

ENERGY IN THE EU

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OWNERSHIP UNBUNDLING YES OR NO?



Monthly CEZ Bulletin

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DEAR READERS

In June European energy policy was set in motion again. At the start of June there was a session of the ministers of industry and trade of the European Union member countries within the Energy council, the European Council met on 21st and 22nd June; many interesting conference were also held involving energy policy, energy efficiency, renewable energy sources and other highly current energy issues such as energy security. It turns out that there is discord among the European Union member countries over the ambitious objectives set by the European Commission this spring that these objectives are regarded as being unrealistic and that 2020 could be replaced by a later date for achieving, for example, the 20% share of renewable energy sources in the European Union's total energy consumption. However it would appear that the European Commission continues to intend to adhere to its objectives and promises to submit proposals for new legal regulations as early as after the holidays so a not too „energy“ quiet autumn can be expected. In this issue of the Bulletin we have decided to provide you with more information about the activities of

the ČEZ, a.s. European Affairs Section not just within the CEZ Group but also outside it. So until the next issue, the European Affairs Section wishes you a lovely summer and pleasant reading of European energy topics in the company of Energy in the EU of the ČEZ, a.s. Bulletin

Yours EAS

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SESSION OF THE ENERGY COUNCIL

The Energy Ministers of the EU member states met on 6th June a session of the Energy Council and were engaged in four spheres: ownership division of production and transmission, or distribution (unbundling), more effective regulation, investment into the infrastructure and cooperation between the transmission system operators.



Their voice is not binding at this stage for the European Commission, but it must consider it when preparing draft legal regulation. The Ministers agreed that there is the need to create a binding mechanism for strengthening international energy trade. They also supported greater cooperation between the TSO's and agreed on the need to create better conditions for investment into the infrastructure. Most states headed by France and Germany (including the Czech Re-

public) however opposed the plan of the Commission to enforce ownership unbundling. On the other hand, this proposal is supported, for example, by Great Britain, Italy, Ireland, Netherlands and Finland. The Commission considers ownership unbundling to be an essential step which will "ensure that there will be no discrimination of network users, will enable new producers to connect, result in independent decision-making over matters of investment and better coordination between network operators". It is convinced that energy companies may exploit ownership of transmission systems as an instrument for preventing new competitors entering the market. The Commission also claims that undivided ownership denies competitors access to important information about the market. You will find more information at the following address [↗](#)

FIRST MEETING OF THE CONSULTATION FORUM ON ECODESIGN

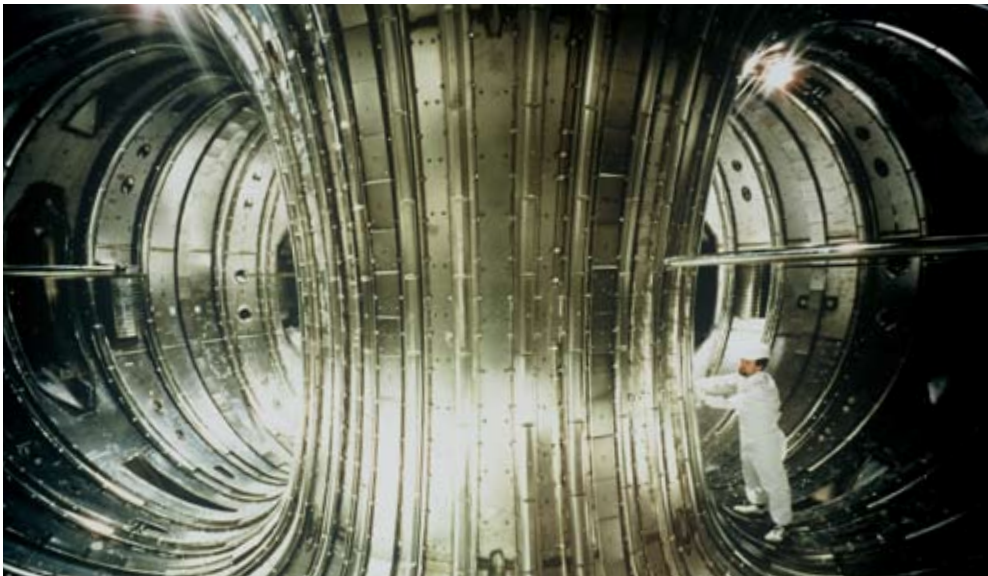
On 22nd June the first session was held of the Consultation Forum.

