price and tariff reform

the secretariat’s perspective

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the problem with non-costreflective prices and tariffs

- disincentivize investments
- prevent market opening
- affect security of supply
- promote energy inefficiency
- are applied in a non-targeted way
why is action needed now?

- a bit of history

  - Athens Memoranda: "comprehensive tariff reform"

  - European Commission: "reforming the existing system of regulated prices"

  - Permanent high level group: "concern about persisting barriers to the establishment of open national and regional markets, including excessive price regulation"
why is action needed now?

- joint and systematic action rather than leaving contracting parties alone
- secretariat being flooded by complaints
- the risks of non-action becoming more apparent
- coupling price reform with social protection
price regulation: still possible?

- regulated network tariffs: a requirement by the *acquis*
  - what is cost-reflectivity?
  - what is cost-efficiency?

- regulated end-user prices: yes but ...
  - article 3 and case law
  - state aid
  - phase-out required
the secretariat’s approach

- analytical paper on compliance (electricity only)
- presented to the phlg
- public consultation
- presentation at the fora
- proposed as mc recommendation (on the website)
the recommendations in detail

- real eligibility (mid 2013)
  - including all customer groups
  - removing all obstacles for supplier switching

- make network tariffs cost-reflective (mid 2013)
  - main elements to be taken into account
  - ecrb to develop comparative analysis and recommendations
the recommendations in detail

- cost-reflectivity of universal service (mid 2013)
  - households and sme
  - covering full costs of generation/imports/supply incl bad debts
  - no more regulation of generation price

- vulnerable customers (mid 2013)
  - define vulnerable customers by law
  - move protection schemes from (across-the-board) tariff to social welfare
the recommendations in detail

- deregulate large customers (2014)
  - no switching back
  - exceptions in line with article 3

- annual reviews for necessity of price regulation

- reform of market designs (2014)
  - abandon full supply public contracts
  - implement capacity release programmes
  - re-design suppliers of last resort
thank you for your attention!

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