



# **Status Review of End-User Price Regulation as of 1 July 2008**

**Ref: E08-CPR-21-05  
11 March 2009**

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## 1. EXECUTIVE SUMMARY

By definition, an end-user regulated price is a price subject to regulation by a public authority, as opposed to an end-user price set exclusively by supply and demand. The focus of this Status Review is on end-user energy price regulation in market segments which are also open to competition. "Energy price" refers solely to the "energy" part of the price, excluding costs of transport/distribution, taxes and VAT.

This Status Review is a follow-up to ERGEG's 2007 Position Paper on End-user Energy Price Regulation<sup>1</sup> and provides an overview of the state of play of energy price regulation in ERGEG member and observer countries as of 1 July 2008 - whether, regulated prices still exist following market opening and whether there has been progress towards markets without regulated end-user prices. However, ERGEG did not ask how prices are regulated or which methodologies are being used. Price regulation can take different forms, such as setting or approval of prices, price caps or various elements of these. ERGEG does not comment on the impact on competition of the various forms of regulating prices.

*In its 2007 Position Paper, ERGEG advocated that building competitive electricity and gas markets is in the interest of customers. Since 1 July 2007, electricity and gas markets in Member States in Europe are fully opened for all customers, including households. Since 1st July 2007 some Member States regulate end-user energy prices (so called "regulated tariffs"), arguing that it is a tool to protect vulnerable customers. However, protecting "vulnerable customers" should not be confused with regulated tariffs for all (or certain categories) of customers. It is ERGEG's view that fully open markets with well-functioning competition cannot in the long term coexist with regulated end-user energy prices.*

- *End-user price regulation in electricity and gas markets distorts the functioning of the market and jeopardises both security of supply and the efforts to fight climate change. Therefore end-user price regulation should be abolished, or where appropriate, brought into line with market conditions.*
- *Protecting "vulnerable customers" remains necessary in competitive markets. The tools used for the protection of vulnerable customers must work in line with and support the pre-requisites of open, competitive markets.*
- *Transition periods towards well-functioning competition (for the co-existence of regulated and market prices) may be necessary to protect customers from potential abuses of dominant positions. ERGEG calls on all countries which are in a transition period to publish an individual road map towards competitive markets to remove regulated prices. This road map should contain specified and attainable steps to establish the necessary conditions for a well-functioning market with no need for end-user price regulation. The steps taken by the Member States during the transition period should be properly monitored both at the national and EU levels.*
- *It is recognised that in some countries, although in theory the market is open, in practice there may still be only one supplier and a consequent lack of choice for consumers. Even then, regulated end-user energy prices should only continue for as short a duration as possible, so as to enable effective competition to develop in the now liberalised energy market. In Member States where there is only one supplier, ERGEG urges the Member State governments and regulators to act rapidly so as to create an environment to attract the new entry of suppliers.*

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<sup>1</sup> Ref. E07-CPR-10-03, 18 July 2007, [http://www.energy-regulators.eu/portal/page/portal/EER\\_HOME/EER\\_PUBLICATIONS/CEER\\_ERGEG\\_PAPERS/Customers/2007/E07-CPR-10-03\\_E-UPriceReg\\_0.pdf](http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_PUBLICATIONS/CEER_ERGEG_PAPERS/Customers/2007/E07-CPR-10-03_E-UPriceReg_0.pdf)

### 1.1. Overview on end-user price regulation

As of 1 July 2008, in a large number of countries - 15 in electricity (out of 26 countries), and 13 in gas (out of 23 countries) - both types of end-user prices (regulated prices and market prices) coexist on at least one of the various market segments – households, small businesses, medium-sized to large businesses and energy-intensive industry.

Table 1: Overview of electricity end-user price regulation as of 1 July 2008

Electricity (26 countries)	Households	Small businesses	Medium- sized to large businesses	Energy- intensive industry	Total number of countries
Number of countries <b>without</b> end-user regulated prices	11	13	18	19	11 (no end-user price regulation at all)
Number of countries <b>with</b> end-user regulated prices	14	12	7	7	15 (at least one market segment with regulated prices)
Closed segment	1	1	1	0	/

Table 2: Overview of gas end-user price regulation as of 1 July 2008

Gas (23 countries)	Households	Small businesses	Medium-sized to large businesses	Energy- intensive industry	Total number of countries
Number of countries <b>without</b> end-user regulated prices	8	11	13	15	8 (no end-user price regulation at all)
Number of countries <b>with</b> end-user regulated prices	12	9	8	6	13 (at least one market segment with regulated prices)
Closed segment	3	3	2	2	2 (all segments closed)

The higher the customers' consumption in a given market segment, the more likely that the segment is not price regulated.

In most of the countries with end-user regulated prices, the share of eligible customers supplied at regulated prices is more than 80%, all market segments considered, indicating a lack of competition in the retail market. This figure is often smaller for larger customers.

In almost all of these countries, customers can return to regulated prices after having changed to a retail market price. In some countries, they have to stay in the market during a fixed minimum period before being allowed to return to regulated prices. There is no clear link between the share of customers/consumption supplied at regulated prices and the possibility or not to switch back to regulated prices after having chosen a retail market price (reversibility).

## 1.2. Progress between June 2007 and July 2008

### Closed household market segments in June 2007

Between June 2007 and July 2008, **12 countries in electricity and 12 also in gas opened their household customer market segment to competition**, in accordance with European Directives which stipulate that all Member States should have opened their electricity and gas markets to competition by 1 July 2007 at the latest. It is worth noting that some ERGEG member and observer countries opened their household market segment to competition and continued to have regulated end-user prices, while other countries opened the market and did not use price regulation.