This forum was established under Directive 2005/32/EC and consists of representatives of member countries and all affected parties this product or product group applies to such as the production branches including small and medium-sized companies and tradesmen, trade union organisations, wholesalers, retailers, importers, groups engaged in environmental protection and consumer organisations. This forum is to contribute particularly to preparations and review of implementing measures, examination of activities of established mechanisms of supervision over the market and assessment of voluntary agreements and other self-regulatory measures. However the first session was more of an organisational nature. [↗](#)

SESSION OF THE EUROPEAN COUNCIL

A session of the European Council at the end of the German presidency of the EU was held on 21st and 22nd June in Brussels.

If the main item of the European Council spring session was energy, the June session focused above all on finding agreement between the member states with regard to the future of the European Constitution Treaty. On the subject of energy the European Council only welcomed a signal from the G8 summit in Heiligendamm, praised the efforts of the European Commission to review the existing system of trading with emission allowances and stressed the importance of international energy security. In other spheres the European Council expects proposals and analyses that the European Commission promised to submit this autumn (so-called third liberalisation package, amendment of the directive on renewable energy sources, strategic technological plan, and so on.).



EUROPEAN NUCLEAR FORUM

The European Energy Commissioner, Mr. Andris Piebalgs, welcomed the agreement between the Czech Republic and Slovakia regarding the creation of the European Nuclear Energy Forum for which the Czech Republic has been striving since the end of last year.

The European Commission reiterated its clear support of factual, transparent and objective discussion on the topic of nuclear energy utilisation,

handling of nuclear waste, nuclear safety and the acceptance of nuclear energy by the general public. Based on the political agreement between the Czech Republic and Slovakia the venue of the nuclear forum will alternate between Prague and Bratislava with the first session being held this autumn in Slovakia under the support of the European Commission. Nuclear energy has become another source of energy which will have its own platform for discussion and its importance in the European Union is rising constantly.

INVESTIGATION OF REGULATED PRICES IN FRANCE BY THE EC

The European Commission began formal investigation proceedings under the European Commission regarding potential state aid for large and medium-sized companies in France in the form of low regulated electricity prices financed directly and indirectly by the state.

The European Commission intends to deal with regulated prices in France regarding any unauthorised state aid contrary to Article 87 of the EC Treaty and regarding possible restriction of access to the electricity market for new subjects contrary to Directive 2003/54/EC on common rules for the national electricity market, i.e. with regard to any possible disruption of free economic competition. The French system on the electricity market is the following. French consumers may purchase electricity either on a liberalised or regulated market. On the regulated market the purchase of electricity from distributors determined by the state for regulated prices. These prices are considerably lower than prices on the liberalised market. Since the start of 2007 customers who left the regulated market can return to this market and make use of regulated



prices which may be higher than the originally fixed prices but are still lower than market prices. The European Commission began a similar investigation of the European Commission against Spain this January.





REGIONAL MARKET OF 5 EU MEMBER STATES

Andris Piebalgs welcomed the signature of the Memorandum of Understanding between France, Germany, Belgium, Netherlands and Luxembourg for the purpose of creating a single electricity market in this region.

This memorandum of understanding was signed at the close of the session of the Energy Council on 6th June in Luxembourg. In general terms this year may be assessed as one in which the regional markets are a positive step for creating a single European electricity market, will bring lower prices for consumers, increase energy security and

encourage greater investment into the production capacity and transmission infrastructure. This initiative follows on from the creation of a joint market between France, Belgium and Netherlands this February which has already shown its positive aspects – the energy stock exchange was established in Belgium, the efficiency has increased of the connection and convergence of prices between these three countries. This new emerging market between five member countries should be extended and become the first stage for achieving a single European market. ➤

THIRD PARLIAMENTARY MEETING ON THE FUTURE OF EUROPE IN THE EP

MEPs and members of national parliaments on 11th and 12th June held a joint discussion for the third time on the future of Europe. This time at the meeting entitled „Together...but how?“ they focused on the current challenges that the EU faces.

