

3rd Liberalisation Package: How to enhance competition?

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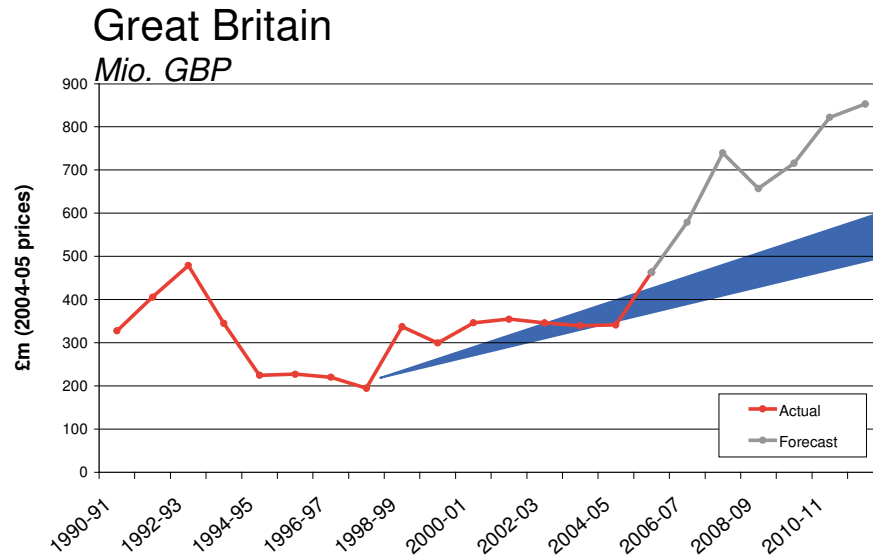
Non-Discriminatory Grid Access

What is necessary?	<ul style="list-style-type: none">➔ Same access to information for all market participants➔ Non-discriminatory grid connection➔ Controlled and approved access tariffs
achieved by:	<ul style="list-style-type: none">➔ Clear-cut legal framework for regulation➔ Effective regulation control

⇒ Does Ownership Unbundling really generate an added value?

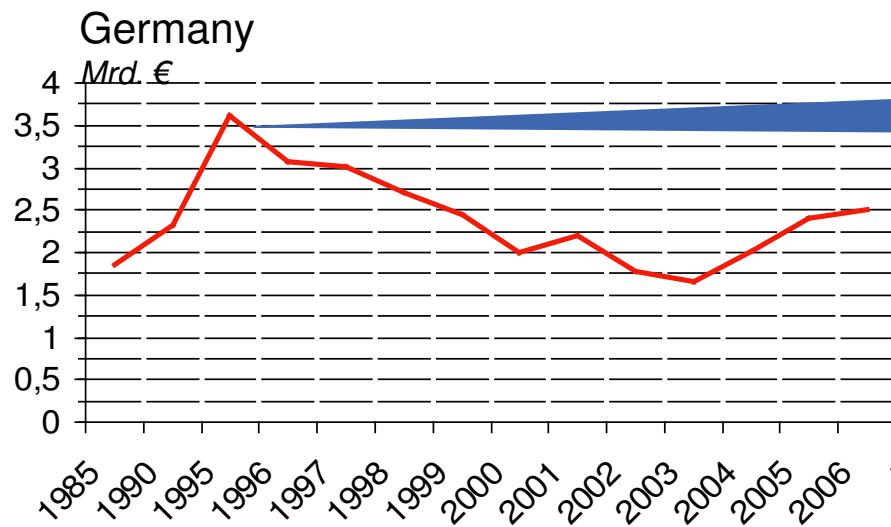
“According to our knowledge, there is no significant discrimination of competitors in terms of grid access“ (M. Kurth, Bundesnetzagentur)

COM Statements with regard to Investments are based on Contentious Data



COM-data start in 2001, but OU since 1990. Very little investment during mid 90s is being ignored (Relevance of the regulatory regime).