*Table 3: Transition from closed households segments in June 2007 to open households segments in July 2008*

	Household segment opened between June 2007 and July 2008 <b>with</b> end-user regulated prices	Household segment opened between June 2007 and July 2008 <b>without</b> end-user regulated prices
Electricity	<b>9</b>	<b>3</b>
Gas	<b>8</b>	<b>4</b>

### Open market segments in June 2007

Between June 2007 and July 2008, **end-user regulated prices were removed in some of the open market segments of some ERGEG member and observer countries, essentially in electricity. Meanwhile, for gas, one country introduced regulated prices for the two largest market segments.**

It can be stated that **significant progress has been made in electricity markets, especially for medium-sized to large businesses and energy intensive industries, whilst very little progress has been made in gas markets. In particular, progress can be seen mainly for larger customers.**

Table 4: Changes in open segments between June 2007 and July 2008

<b>Electricity</b>	Households	Small businesses	Medium-sized to large businesses	Energy-intensive industry
End-user regulated prices <b>removed</b> between June 2007 and July 2008 in open market segments	1 Germany	2 Germany, Poland	5 Hungary, Italy, Latvia, Poland, Spain	6 Hungary, Ireland, Italy, Latvia, Lithuania, Poland
End-user regulated prices <b>introduced</b> between June 2007 and July 2008 in open market segments	0	0	0	0

*Nota: The Slovak Republic indicated that end-user electricity price regulation has been introduced for small businesses as from 1 January 2009 until 2011.*

<b>Gas</b>	Households	Small businesses	Medium-sized to large businesses	Energy-intensive industry
End-user regulated prices <b>removed</b> between June 2007 and July 2008 in open market segments	0	0	1 Spain	0
End-user regulated prices <b>introduced</b> between June 2007 and July 2008 in open market segments	0	0	1 Lithuania	1 Lithuania

### 1.3. Adoption of a roadmap towards a market without end-user price regulation

As of 1 July 2008, 6 out of 15 ERGEG member and observer countries with price regulation have either adopted or at least drafted a roadmap towards a competitive market without end-user price regulation for electricity, and 3 of 13 countries for gas. The adoption of such a roadmap was one of ERGEG's recommendations in its Position Paper on end-user energy price regulation.

It should be noted that in most cases these roadmaps do not concern all market segments with end-user regulated prices; household segments are often not covered.

Moreover, the roadmaps do not always give a concrete removal date for regulated prices. For example, in one country the roadmap lists all actions which must be done before price regulation will be removed by the regulator and no removal date is indicated. Therefore, we assume that in some cases the roadmap is a political statement and in some cases it has a more concrete purpose.

**In electricity**, 3 countries have an adopted roadmap for the removal of price regulation: Poland, Slovak Republic and Spain.

3 more countries have drafted a roadmap and planned to adopt it: Lithuania has planned to adopt the roadmap (1 January 2010), Romania (1 January 2010) and Portugal.

**In gas**, 2 countries have an adopted roadmap for the removal of price regulation: Hungary and Spain.

Lithuania has drafted a roadmap and plans to adopt it.

**Other countries, Latvia in electricity and Estonia in gas, without any roadmap even drafted, indicated that they had scheduled to remove end-user price regulation.**

As a summary, table 5 presents **countries with a scheduled removal date by 2011**. Countries with an adopted or drafted roadmap are in bold.

*Table 5: Countries which planned to remove end-user price regulation by 2011  
 (countries with an adopted or drafted roadmap in bold characters)*

	Households	Small businesses	Medium-sized to large businesses	Energy-intensive industry
Electricity	3 Latvia, <b>Lithuania</b> , <b>Slovak Republic</b>	4 Latvia, <b>Lithuania</b> , <b>Portugal, Spain</b>	2 <b>Lithuania, Portugal</b>	2 <b>Portugal, Spain</b>
Gas	1 Estonia	1 <b>Spain*</b>	1 <b>Hungary</b>	1 <b>Hungary</b>

*\*for consumption higher than 1 GWh*

#### 1.4. Role of the regulator in the regulation process

In more than two thirds of the concerned countries, the regulator sets end-user regulated prices.

In approximately one country out of five for electricity and one country out of four for gas, the decision to remove end-user price regulation lies with the regulator:

- for electricity, these countries are: Ireland and Poland
- for gas, they are: Ireland, Poland and Romania

## 2. INTRODUCTION

Following the publication of a Status Review on End-user Price Regulation in June 2007<sup>2</sup>, ERGEG published a Position Paper on End-user Energy Price Regulation on 18 July 2007<sup>3</sup>. ERGEG believes that fully open markets with well-functioning competition cannot in the long term coexist with regulated end-user energy prices.

In its Position Paper, ERGEG advocates that:

- Countries who continue (after 1 July 2007) to offer regulated end-user prices should urgently progress towards a competitive market. The “transition period” with regulated prices should be for a pre-determined fixed period and should be as short as possible.
- It is essential that those countries, which during a transition period continue to have regulated end-user prices, draw up an individual roadmap towards a competitive market without end-user price regulation. The roadmap should be published by 1 July 2008 at the latest.

This roadmap should contain specified and attainable steps to establish the necessary conditions for a well-functioning market without the need for continued end-user price regulation. Such conditions should include the empowerment of the regulator to closely monitor developments in energy markets. The responsibilities and the mandates for each authority concerned should be defined by each country.

Part of the roadmap should include a rigorous application of competition law and the education of customers to prepare them for the competitive market. Finally, a step-by-step process towards a transparent price model that reflects the market price level should be defined.

This Status Review is a follow-up to ERGEG’s 2007 Position Paper on End-user Energy Price Regulation and provides an overview of the state of play of price regulation in ERGEG member and observer countries, based upon an internal questionnaire circulated to national regulatory authorities (NRAs). The report is divided into two sections, for electricity and gas respectively, and includes a detailed Annex on the share of customers/consumption supplied at regulated prices in each country. The primary focus is on end-user energy price regulation in market segments which are also open to competition.