This was climate change, energy issues, the contents of the new version of the Constitution Treaty or the role of national parliaments in the reform process. The parliamentary conference was a contribution to the discussion as part of the “period of reflection” which was announced after the rejection of the Constitution in France and Netherlands. The conference was jointly organised by the European Parliament and Germany. The meeting was opened by the chairman of the European Parliament, Mr. Hans-Gert PÖTTERING and president of the German Bundestag or Federal Diet Norbert LAMMERT. Legislators were invited to the conference from all 27 EU member states and observers from Turkey, Croatia and the Former Yugoslav Republic of Macedonia to which the EU has awarded the status of



candidate countries. The first meeting of this kind was held last year. At the conference the legislators discussed the role of the European Union in the globalising world, European economic and social model and issue of freedom, security and justice. The second meeting on the topic of “from reflection to action” was held in Brussels in December 2006. MEPs discussed the issue of financing the EU, European energy policy and the EU’s role of preventing conflicts.

UNLIKE ENERGY FACILITIES ENERGY CONSUMPTION IS RISING

The newly installed output of power plants in Europe will not cover the increase in electricity consumption which rose last year on average by 1.4% within the EU; however in central Europe demand rose more vigorously.

This arises from the data of the Union for the Co-ordination of Transmission of Electricity and Eurostat statistics. Since the early 1990s the newly installed output of power plants in Europe reached 23.6% (14% in the case of the Czech Republic), while demand within EU-25 (without Romania and Bulgaria) increased by 28%. Last year alone demand for electricity in Europe increased by 1.4%. However the data applying to central European countries were much higher: in Austria it was 5.3%, in Poland 4.5%, in Slovakia 3.5% and in Hungary 3.3%. According to Eurostat the consumption in the Czech Republic raised about 1.5%. However, under the method used by

the Czech regulatory authority the increase achieved nearly 3%. The greatest net importer of electricity in central Europe is now Hungary, last year it imported 7.2 Terrawatt-hours (18% of consumption) and Austria imported 6.7 Terrawatt-hours (about 10% of consumption). So far the Czech Republic, Poland and Slovakia are self-sufficient in electricity supplies and therefore can export any surplus. However this situation need not last and the forecast expects the same rate of growth in consumption and insufficient investment into the construction of new energy sources. According to Eurostat data, thermal power plants cover 57.8% of the total installed output of European power plants. Nuclear power plants account for 18.8% of total capacity, hydro 18.6% and other renewable energy sources, i.e. geothermal, wind and solar 4.8%.

ANNUAL CONFERENCE OF THE EUROPEAN UNION OF THE ELECTRICITY INDUSTRY

In June the annual conference of the European Union of the Electricity Industry Eurelectric was held in Antwerp attended by a large number of representatives of the electricity and gas industry as well as important speakers from European institutions and other important guests. The two-day session offered interesting papers and presentations of all current problems in the development of a single energy market in the European Union. The Eurelectric project entitled „Role of Electricity“ was also presented to participants at the annual conference and will bring you more information in our next issue. The CEZ Group was represented in the closing panel of the conference by CEO Mr. Martin Roman and also by the highly active presentation of the officer of the ČEZ, a.s. Sales Division, Mr. A. Svoboda on the panel of the first day of the conference concerning the motivating elements of climate policy. 

