

Electricity Privatisation and Deregulation in Europe

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The Issues:

What can other jurisdictions learn from Europe?

Big Issues:

- Is deregulation possible and/or desirable?
- Is privatisation necessary/desirable?

If the answers are positive – what are the best ways to de-regulate and privatise?

Important Issues:

- What do consumers stand to gain or lose?
- What about environmental issues?

Conclusion:

Who Is Getting It Right In Europe? Some European Pitfalls

The European Scene:

1. The Role Of The European Community Institutions – The Importance Of The EC Electricity Directive 1996
2. National Policies On De-Regulation And Privatisation Prior To 1996 – The UK Experiment:
3. Stakeholders at national and European level:
 - The electricity sector
 - Large consumers
 - Consumer organisations
 - The environmental lobby

The European Directive:

Key Goals

- one internal electricity market in Europe
- minimum harmonisation of national legislation
- a level playing field approach

Key Features

- demonopolisation
- unbundling
- access issues

- regulatory aspects
- cross-border trade

The National Implementation Process:

1. demonopolisation and privatisation

different starting points of European states compared:

- vertically integrated public companies: Italy – ENEL; France – EDF
- vertically integrated private companies: Belgium – Electrabel
- mixed public/private - Spain
- semi-vertically integrated decentralised public - Netherlands
- semi-vertically integrated decentralised private - Germany
- competitive, unbundled, private – the UK
- competitive, unbundled, mixed - Sweden, Finland

Demonopolisation is Requirement of EU Directive Re Production and Distribution:

- new independent generators
- new independent suppliers

De-Monopolisation Has Encouraged Privatisation

Foreign 'Giants' Expanding Wings – Takeovers, Joint Ventures

- Golden Shares To Maintain State Interests
- Merger Control At National And European Level

Unbundling as Major Requirement of the EC Directive Means:

- more regulation
- possible restrictions on privatisation process
- possible nationalisation of network assets

The National Implementation Process – 2

Re-Regulation Versus De-Regulation

In Almost All Cases in Europe – The Creation of a Competitive Market Has Led to Re-Regulation

Why?

Withdrawal of State – Replacement With Arm's Length Control

Unbundling – Networks and Externalities

Public Service Guarantees – Through Contract and Regulation as Opposed to Ownership

Level Playing Field - Access Rules; Pricing Issues; Consumer and Environmental Protection

Regulation Versus Competition Control

- German Versus British Model

Consumer Protection - Why, What And How?

Phased Implementation

Regulatory Control

The British Model

Environmental Protection – Why, What And How?
The Dutch Model
Some British Lessons

Conclusions

Pitfalls

Transitional Periods – Advantages and Disadvantages

Stranded Assets – A Necessary Evil?

- **Privatisation and Stranded Assets**

Regulation – A Necessary Evil

- **Some British Reflexions?**

Benchmarking – A Useful Tool

Privatisation Versus Public Ownership – Efficiency Versus Equity

- **Public Service Issues**

Cross-Border Trade – Do Not Forget It

- **Technical Co-Operation Versus Competitive Regulation**

Stimulating Renewables And Energy Efficiency