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<sup>2</sup> Ref. E07-CPR-08-04, 14 June 2007, [http://www.energy-regulators.eu/portal/page/portal/EER\\_HOME/EER\\_PUBLICATIONS/CEER\\_ERGEG\\_PAPERS/Customers/2007/E07-CPR-08-04\\_StatusE-UPrices\\_final\\_0.pdf](http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_PUBLICATIONS/CEER_ERGEG_PAPERS/Customers/2007/E07-CPR-08-04_StatusE-UPrices_final_0.pdf)

<sup>3</sup> Ref. E07-CPR-10-03, 18 July 2007, [http://www.energy-regulators.eu/portal/page/portal/EER\\_HOME/EER\\_PUBLICATIONS/CEER\\_ERGEG\\_PAPERS/Customers/2007/E07-CPR-10-03\\_E-UPriceReg\\_0.pdf](http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_PUBLICATIONS/CEER_ERGEG_PAPERS/Customers/2007/E07-CPR-10-03_E-UPriceReg_0.pdf)

## 2.1. Methodology

Further to its 2007 work, during 2008 ERGEG conducted a monitoring exercise to determine the status of end-user energy price regulation in ERGEG member and observer countries. Its objectives included:

- making a survey on the adoption by countries of a roadmap towards a competitive market without end-user price regulation;
- updating some of the data included in the June 2007 status review on end-user price regulation, with the situation as of 1 July 2008;
- noting any progress towards a competitive market between June 2007 and July 2008.

All data for June 2007 that is used to draw conclusions stems from the 2007 Status Review on end-user price regulation.

The remaining data used for the 2008 Status Review is the result of an internal questionnaire submitted to NRAs in July 2008. NRAs were asked to report on the situation in their countries as of 1 July 2008.

Most of the data is given for 4 market segments: households, small businesses, medium-sized to large businesses and energy-intensive industry.

The definitions given by the NRAs for each business segment are very different from one country to another. That is why they are not included in this report although they were used to analyse the answers to the questionnaires.

### Definition of an end-user regulated price

By definition, an end-user regulated price is a price subject to regulation (or control) by a public authority, as opposed to an end-user price set exclusively by supply and demand. The regulation can take different forms, such as setting or approval of prices, price caps or various elements of these. The focus of this Status Review is on end-user energy price regulation in market segments which are also open to competition. "Energy price" refers solely to the "energy" part of the price, excluding costs of transport/distribution, taxes and VAT. End-user energy price regulation can concern:

- all customers within a certain customer category ("universal service" supply, "default" supply etc.);
- specific vulnerable customers;
- customers who have lost their supplier ("supply of last resort").

This report does not include the last two types of end-user energy price regulation, as these issues are more generally the responsibility of government and political decisions than of market, and therefore, regulatory ones.

Table 6: Countries participating in the Status Review

	Answers to electricity questionnaire	Answers to gas questionnaire
<b>EREGG Members</b>		
AUSTRIA	YES	YES
BELGIUM	YES	YES
BULGARIA	YES	YES
CYPRUS	YES	no gas
CZECH REPUBLIC	YES	YES
DENMARK	YES	YES
ESTONIA	YES	YES
FINLAND	YES	exempted from opening
FRANCE	YES	YES
GERMANY	YES	YES
GREECE	YES	closed market
HUNGARY	YES	YES
IRELAND	YES	YES
ITALY	YES	YES
LATVIA	YES	YES
LITHUANIA	YES	YES
LUXEMBOURG	YES	YES
MALTA	YES	no gas
NETHERLANDS	YES	YES
POLAND	YES	YES
PORTUGAL	YES	YES
ROMANIA	YES	YES
SLOVAK REPUBLIC	YES	YES
SLOVENIA	YES	YES
SPAIN	YES	YES
SWEDEN	YES	YES
UNITED KINGDOM	YES	YES
<b>EREGG Observers</b>		
CROATIA	YES	YES
ICELAND	YES	no gas
NORWAY	YES	no gas
TURKEY	YES	YES
	26	23
YES		
NO		

The online questionnaires were administered to 27 ERGEG member countries and 4 ERGEG observer countries.

Full or partial answers were received from 26 countries (for electricity) and 23 countries (for gas).

As none of the segments of the Greek gas market are open to competition (referred to as a closed market throughout this report), Greece did not participate in the gas survey. Finland also is a closed gas market. This is based on Article 28(1) of Directive 2003/55/EC, allowing Finland to be exempted from market opening as long as Finland does not have a direct connection to the natural gas network of any other EU Member State and as long as it Finland has only one main natural gas supplier. Although Finland does not have a competitive gas market, it does not have regulated prices in the sense that an authority would set or approve the prices beforehand. Cyprus, Malta, Iceland and Norway do not have any retail gas market.

## **2.2. Questions addressed by the present report**

During the elaboration of this Status Review, ERGEG sought information on the following points (based on the situation as of 1 July 2008):

- 1- Which countries have end-user regulated prices in open market segments and which progress has been made towards establishing a competitive market since June 2007?
- 2- Are retail market prices based on wholesale market prices?
- 3- Are average end-user regulated prices below average retail market prices?
- 4- What is the share of customers/consumption being supplied at regulated prices within open market segments?
- 5- Is it possible to return to regulated prices after having chosen a retail market price?
- 6- How many countries have adopted a roadmap towards a competitive market without end-user price regulation?
- 7- What is the role of the regulator in the price regulation process?

## Electricity

### 3. ELECTRICITY

#### 3.1. End-user electricity price regulation

Table 7 presents an overview per country of market opening and of the existence of end-user price regulation in open market segments.

Regulators were asked the following questions regarding price regulation in their markets:

- *Date of market opening: for each market segment, even if there is no clear definition of the segment, give the effective or expected market opening date.*
- *Is there any kind of end-user price regulation in your electricity system for the following market segments?*
- *If yes, indicate the exact date when end-user regulation will be or has been removed for each segment.*

In Table 7, market segments where regulated end-user prices still exist are shown in orange, whereas market segments without any regulated end-user price are depicted in green. If known, scheduled dates of removal of end-user price regulation are also portrayed in the table for each segment they apply for.