NUCLEAR ENERGY AS AN ELECTORAL TOPIC IN BELGIUM

According to “The Financial Times” nuclear energy has become a controversial topic of the election campaign in Belgium. The current Belgium Prime Minister, Guy Verhofstadt, intends to close the nuclear power plants and replace them with new facilities. Belgium considered closing its nuclear power plants as of 2015. However Verhofstadt pointed out that it may not be possible in view of the lack of production capacities (Belgium produces more than half of its electricity at nuclear facilities). The Christian Democrats were declaring before the elections that closing the nuclear power plants is not appropriate, whereas the Socialists wanted to achieve this objective by the original date. The hot issue of this dispute was the fact that both parties were, according to current expectations, to form a coalition government after the elections which were held on 10th June and the winners were the Christian Democrats. Verhofstadt’s Liberals suffered significant defeat and further discussions on the future of nuclear energy in the country will undoubtedly become interesting.



EUROPEAN WIND DAY

The European Energy Commissioner, Mr. Andris Piebalgs inaugurated the first European Wind Day on 15th June in Brussels organised by the European Wind Energy Association (EWEA).

On this occasion a wind generator was put into operation in the European Brussels institutions. The purpose of this event was to bring wind energy closer to European Union citizens and stress the increasing share of wind energy in the energy mix of member countries particularly due to the binding 20% share of renewable sources in the overall consumption of the European Union. [↗](#)

FIRST CO₂ STORAGE IN EUROPE

Mr. Andris Piebalgs launched the pilot operation of the CO₂ storage in Ketzin.

This initial facility is to provide experience with regard to the practical aspects of underground storage of CO₂ acquired during the production of electricity. In view of the fact that CO₂ emissions are the main source of greenhouse gases, this project is a significant step in the fight of the EU against climate change. In the words of the commissioner, the Commission believes that this project will contribute to technical progress in this sphere which will result in the fact that CO₂ storage will become a reality after 2020. During the project various forms of CO₂ storage will be tested to a depth of 1 800 metres and the stability of the stored CO₂ will be monitored. The project is the basis of a research project called "CO₂SINK". The Commission is currently considering the construction of 10 to 12 demonstration power plants by 2015 equipped with CCS technology and during its planning and construction intends to make use of the experience acquired from Ketzin.



IRAN THWARTS THE VIENNA TALKS ON NUCLEAR ENERGY

The unyielding position of Tehran in connection with its nuclear programme led to the unsuccessful end of talks that took place in Vienna between the EU, IAEA and Iran, and demonstrates the deepening crisis on the international scene around the Iranian nuclear programme. The word "failure" could be heard from diplomatic sources. The Iranian nuclear negotiator Mr. Vaidi did not manage to find common ground even with Mr. Cooper, advisor to the EU foreign policy coordinator, Mr. Solana, nor with IAEA Deputy Director General Mr. Heinonen. According to Iranian diplomats he did not keep his promise and did not answer questions regarding his nuclear activities in the past.

WHITE ENERGY PAPER ON THE FUTURE OF ENERGY IN THE UK

On 24th May the departing British Prime Minister, Tony Blair, presented the White Energy Paper in which the UK declares its support of using nuclear energy.

According to this paper, nuclear energy helps to reduce CO₂ emissions and will secure the continuous supply of the country's energy in future. The White Paper may emphatically prioritise the utilisation of renewable sources, nevertheless Alistair Darling, the secretary of industry, supported Blair by a call that a decision regarding the construction of new nuclear power plants should be made by the end of this year because in the next 20 years a number of nuclear and traditional power plants will have come to the end of their service life. Of course, the government subjects the development of nuclear to broad nationwide discussions. Darling also remarked that according to the government's preliminary opinion, it is in the social interest to allow private companies to invest in nuclear power plants.

The White Paper is available [↗](#)



TURKEY HESITATES OVER OPENING THE ENERGY MARKET AND ITS LIBERALISATION

Despite repeated proclamations on the need to rely one on the other which were voiced at the conference organised in Istanbul, Turkey, under the title „Turkey and the EU: Together for a European Energy Policy“, the interests of Turkey and the European Union often differ.

