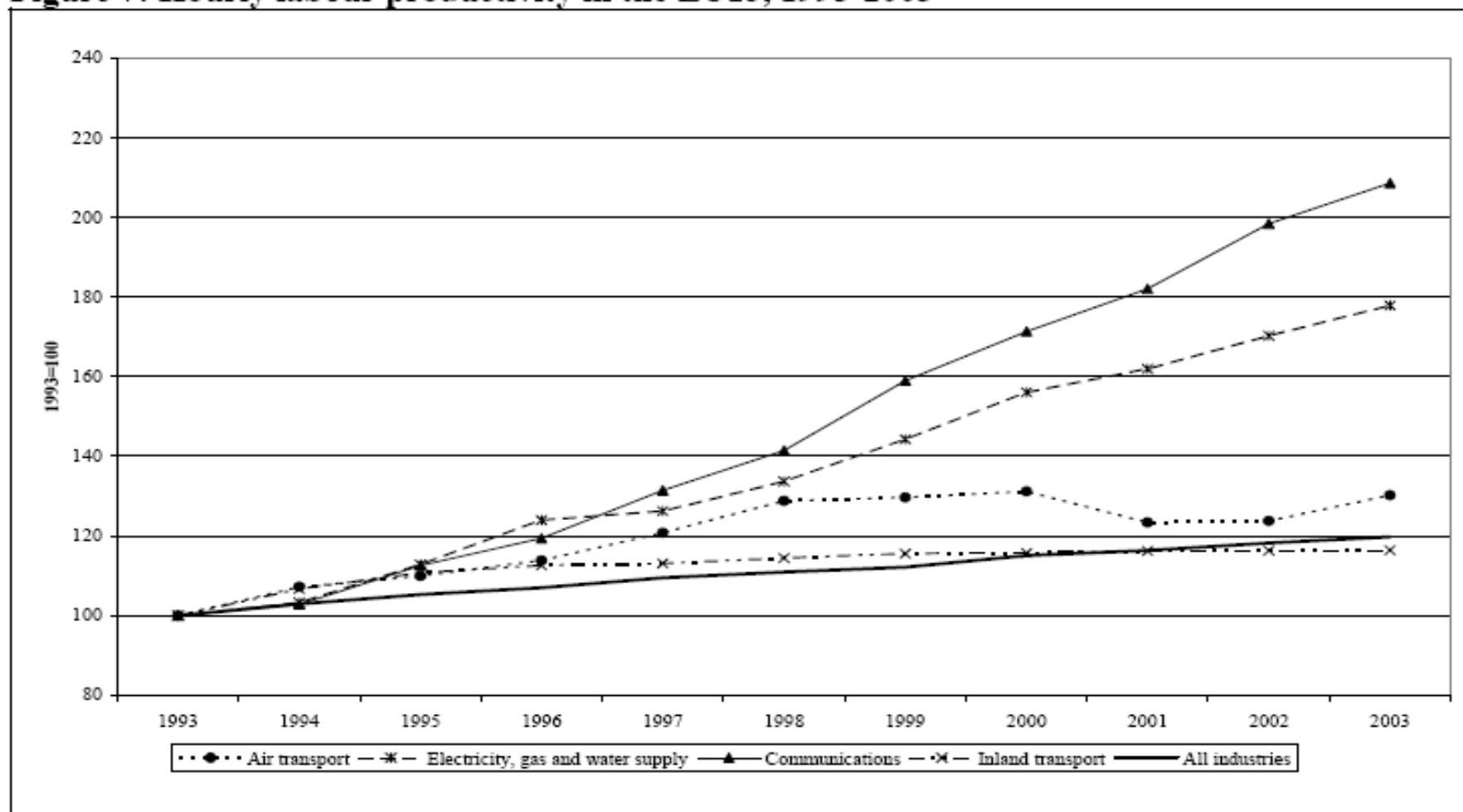
Note: The telephone and telefax services price index refers to the EU15 only.

Source: Own calculations based on Eurostat.



Energy: Increasing Productivity

Figure 7: Hourly labour productivity in the EU15, 1993-2003



Source: Own calculations based on Groningen Growth and Development Centre, 60-Industry Database (2005)



Energy: Increasing Profits

Table 2 Centrica's profits from its UK energy businesses (Operating Profit before Exceptional Items and Remeasurements)

Financial years ending December £million	British Gas residential gas & electricity	British Gas home services	British Gas business	Wholesaling & Trading	Gas Production	Gas Storage	Total UK energy operating profit £ million	% increase in operating profit
2001	-46	na	44	573	na			571
2002	218	61	65	72	447	1	864	51.3
2003	136	84	51	81	480	40	872	0.9
2004	242	72	68	-6	779	69	1,224	40.4
2005	90	111	77	-117	1,020	154	1,335	9.1
Total Profit 2001-2005	640	328	305	3,329	264	4,866	% increase 2001 to 2005=134%	



- ❑ Concentration in electricity production:
 - DE: 90% by 4 companies
 - ESP: 70% by 2 companies
 - BE: 70% by 1 company
 - FR: 87% by 1 company
- ❑ Energy inquiry found serious competition concerns during peak hours
- ❑ Increasing energy poverty in the UK:
 - 2.3 Million in 2002
 - 4 Million in 2005



Creating Competitive Energy Markets...

- ☐ Regulators: Wide information and investigation powers
 - Article 22c 3 (b): *"Carry out in cooperation with the national competition authority investigations [...], and to decide [...], of any appropriate measures."*

- ☐ Full Ownership Unbundling:
 - To guarantee neutrality of the grid
 - To facilitate decentralized production (small wind mills, solar panels)



...by Taking Consumers into Account.

- Perform “consumer-focused” market analysis
 - Article 22b Policy objective of the regulators:
*(a) the promotion [...] of [...] effective market opening for all consumers and suppliers in the Community **by ensuring that users derive maximum benefit in terms of choice, price and quality;***
- Regulators: Impose temporary price caps in case of Significant Market Power
 - Iberian Market: Energetic Island
 - Building Interconnection Capacity: Long Term project



Empower Consumers: Guidelines and Information

- ☐ Guidelines to implement the current directives:
 - *"Member States [...] shall in particular ensure that there are adequate safeguards to protect vulnerable customers."*
- ☐ Inform consumers about actual consumption
 - Switch-over to digital meters should be discussed with stakeholders
 - Important for billing: energywatch UK: top 20 questions relate to billing
 - No mandatory roll-out



Protect Consumers: Universal Service and Intervention

- ☐ More extensive universal service obligation
 - Affordable energy
 - Redress mechanism and compensation
 - Representation
 - Quality of supply and customer services

- ☐ Regulators: Impose temporary price caps in case of Significant Market Power
 - Iberian Market: Energetic Island
 - Building Interconnection Capacity: Long Term project



Satisfaction of basic needs



Safety



Information



Choice

Consumer Rights



Representation



Redress



Consumer education



Healthy environment