Another column was integrated indicating the final market opening date. It is the last date where a segment has been or will be opened.

The segments open in June 2007, where end-user price regulation was removed between June 2007 and July 2008 are surrounded in orange.

The segments which were closed in June 2007 and are open in July 2008 are surrounded in red.

## Electricity

Table 7: Overview of market opening and price regulation in open electricity market segments as of 1 July 2008

Country	Market opening	Price regulation on 1 July 2008			
	Final market opening date	Households	Small businesses	Medium-sized to large businesses	Energy-intensive industry
AUSTRIA	2001				
BELGIUM	Jan-07				
CZECH REPUBLIC	2006				
DENMARK	2003				
ESTONIA	2009				2013-01
FINLAND	1997				
FRANCE	Jul-07				
GERMANY	1998				
GREECE	Jul-07				
HUNGARY	Jul-07				
ICELAND					
IRELAND	2005				
ITALY	Jul-07				
LATVIA	Jul-07				
LITHUANIA	Jul-07				
LUXEMBOURG	Jul-07				
NETHERLANDS	2004				
NORWAY	1995				
POLAND	Jul-07				
PORTUGAL	2006				
ROMANIA	Jul-07				
SLOVAK REPUBLIC	Jul-07				
SLOVENIA	Jul-07				
SPAIN	2003				
SWEDEN	1996				
UNITED KINGDOM	1990				

except Malta (closed Market) ; except Cyprus, Bulgaria, Turkey, Croatia (NA)

**Price regulation :**

	YES
	NO
	Closed market
	N.A.

XXXX-XX

Scheduled date of price regulation removal

**Changes between June 2007 and July 2008:**

 End-user price regulation in open market segment removed between June 2007 and July 2008

 Segment closed in June 2007

## Electricity

Table 8: Overview of end-user price regulation as of 1 July 2008

	Households	Small businesses	Medium-sized to large businesses	Energy-intensive industry
Countries without end-user price regulation as of 1 July 2008 (out of 26)	11	13	18	19
	Austria Belgium Czech Republic Finland Germany Iceland Luxembourg Norway Slovenia Sweden United Kingdom	Austria Belgium Czech Republic Finland Germany Iceland Luxembourg Norway Poland Slovenia Sweden Slovak Republic United Kingdom	Austria Belgium Czech Republic Finland Germany Hungary Iceland Italy Latvia Luxembourg the Netherlands Norway Poland Slovak Republic Slovenia Spain Sweden United Kingdom	Austria Belgium Czech Republic Finland Germany Hungary Iceland Ireland Italy Latvia Lithuania Luxembourg the Netherlands Norway Poland Slovak Republic Slovenia Sweden United Kingdom

	Households	Small businesses	Medium-sized to large businesses	Energy-intensive industry
Countries with end-user price regulation as of 1 July 2008 (out of 26)	14	12	7	7
	Denmark France Greece Hungary Ireland Italy Latvia Lithuania the Netherlands Poland Portugal Romania Slovak Republic Spain	Denmark France Greece Hungary Ireland Italy Latvia Lithuania the Netherlands Portugal Romania Spain	Denmark France Greece Ireland Lithuania Portugal Romania	Denmark Estonia France Greece Portugal Romania Spain

Note: Estonia has closed market segments except for energy-intensive industry. The Slovak Republic indicated that end-user price regulation has been introduced for small businesses from 1 January 2009 until 2011.

14 out of 25 countries with open household market segments have regulated end-user prices (the household segment is closed in Estonia), which constitutes more than half of the responding countries with an open household market segment in electricity.

For open small business segments, there are still end-user regulated prices in 12 countries. This is the market segment where many countries already have a scheduled removal date for end-user price regulation: **4 countries plan to remove end-user regulated prices in this market segment by 2011** (Latvia, Lithuania, Portugal and Spain).

The higher the customers' consumption in a segment, the more likely that the segment is not price regulated. For medium-sized to large business customers and for energy intensive industry, there are end-user regulated prices in 7 countries.