The latest example is Ankara's hesitation over the liberalisation of the Turkish energy market and its opening up to Europe. Its fears of liberalisation and opening up the market are based on the risk of loss of control over its own energy industry, increase in energy prices,

competition due to which Turkish state enterprises could lose part of the charges for the transport of oil and gas. Moreover, Ankara evidently understands energy to be a lever for negotiation with the European Union over its long postponed accession. It is for this reason that Turkey requests a transitional period so it can first invest in its own energy. However the hesitant approach to liberalisation of the market is not shared by the Organisation of Turkish Industrialists. According to its boss Arzuhan Dogan Yalcindag, the approach must be liberalised to the energy market to thereby support for investment. Companies above all fear insufficient construction of new energy capacities. Electricity consumption is rising fast, but nobody is constructing new power plants or distribution networks. According to various estimates, the Turkish energy sector requires about € 24–28 billion for investment.

GERMANY CONSIDERS REVIEWING ITS PLAN TO STOP USING NUCLEAR ENERGY

The International Energy Agency in its report of 4th June warned that ending the operation of nuclear power plants in Germany in the next 15 years will have a negative effect on energy safety, economic efficiency and efforts to reduce greenhouse gas emissions in Germany.



According to the International Energy Agency, excluding nuclear energy from the energy mix of Germany will have the following consequences: reduction in the diversity of the energy mix and simultaneous increase in dependence on import, particularly gas, the negative effect on the economy because investments need to be made into the construction of new facilities which will be required to maintain the operation of nuclear power plants and also increasing the share of greenhouse gases because as the International Energy Agency states – the production of electricity

from nuclear energy is one form of carbon-free production. The nuclear core can be partly replaced by renewable energy sources, but due to their low potential other sources emitting CO₂ will have to begin to be used to a greater extent. Hence, the International Energy Agency recommends that the German government reassess his plans regarding the exploitation of nuclear energy in future.



ACTIVITIES OF EAS WITHIN THE CEZ GROUP


The EAS has existed a year and a half now and is part of the CEZ, a.s. Sales Division. It operates across the entire CEZ Group.



Its task is to be engaged in European affairs, prepare the position for proposals by the EU and discuss everything that applies to the EU with our partners at all levels. The sphere of the European Affairs is broad, but recently the European Agenda has been very well presented not only within the CEZ Group where cooperation has begun with foreign property participation, the Dukovany Nuclear Power Plant or the legal department, but also outside, as far as active contacts are concerned with other partners in energy, European associations or state administration

officials. It turns out that the EU is becoming more and more involved in the energy sphere not only in the field of legal regulations or creating a joint energy policy, but also for example in the field of competition law (long-term contracts versus state aid, abuse of the dominant position, regulated prices versus state aid) and environmental law. The monitoring of European affairs therefore appears as a key factor which also shows the practices of other energy companies in the EU where similar sections have been operating such as in the French company EDF for a decade.

EURACTIV.CZ

At the start of June the European Affairs Section established cooperation with the Internet server www.euractiv.cz, with which it has established a joint energy section. This is a server which operates in all the European Union countries, is supported by European institutions and not only provides information about European events in this area, but also attempts to develop impartial objective discussions on this topic. The partners of this server are, for example, the Representation of the European Commission in the Czech Republic and the civic association „Yes For Europe“. The European Agenda Section, as well as Euractiv server, hope that this website will become a good space for the efficient exchange of views of all the players who intend to affect the discussions on energy policy in the European Union. Reports from the Czech version of the website are also periodically received by the server operating at the European Union level, www.euractiv.com, in which the European Agenda Section also sees to be a period of opportunity of how to present the Czech energy sector in the European Union in general. 