Quelle: Ofgem

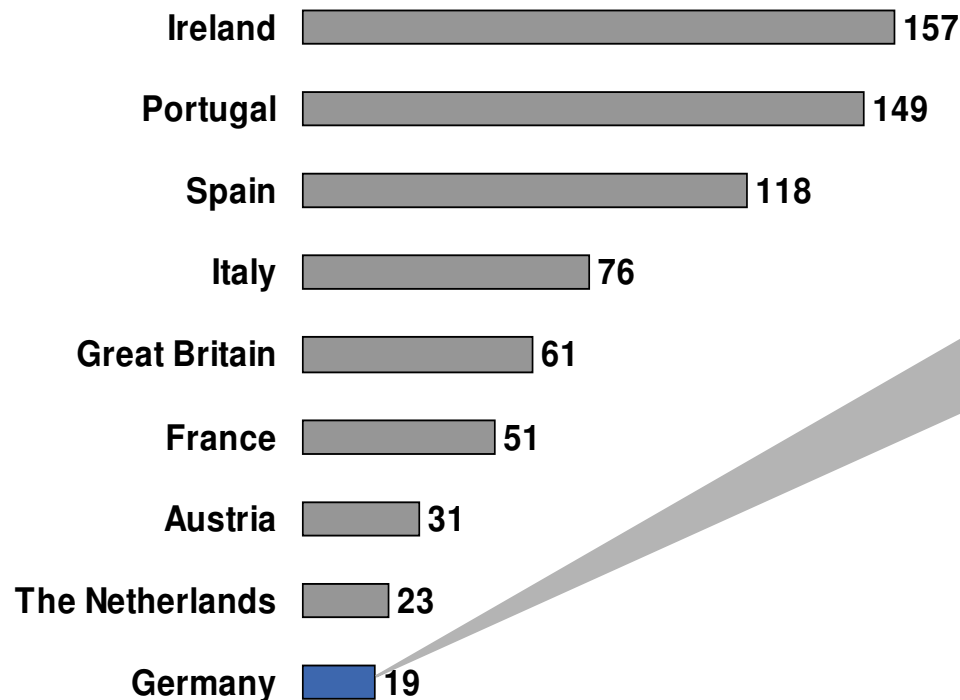


COM-data start in 1995: historical peak due to reunification.

Quelle: VdEW

No Correlation between Ownership Unbundling and Security of the Grids/ Security of Supply

Average interruption of electricity supply in minutes (2004/05)



DE front-runner in Europe:

One third of failures as compared to GB:

- In spite of high burden of wind power
- In spite of extremely high transits
- In spite of accidents (Münsterland, Emsland)

Source: Council of European Energy Regulators (CEER); Autorità per l'energia elettrica e il gas, Rom; Office of Energy Regulation (DTe); The Hague; E-Control, Wien; Verband der Netzbetreiber - VDN - beim VDEW, Berlin

Effective and Efficient Unbundling: The “3rd way“ to Unbundling

- Answering to the request made in the **Energy Council on 3rd December 2007**, a group of OU-rejecting Member States have elaborated an alternative to the two unbundling options proposed by the Commission: Ownership Unbundling and ISO.
- The proposal has been finalised on 24th January 2008.
- It has been presented by **eight Member States**: AT, BG, DE, FR, GR, LU, LV, SK.
- The proposal has been called “Effective and Efficient Unbundling“ (EEU).



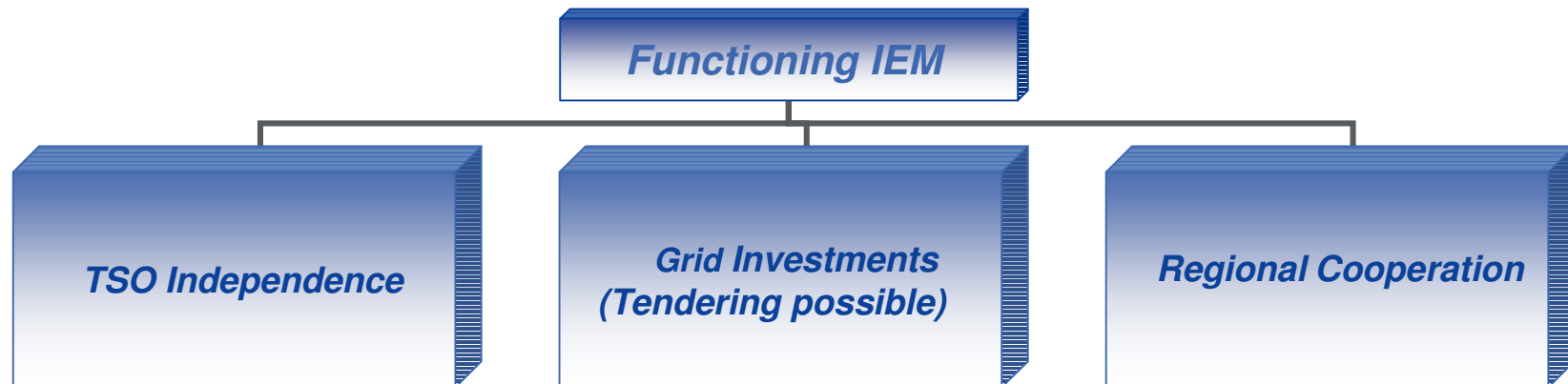
EEU

Reasoning and Building Blocks

- The eight Member States agree on the **two key objectives** outlined by the Heads of State in March 2007: **non-discriminatory access to the networks** and **more investments**, to be achieved by “**effective unbundling provisions**”.
- However, they do not consider that the two options suggested by the Commission – OU and ISO – will be appropriate to achieve these goals.
- Thus they suggest a “3rd way” to achieve the common objectives in an “effective and efficient” manner.
 - TSO independence (TSO to be linked to the holding as an independent joint stock company)
 - Independent investment decisions (early involvement of everyone concerned, call for tender in case of rejection by the TSO to construct new grids)
 - Non-discriminatory access to the grid (extension of the German rule of priority for the connection of new power plants to all EU-MS)
 - Same approach for electricity and gas (diverging rules only where indispensable, e.g. gasholder, LNG)