### Electricity

Figure 1: Progress between June 2007 and July 2008

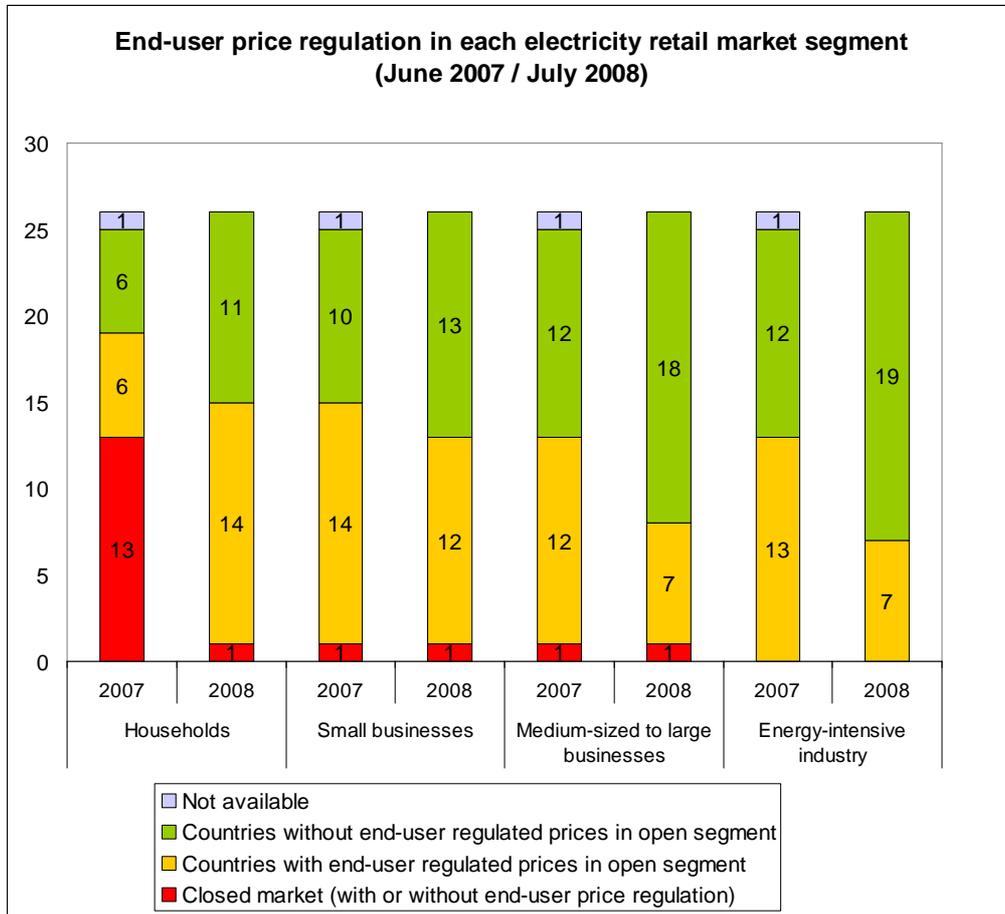


Table 9: Progress per market segment between June 2007 and July 2008

Electricity	Households	Small businesses	Medium-sized to large businesses	Energy-intensive industry
End-user regulated prices <b>removed</b> between June 2007 and July 2008 in open market segments	1 Germany	2 Germany, Poland	5 Hungary, Italy, Latvia, Poland, Spain	6 Hungary, Ireland, Italy, Latvia, Lithuania, Poland
Market segment closed in June 2007, open in July 2008 <b>without</b> end-user price regulation	3 Belgium, Luxembourg, Slovenia	0	0	0
Market segment closed in June 2007, open in July 2008 <b>with</b> end-user price regulation	9 France, Greece, Hungary, Italy, Latvia, Lithuania, Poland, Romania, Slovak Republic	0	0	0

Note: The Slovak Republic indicated that end-user electricity price regulation has been introduced for small businesses as from 1 January 2009 until 2011.

## Electricity

As can be seen in Table 9, **significant progress has been made** since the publication in 2007 of ERGEG's Status Review on end-user price regulation.

### **Segments open in June 2007**

Between June 2007 and July 2008, **end-user regulated prices were removed in some of the open segments of some countries:**

- In one country (Germany) for household customers;
- In 2 countries (Germany and Poland) for small businesses;
- In 5 countries (Hungary, Italy, Latvia, Poland, Spain) for medium-sized to large businesses;
- In 6 countries (Hungary, Ireland, Italy, Latvia, Lithuania, Poland) for energy intensive industries.

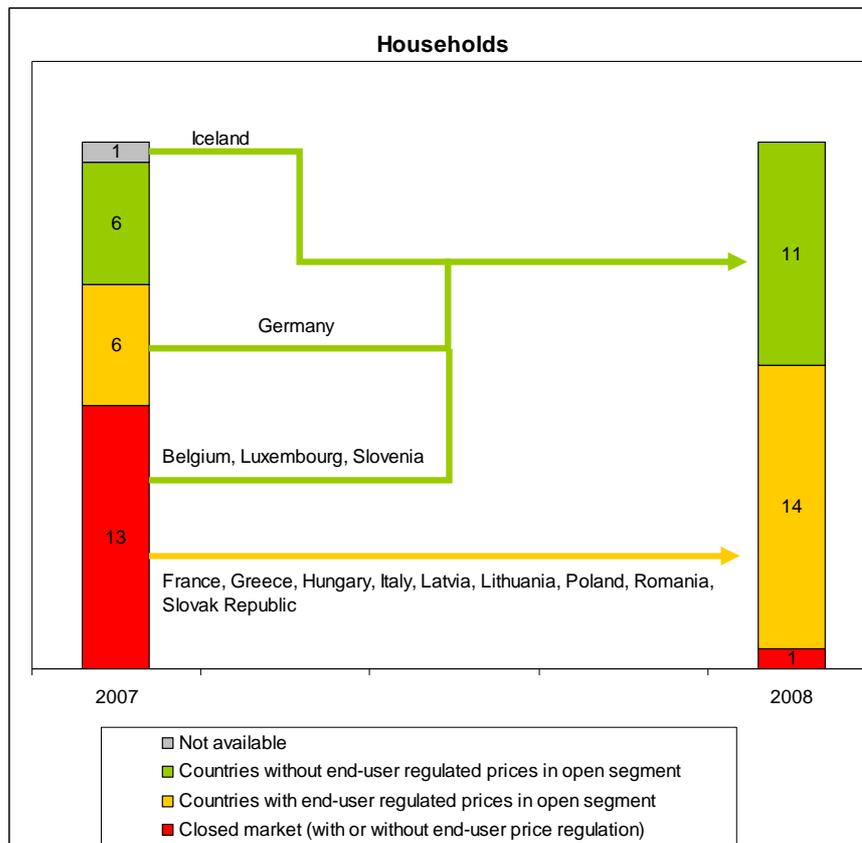
### **Segments closed in June 2007**

Between June 2007 and July 2008, there has been a transition from closed to open market segments for household customers, with or without end-user regulated prices.

Figures 2, 3, 4 and 5 illustrate the progress that has been made between June 2007 and July 2008 for each market segment. Figure 1 provides a comparative overview of all of the segments.

## Electricity

Figure 2: Progress between June 2007 and July 2008 for households



Note: No data was available for Iceland for 2007

In June 2007:

The **household** market segment was closed to competition in 13 countries (Belgium, Estonia, France, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Poland, Romania, Slovak Republic, Slovenia).

In 6 countries (Denmark, Germany, Ireland, the Netherlands, Portugal, Spain), this market segment was open and applied end-user price regulation.

In 6 countries (Austria, Czech Republic, Finland, Norway, Sweden, United Kingdom), this market segment was open and did not apply end-user price regulation.