FRENCH-CZECH CONFERENCE ON ENERGY EFFICIENCY

On 31st May to 1st June the French-Czech Conference on Energy Efficiency was held in Prague attended by the French Director General for Energy, Mr. F. Chevet who took part in the topic for energy security in Europe on the previous day. The conference was organised on the initiative of the French Embassy in Prague attended by leading French and Czech companies such as EDF



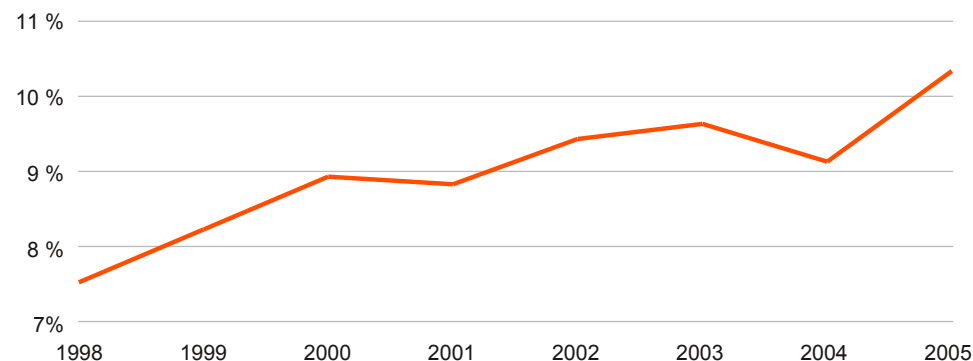
and the company CEZ. The main topics of the discussion panels were the utilisation of renewable energy sources, their potential within individual member countries, increase in energy efficiency and other interesting topics.

REPORT ON THE IMPLEMENTATION OF REGULATION No. 1228/2003

On 15th May the European Commission published the Report on experience gained from the Implementation of Regulation No. 1228/2003, the Regulation on Cross-border Trade in Electricity. The European Commission is engaged in this report particularly with the development of cross-border trade in electricity when the report states that the cross-border electricity flow in Europe is slightly increasing since the opening of the market from year to year. The graph below shows the overall trend of physical cross-border flows in the EU-27 countries and in Norway and Switzerland.

The report also deals with the development in cross-border trading methods when it states that a step forward has been taken for the adoption of altered general principles for the control of overload as part of the creation of the EU internal electricity market. Here it must be mentioned that ČEZ, a.s. meets the requirements for the transparency arising from these principles since 25th April 2007 when CEZ began to publish an overview of the planned shutdowns (non-availability) of own production units on its website (www.cez.cz). This way CEZ increases the transparency of the operation of production units, safety and reliability of transmission and distribution systems and information for the public on the planned operation of the facilities including the Temelín Nuclear

Power Plant by publishing a plan of the non-availability of production units greater than 100 MW for the entire year in advance. Then these plans are specified for each month. In the conclusions to the report on the implementation of Regulation No. 1228/2003 it is stated that it is important that the increase in the volume of trading take place with the simultaneous improvement of the coordination of network operation and building of the new infrastructure, including the modernisation of the existing management, acquisition of new management and investment into further network components where required. Finally the report contains a demonstrative list of rules which the European Commission intends to accept during this year (safeguard and reliability rules, con-



nection rules, electricity trading rules and others).

The entire report [↗](#)

COMMISSION REPORT ON THE IMPLEMENTATION OF REGULATION NO. 1407/2002

In May the European Commission published a report on state aid to the coal industry in which it concluded that there is no need to amend the Regulation No. 1407/2002 on state aid to the coal industry which, adopted in 2002 upon expiry of the validity of the Treaty on founding the European Coal and Steel Community and sets the rules for providing state aid to the coal industry until 2010.

The report was drawn up in cooperation with member countries and market participants, including the European Union of the Electricity Industry Eurelectric. The regulation whose validity is to expire in 2010, sets an exception from the general ban on providing state aid to the coal industry when it orders member countries to draw up a plan of access to coal reserves for several years ahead and the permission process regarding various categories of aid. The report of the European Commission contains an analysis of the aid provided in the years 2002 to 2006 when it distinguishes the countries in which coal mines are being closed such as Germany, Spain and Hungary and on the other hand, the Czech Republic, Poland, Great Britain and Slovakia in which there continues to exist a competitive coal industry and

aid is provided only for new investment. The report also cites a study of the think-tank Europe Economics, which contains a conclusion that the European Commission agrees with as it states that state aid for the local coal industry does not affect the overall energy mix. The only weak point of the report is that it does not consider whether the guaranteed state aid is able to affect decision-making over investment into the construction of new coal-fired power plants and what the real situation is in this respect on the European market. The European Commission concludes that the coal market operates effectively and therefore the existing regulation need not be amended.

