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Roadmap towards a Competitive European Energy Market

-Completed by a WEC-Europe Task Force-





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Terms of Reference

The **objectives** of this Study are:

1. To develop a roadmap towards a competitive European energy market, including renewables;
2. To formulate the prerequisites for a successful liberalized market;
3. To define milestones in order to benchmark the progress towards a liberalized market, including a methodology to boost the non-mature technologies.



The Current Obstacles

Political obstacles

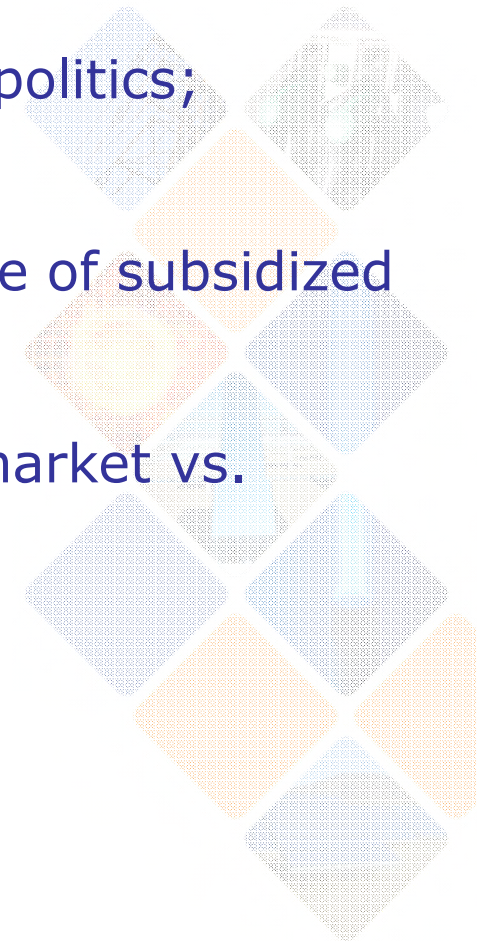
- contradiction: European market vs. National politics;
- contradiction: free market vs. increasing share of subsidized generation;
- time scales: long-term oriented electricity market vs. election periods

Technical obstacles

- bottlenecks in the electricity grid

Market obstacles

- Lack of a clear European market design





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Recommendations

Recommendation 1: to start integration with a core-European market

Market region: Nordic market + Central Western European.

Market design: flexible enough for integration of further countries

The Core-European market will be a center of gravity for other regions.

Consequence: Neighbouring regions/countries will be integrated stepwise;

Prerequisite:

- improvement of the grid connections
- offers opportunity for fair competition
- balancing energy
- enabling development of renewables

Market size: Austria, Belgium, Denmark, Finland, France, Germany, Luxemburg, The Netherlands, Norway, Sweden
Total production is slightly more than 1.700 TWh (2005)
i.e. over 50% of EU-29 (EU-27 & Norway & Switzerland)



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Recommendations

Recommendation 2: The core-European market has to establish a set of common regional rules, according to 3rd package provisions and the guidelines/market codes following the 3rd package approval. It would give a model for the other regions or countries to be integrated (ROADMAP)

- **A basic set of common rules needs to be defined which rules affect regulatory issues, TSO issues and market design.**
- **In this process, all stakeholders (power industry, TSO, EU and national bodies, regulators, consumers...) have to be involved in order to give as much practical input as possible to minimize frictions during the implementation phase.**
- **Of a priority importance is to provide a clear, understandable description of the targets and the steps in between. This is crucial for communication.**



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Recommendations

Recommendation 3: Grid development in Europe is key to promote more competition in Europe and to integrate renewables technically and into the market system

ENTSO plan proposed in 2010 should:

- describe its underlying assumptions about energy flows in Europe,
- bring more clarification on development of renewable production;
- minimize the expected bottlenecks

Investments to grid extension are:

- of utmost importance to deliver the RES-E target of the EU until 2020
- a cornerstone for power plant investments taking into account the price expectations in the new region.

Critical for the success: Acceptance of the new transmission lines.

TSOs

- need more support by politicians to overcome local resistance
- have to communicate the benefits of the new lines to the public



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Recommendations

Recommendation 4: The European electricity industry has to be a partner at the table, for discussion.

- **A competitive market will work only, if all stakeholders are involved in the discussion process, about the future market and the steps in between.**
- **The European power industry as a key player has therefore to take part in all- related discussion processes.**
- **In this respect, the association of the electricity industry EURELECTRIC is already deeply involved in the works of the Project Coordination Group together with other stakeholder associations as ENTSO, EUROPEX, EFET, under the umbrella of ERGEG coordination.**



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Recommendations

Recommendation 5: Specific recommendation for SEE Region

- **The major target for this region is to prioritize the investments in generation and transmission infrastructure.**
- **Big interest in the region is proved towards selective renewable generation with highest focus on wind.**
- **The region offers some hydro potential for enhancing the energy and ancillary services deliveries.**
- **SEE countries should consider restructuring not only on national but also on regional level. And thus, to move market from national to regional electricity market.**



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Recommendations

Recommendation 6:

The Current status in Central Eastern Europe:

-Slow progress so far, due to missing commitment from

Governments (Poland, Czech Republic, Slovakia, Hungary and Slovenia);

- Need to speed up integration of the Central Eastern market;

Recommendation: to use the successful Pentalateral Forum in the Central Western European as a model for a similar process in Central Eastern market a make firm commitments for a regional market.





World Energy Council
1-4 Warwick Street, London W1B 5LT
Tel: 020-7734 5996
Fax: 020-7734 5926
E-mail: info@worldenergy.org
Website: www.worldenergy.org