As of July 2008:

The household market segment was closed to competition in only 1 country (Estonia).

In 14 countries (Denmark, France, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, the Netherlands, Poland, Portugal, Romania, Slovak Republic, Spain), this market segment was open and applied end-user price regulation.

In 11 countries (Austria, Belgium, Czech Republic, Finland, Germany, Iceland, Luxembourg, Norway, Slovenia, Sweden, United Kingdom), this segment was open and did not apply end-user price regulation.

### FINDING:

Between June 2007 and July 2008:

- end-user price regulation in an open household market segment was removed in 1 country (Germany)
- closed market segments have been opened to competition, with no end-user price regulation, in 3 countries (Belgium, Luxembourg, Slovenia)

## Electricity

Figure 3: Progress between June 2007 and July 2008 for small businesses



Note: No data was available for Iceland for 2007

In June 2007:

The **small businesses** market segment was closed in 1 country (Estonia).

In 14 countries (Denmark, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, the Netherlands, Poland, Portugal, Romania, Spain), the small businesses segment was open to competition and applied end-user price regulation.

In 10 countries (Austria, Belgium, Czech Republic, Finland, Luxembourg, Norway, Slovenia, Slovak Republic, Sweden, United Kingdom), this segment was open and did not apply end-user price regulation.

As of July 2008:

The small businesses market segment was closed in 1 country (Estonia).

In 12 countries (Denmark, France, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, the Netherlands, Portugal, Romania, Spain), this segment was open and applied end-user price regulation.

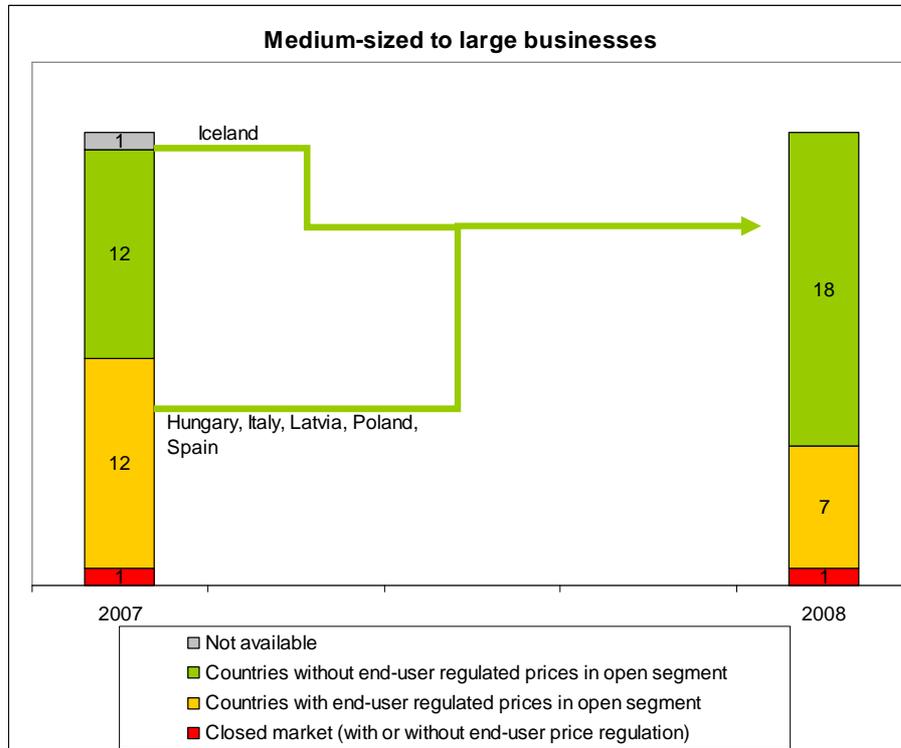
In 13 countries (Austria, Belgium, Czech Republic, Finland, Germany, Iceland, Luxembourg, Norway, Poland, Slovenia, Slovak Republic, Sweden, United Kingdom) this segment was open and did not apply end-user price regulation.

### FINDING:

Between June 2007 and July 2008, end-user price regulation in open small business market segments was removed in 2 countries (Germany, Poland).

## Electricity

Figure 4: Progress between June 2007 and July 2008 for medium-sized to large businesses



Note: No data was available for Iceland for 2007

In June 2007:

The **medium-sized to large businesses** market segment was closed in 1 country (Estonia).

In 12 countries (France, Denmark, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Poland, Portugal, Romania, Spain), this segment was open and applied end-user price regulation.

In 12 countries (Austria, Belgium, Czech Republic, Finland, Germany, Luxembourg, the Netherlands, Norway, Slovenia, Slovak Republic, Sweden, United Kingdom), this segment was open and did not apply end-user price regulation.

As of July 2008:

The medium-sized to large businesses market segment was closed in 1 country (Estonia).

In 7 countries (Denmark, France, Greece, Ireland, Lithuania, Portugal, Romania), this segment was open and applied end-user price regulation.