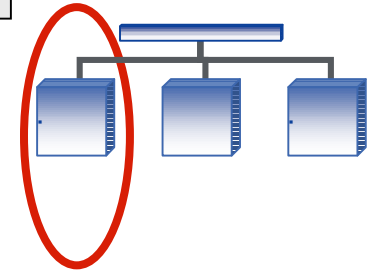
EEU

The 3 Pillars of the 3rd Option



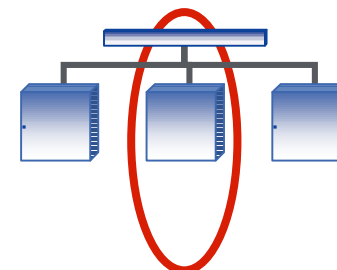
1. TSO Independence

- TSO stays owner of the grid (no leasing models).
- Use of shared services in areas relevant to discrimination shall not be permitted (especially legal services, IT, accountancy).
- TSO to be organised in the legal form of a joint stock company (connection to the holding) in order to grant independence of the management and transparency of decisions.
- Appointment and contract termination of the CEO only after agreement of the regulator. The regulator can veto the appointment if he has serious doubts about the CEO's independence.
- Supervisory board shall include independent members, nomination of an independent Compliance Officer (CO).



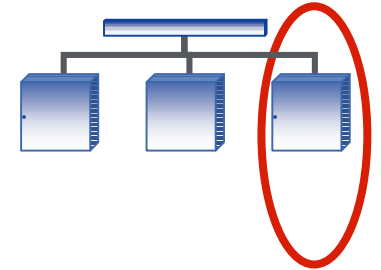
2. Grid Investment/ Connection of New Power Plants

- Need for investment will be identified through a transparent procedure with the help of comprehensive consultations of all stakeholders (power plant operators, other TSOs, industry clients).
- If the TSO rejects to implement specific investments, the construction of the grid can either be made compulsory or be made subject of public tender.
- The model of the German “Kraftwerksanschlussverordnung” will be europeanised: for the first time, obligation for all European TSOs to connect all new power plants.
- TSOs are not entitled to refuse a new connection point on the sole ground that it will lead to additional costs linked with necessary capacity increase of grid element in the close-up range to the connection point.
- TSOs shall elaborate a 10-year network development plan which is to be updated every two years.



3. Regional Cooperation

- So far, this aspect has been given minor consideration by the Commission. The focus has been directed on measures within the Member States (Ownership Unbundling).
- The Commission, on the request of concerned Member States, may designate a Regional Coordinator.
- Coordinator shall promote new efficient investments in interconnections by assisting the TSOs in elaborating the regional investment plans and by supporting the TSOs with difficulties in terms of authorisation procedures with national administrations.



Beyond the Liberalisation Package: RWE Measures in favour of Grid Enhancement and Transparency

- RWE supports the construction of interconnections to link electricity markets.
- In the next three years, we will spend about 3 billion Euro on the extension of the high-voltage grid. This includes new grids of a total length of 800 km.
- We are currently building a new grid, in cooperation with the Dutch grid operator TenneT, which will enhance the transport capacity by up to 50%.
- Moreover, we are currently examining possibilities of extension of existing connections, together with the French grid operator RTE.
- RWE places a major focus on transparency – minute-by-minute updated online data on power generation, fuel aggregated power, power station blackouts, composition of energy prices, etc. - www.rwetransparent.com

Back Up: Blocking Minority in the Council of Ministers



- The number of votes per Member State in the Council of Ministers depends on its population.
- 91 votes are required in order to build a blocking minority.
- The 8 like-minded countries in favour of the 3rd option dispose of 105 votes.

Country	Population	Votes in the Council
Malta	400.000	3
Luxembourg	460.000	4
Cyprus	800.000	4
Estonia	1.400.000	4
Slovenia	1.900.000	4
Latvia	2.400.000	4
Lithuania	3.600.000	7
Ireland	3.700.000	7
Finland	5.200.000	7
Denmark	5.300.000	7
Slovakia	5.400.000	7
Bulgaria	7.500.000	10
Austria	8.200.000	10
Sweden	8.900.000	10
Portugal	10.000.000	12
Hungary	10.100.000	12
Belgium	10.200.000	12
Czech Republic	10.300.000	12
Greece	10.600.000	12
The Netherlands	15.900.000	13
Romania	22.400.000	14
Poland	38.600.000	27
Spain	39.400.000	27
Italy	57.800.000	29
France	59.400.000	29
Great Britain	59.500.000	29
Germany	82.200.000	29
EU 27	481.700.000	345
Blocking Minority		91
Currently		105