THIRD ENERGY PACKAGE

- Main Elements –

PHLG, 14 March 2013
OVERVIEW

1. Choice from three models of unbundling
   - Ownership unbundling (OU)
   - Independent System Operator (ISO)
   - Independent Transmission Operator (ITO)

2. Certification of TSOs
   - Notification by TSO
   - Draft NRA decision notified to ECS
   - ECRB gives opinion to ECS; ECS gives its opinion to NRA
   - NRA adopts final decision taking utmost account of ECS opinion

* Specific certification procedure applicable in case a TSO is controlled by person *from Third country*
TSO UNBUNDLING – OPTION 1
Ownership Unbundling

1. TSO *owns* and *manages* the network

2. Same person *cannot*:
   - exercise control over a production or supply company and exercise control or any right over a transmission system, and vice versa
   - appoint board members of a TSO and exercise control or any right over a production or supply company
   - be a member of the board of a TSO and of a production or supply company

3. Owner of a transmission system shall *act as a TSO*
   - grants & manages TPA
   - collects transmission charges, congestion charges, inter-TSO compensation
   - responsible for investment planning
1. VIC **owns** the transmission system, but ISO performs **technical and commercial operation** of transmission system

2. ISO
   - must be **independent from supply or production interests** and **must guarantee effectiveness of separation** as ownership unbundling
   - **in charge with investment planning**
   - **acts as a TSO**

3. Transmission system owner
   - is legally and functionally **unbundled** from VIC
   - has obligation to **finance investment** decided by ISO

4. Significant regulatory oversight
1. Transmission is *owned and operated* by ITO which may have same owner as VIC but is *independent* from VIC

2. Detailed rules on *independence of ITO*
   - assets, equipment, staff and identity
   - effective decision making rights
   - independence of management

   * Supervisory Body; compliance programme and compliance officer

3. ITO
   - *must have a strong say in investment planning* – power to raise money on capital market
   - acts as a TSO

4. Heavy *regulation* & permanent *monitoring* by NRAs
# UNBUNDLING OPTIONS

## Comparison

<table>
<thead>
<tr>
<th></th>
<th>(A) owner (assets)</th>
<th>(B) operation (technical and commercial)</th>
<th>investment decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>o.u.</td>
<td>acts as TSO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ISO</td>
<td>assets remain with vertically integrated company</td>
<td>ISO (acting as TSO)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&gt;&gt; legal &amp; functional unbundling</td>
<td>&gt;&gt; independent from production &amp; supply</td>
<td></td>
</tr>
<tr>
<td>ITO</td>
<td>&gt;&gt; independent from vertically integrated company (assets, management, supervisory board)</td>
<td>ITO</td>
<td>x</td>
</tr>
</tbody>
</table>
1. Independence
   - Legally distinct and functionally independent
   - Acting independently
   - Taking autonomous decisions
   - Exercising powers impartially and transparently
   - Annual budget
   - Human and financial resources
   - Management

2. Powers and duties

3. Organisation
   - Single NRA (electricity and gas)