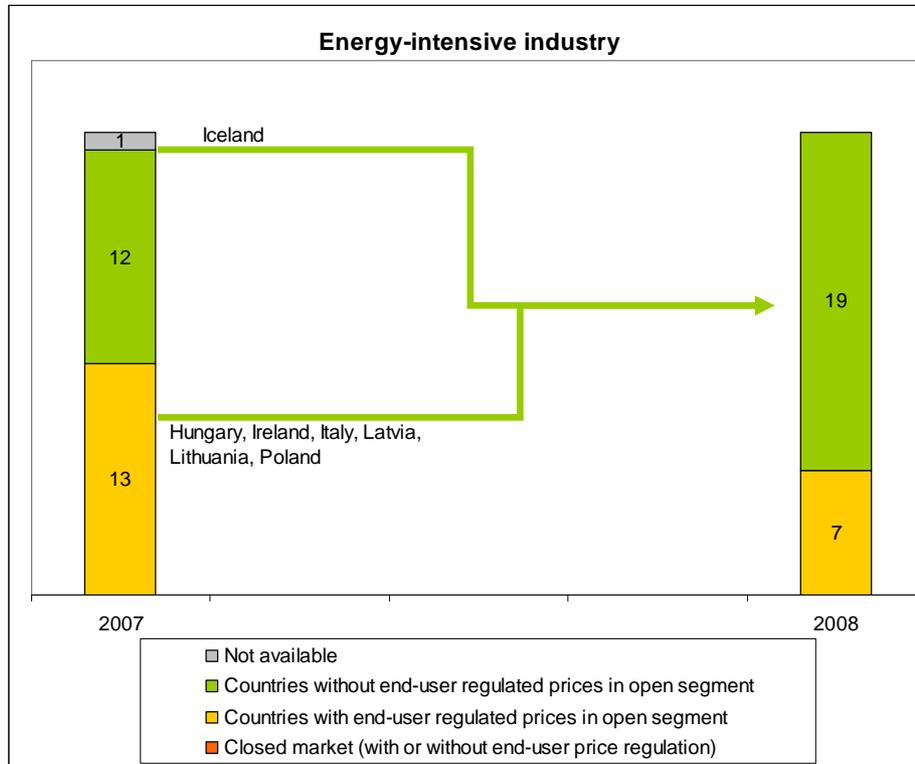
In 18 countries (Austria, Belgium, Czech Republic, Finland, Germany, Hungary, Iceland, Italy, Latvia, Luxembourg, the Netherlands, Norway, Poland, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom) this segment was open and did not apply end-user price regulation.

### FINDING:

Between June 2007 and July 2008, end-user price regulation in an open medium-sized to large businesses market segment was removed in 5 countries (Hungary, Italy, Latvia, Poland, Spain).

## Electricity

Figure 5: Progress between June 2007 and July 2008 for energy-intensive industry



Note: No data was available for Iceland for 2007

In June 2007:

In 13 countries (Denmark, Estonia, France, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Poland, Portugal, Romania, Spain), the **energy-intensive industry** market segment was open and applied end-user price regulation.

In 12 countries (Austria, Belgium, Czech Republic, Finland, Germany, Luxembourg, the Netherlands, Norway, Slovenia, Slovak Republic, Sweden, United Kingdom), this segment was open and did not apply end-user price regulation.

As of July 2008:

In 7 countries (Denmark, Estonia, France, Greece, Portugal, Romania, Spain), this segment was open and applied end-user price regulation.

In 19 countries (Austria, Belgium, Czech Republic, Finland, Germany, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Slovak Republic, Slovenia, Sweden, United Kingdom) this segment was open and did not apply end-user price regulation.

### FINDING:

Between June 2007 and July 2008 end-user price regulation in an open market segment was removed in 6 countries (Hungary, Ireland, Italy, Latvia, Lithuania, Poland).

## Electricity

### 3.2. Free market retail prices and wholesale market prices

Table 10 illustrates whether or not average free market retail prices are based on wholesale prices for each country that has regulated prices (as of 1 July 2008).

Table 10: Are average free market retail prices based on wholesale prices as of 1 July 2008?

Country	Households	Small businesses	Medium-sized to large businesses	Energy-intensive industry
DENMARK	YES	YES	YES	YES
ESTONIA				NO
FRANCE	NO	NO	YES	YES
GREECE				
HUNGARY	YES	YES		
IRELAND	YES	YES	YES	
ITALY	YES	YES		
LATVIA	YES	YES		
LITHUANIA	YES	YES	YES	
NETHERLANDS	YES	YES		
POLAND	YES			
PORTUGAL	YES	YES	YES	YES
ROMANIA	YES	YES	YES	YES
SLOVAK REPUBLIC	YES			
SPAIN	YES	YES	YES	YES

#### Free retail market price based on wholesale market price

	YES
	NO
	closed market segment
	no end-user price regulation
	N.A.

The countries which have end-user price regulation indicated that free market retail prices are based on wholesale market prices, except in France for households and small businesses segments, and in Estonia for energy-intensive industry.

In **France**, free market retail prices for households and small businesses are usually set by the supplier, offering a discount on end-user regulated prices. For the other market segments, the free market retail prices are usually based on wholesale market prices.

In **Romania**, the wholesale market is made up of two components: the regulated and the competitive market. The two retail average market prices (regulated prices and free retail market prices) are set/negotiated based on the corresponding wholesale market prices.

Except for France, the situation is the same for all market segments.

## Electricity

### 3.3. Regulated prices compared to free retail market prices as of 1 July 2008

This section deals with the price level of regulated end-user prices compared to free retail market prices. Only those participating countries which have regulated prices are covered. The NRAs were asked whether the average regulated price is below the average free market retail price offered to customers for the relevant market segments as of 1 July 2008?

Table 11: End-user regulated prices compared to free market retail prices as of 1 July 2008

Country	Households	Small businesses	Medium-sized to large businesses	Energy-intensive industry
DENMARK				
ESTONIA				
FRANCE				
GREECE				
HUNGARY				
IRELAND				
ITALY				
LATVIA				
LITHUANIA				
NETHERLANDS				
POLAND				
PORTUGAL				
ROMANIA				
SLOVAK REPUBLIC				
SPAIN				

	average free retail market price below average regulated price
	average free retail market price above average regulated price
	average free retail market price similar to average regulated price
	closed market segment
	no end-user regulated prices
	N.A.

No definitive conclusions can be drawn regarding the relative level of regulated prices compared to free retail market prices, when both prices coexist. Results for each market segment differ considerably from one country to another. Unfortunately, only 10 countries answered this question for electricity.

For household segments, the situation is diverse. Four countries out of 8 (Hungary, Lithuania, Romania and the Slovak Republic) state to have an average regulated price for household customers that is below the average free market retail level. Three countries (Ireland, Portugal and Spain) state to have similar regulated and free market prices.