The entire report [↗](#)

DG COMP'S MAGAZINE ON COMPETITION LAW

The European Commission's Directorate-General for Competition published the next issue of its quarterly on European Union competition policy the „Competition Policy Newsletter“ in May.

It is clear from this issue that energy is also becoming one of the central topics in the competition sphere because most of the articles are devoted to it. One of the most interesting articles on energy in this respect is the article on unbundling, i.e. the separation of production from transmission, or distribution. In this article the Director General of DG COMP, Mr. Philip Lowe, presents the plan of the European Commission in the sphere of ownership unbundling totally impartially when he points out the pros and cons of this solution and also examines the practical realisation of this solution from the point of view of European Union law. Another sphere this issue of the DG COMP magazine deals with is the investigation in the energy branch which the Commission conducted last year and its closing report was part of the so-called January energy pack. This investigation is compared with the investigation in the sphere



of banking and insurance which took place recently. Last but not least, this issue also deals with the question of cartels and in the field of energy this concerns the proposed merger of Gaz de France with the Suez Company.

The entire issue of this magazine [↗](#)

AMENDMENT OF DIRECTIVE 90/377

On 7th June the European Commission adopted the decision amending Council Directive 90/377/EC regarding the method applied to determining gas and electricity prices billed to end industrial customers.

This decision, which will come into force on the twentieth day after its publication in the European Union Bulletin, replaces the annexes of the original version of Directive 90/377/EC which determines the particulars concerning the form, contents and all other features of information that enterprises are to provide which supply gas or electricity to end industrial customers. The reason for the amendment of said directive was to update the methods applied when collecting information about prices so they reflect the real-



ity of competitive electricity and gas markets which arose as a consequence of Directive 2003/54/EC on the common rules for the internal electricity market, including the fact that several suppliers operate on every market.

The full text of the decision [↗](#)



AMENDMENT OF THE DIRECTIVE ON NATIONAL EMISSION LIMITS IS POSTPONED

The plan of the European Commission to reduce national emission limits as set by Directive 2001/81 which it promised to submit this July is being postponed until next year. The reason is the intensive work of the European Commission on drawing up the drafts to new legal regulations in accordance with the conclusions of the spring European Council applying to the reduction of greenhouse gases by 20% and 20% of the share of renewable energy sources. The new directive regarding emission limits should reduce their level by 2020. But it turns out that meeting all binding objectives which the European Union has set, may be difficult.



ON 15TH JUNE a call was published in the pages of the European Union's Central Bulletin to submit projects as part of the TransEuropean Network-Energy programme. Those parties interested in gaining funds from the overall budget allocated to this call (€ 22 million) may submit their applications with their projects by 31st August 2007.

You will find more information on the theme of the call and submission of applications [↗](#)

ON 18TH JUNE top EU representatives met with the Ukrainian delegation headed by Prime Minister Yanukovich as part of the 11th meeting of the EU/Ukraine Cooperation Council. The Council welcome the state of talks on the new treaty between the EU and Ukraine (the so-called „Enhanced Agreement“), which came about this March; the EU representatives stressed the importance of Ukraine's political stability in connection with the recent constitutional crisis. Several important agreements were signed including an agreement on trade with selected steel and iron industry products.

ON 26TH JUNE an EU accession conference with Croatia was held in Brussels. The topic is interesting for the Czech Republic because the talks on Croatia's accession to the EU could culminate during the Czech presidency of the European Union

ON 27TH JUNE a „mini-plenum“ took place of the European Parliament on the topic of the assessment of the German presidency in the presence of German Chancellor Angela Merkel.

ON 28TH-29TH JUNE a session of the EU Council of Ministers for the Environment was held in Luxembourg. Among the items of the Council agenda is the assessment of the existing function of the European system of trading with emissions and the discussion of new incentives for EU environmental policy during which the ministers will examine the continuous assessment of the 6th EU Environmental Action Programme, issues of economic instruments for environmental protection and the like.

ON 28TH-29TH JUNE a conference was held in Potsdam to commemorate the 50th anniversary of the existence of the European Social Fund (ESF), one of the most important instruments for the realisation of EU policy. The ESF has enabled the financing of projects in the sphere of education, employment and social policy since 1957 and its common denominator is the efforts of the EU to overcome existing differences between member countries and regions within countries. The conference was also attended by the European Commissioner for Social Affairs, Vladimír Špidla.

30TH JUNE was the last day when Germany presided over the European Union; the Portuguese took over the presidency as of 1st July. After their six-month presidency of the EU a historic moment will arise – as of January 2008 the presiding country for the first time will be Slovenia, one of the member countries of our „wave“ of extension of the EU.

ON 4TH JULY a workshop was held in Berlin as part of the “Intelligent Energy For Europe” programme, this time on the topic of the RESPOND project – “Interaction of Energy Supplies from Renewable Sources with Conventional Sources, Network and Demand”.

Interested parties will find details [↗](#)

OWNERSHIP UNBUNDLING YES OR NO?

This year the European Commission set a series of ambitious objectives, among others also ownership unbundling of the transmission and distribution. Discussion in all professional circles on the realisation of this concept have been held since, the pros and cons have been examined and above all it has been shown that there is great disagreement between the EU member states regarding basic issues – ownership unbundling yes or no and whether ownership division of networks from other activities is really the best and most effective solution.

Unlike the Commission a number of member states (France, Germany, ...), as well as energy companies, among them CEZ, a.s., believe that the effective division of activities of electricity transmission and distribution may be achieved without ownership division of assets. The main reason why the electricity market brings end users less benefits than was originally expected is particularly the fact that there is a lack of an adequate physical network connection between individual states and also the fact that earlier it was not as apparent as in recent years which is the rising lack of electricity sources. The European institutions are right to be engaged in the function of the electricity market and finding improving mechanisms which could contribute to this objective. However, currently the best solution appears to be the so-called ISO+ model, which unlike

ownership unbundling and the creation of isolated transmission network systems, will bring the individual national TSO's closer together and induce the individual TSO's to far better coordination of activities, their cooperation and necessary investment resulting in the development of cross-border interconnection. The key is the creation of "a single EU transmission network " when the word single does not involve ownership of assets where there exist several separately owned mutually disconnected and de facto competing TSO's, but adequate interconnection and barrier-free management of one EU transmission system. In the sphere of distribution systems most states consider the existing solution to be adequate in the consistent and effective enforcement of the existing Directive 2003/54/EC in all EU member states under the effective supervision of the Commis-

sion. But if we return to the concept of ownership unbundling, the Commission may speak of it, but so far has not submitted any specific analysis or proposal of how to implement this solution. Nevertheless the pros and cons of this concept are stated in many places which have already been stated above. Among the positive aspects of unbundling is the usually mentioned fact that independent network operators will negotiate with all competitors in the same way. It is also stated that the network operators will be able to make better investments into network development and the possibility will be excluded of providing confidential information within a vertically integrated group. Ownership unbundling is also to result in better cooperation between actual network operators. However, on the other hand there is objection to the fact that this solution will result in

a reduction in savings from the scope, as expenses for the actual realisation of this concept will considerably exceed its benefits and in the case of state-owned companies, there is the issue of how this concept can be realised in accordance with law. In the final outcome there is the issue of who will guarantee the fact that unbundling will really result in the mentioned benefits and whether the more appropriate way is to really ensure the effective application of the existing obligations? As of 1st July the full liberalisation of the energy market was put into effect and does this not mean that the TSO's and DSO's should already be obliged to negotiate with all competitors equally? And if this is not the case, why is existing legislation not being fulfilled? These are perhaps the questions that need to be asked prior to the proposed new and expensive solutions.