## Electricity

In **France**, for medium-sized to large businesses and energy-intensive industry, average free market retail prices are based on wholesale market prices (see previous table). During the first six months of 2008, the wholesale market price level was high. That is the reason why free market prices for these segments were not below regulated prices, which are low.

**Poland** could not respond to this question because almost 100% of households are supplied with regulated prices. There is no legal obligation to publish the offers and the average free market retail price is not known.

In **Italy**, the regulated price for households and small businesses is set by the regulator on the basis of the costs sustained by the Single Buyer for supplying energy on the wholesale market (Single Buyer is a company owned by the State and appointed by the law for the provision of energy for households and small business in the regulated market). The price is updated quarterly. Suppliers in the free market often set their prices offering a discount on regulated prices. Sometimes market prices are higher than regulated prices because they offer fixed prices instead of indexed prices.

Overall, where regulated prices still exist, the way in which they operate and their overall effect is diverse. For example in countries like France and Italy, the regulated price is higher than the free market price for households and small businesses, with suppliers offering a discount on the regulated price. In Portugal, the regulated price is similar to the market price and in Lithuania, the regulated price is lower than the market price. These diverse situations indicate that motives for the retention of regulated prices may differ from country to country.

The comparison of the electricity results with those for gas shows that regulated end-user electricity prices tend to be below or similar to the level of average free market retail prices offered to customers more often than is the case in gas.

## Electricity

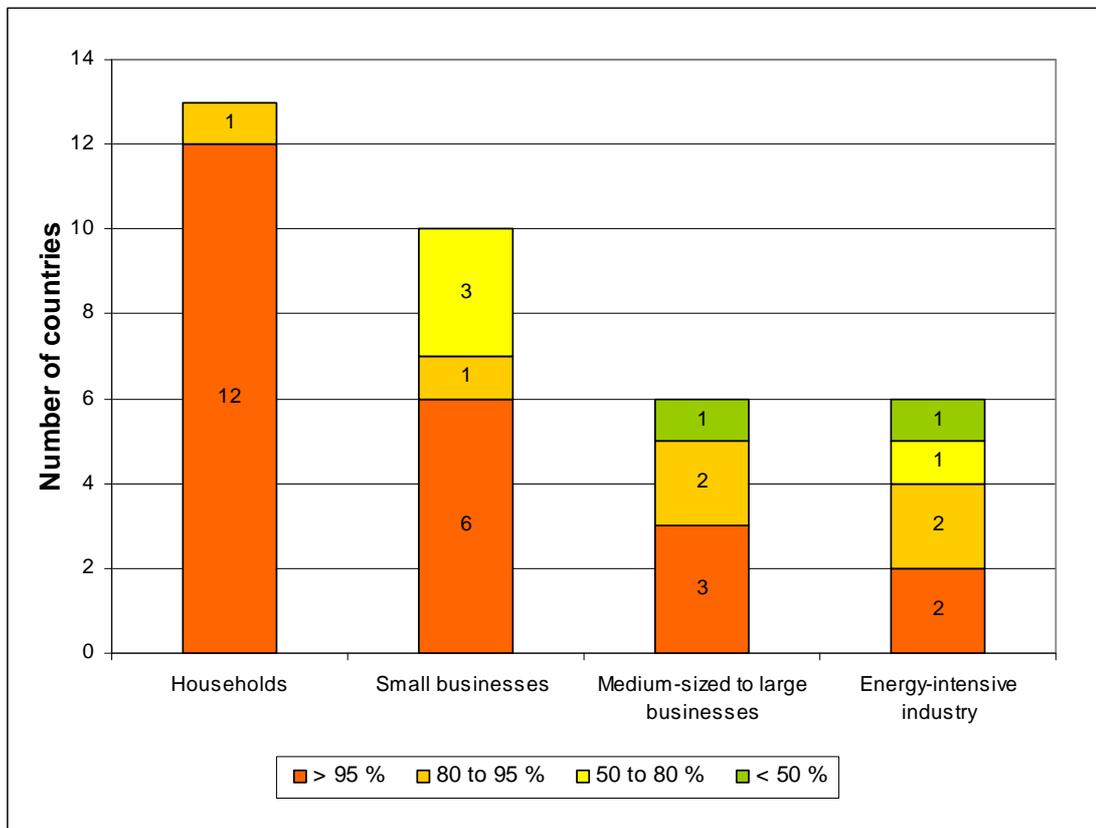
### 3.4. Share of customers/consumption supplied at regulated prices

Regulators were asked to indicate, for each market segment, the percentage of customers supplied at regulated prices as of 1 July 2008 in relation to the total number of customers in that segment, as well as the equivalent annual consumption of these customers if available, as a percentage of the total consumption of the segment.

Answers to this question were only sought from countries where end-user regulated prices still exist in at least one market segment (15 countries).

A detailed list of customers and the consumption supplied at regulated prices for each segment and country can be found in the Annex.

Figure 6: Percentage of eligible customers supplied at regulated electricity prices



Only a limited number of customers, in general, have switched from regulated prices to free market retail prices. For most countries, the share of customers supplied with regulated prices is usually greater than 80% for most market segments.

However, the share of customers supplied at regulated prices is often smaller for larger customers. In some energy-intensive industry market segments, the share of consumption at regulated prices (as a percentage of the total consumption in the segment) is much smaller than the share of customers supplied at regulated prices (as a percentage of the total number of customers in the segment), emphasising the conclusion that larger customers switched more often to free market retail prices.

## Electricity

### Compared to the gas sector:

- for households and energy-intensive industries, the share of customers being supplied with regulated prices is very similar;
- for small businesses and medium-sized to large businesses, the share of customers being supplied with regulated prices is higher in gas than in electricity.

### Households

- In 12 countries, more than 95% of customers are supplied at a regulated price: France, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Poland, Portugal, Romania, Slovak Republic and the Netherlands.
- In 1 country, less than 95% but more than 80% of customers are supplied at a regulated price: Spain.

### Small businesses

- In 6 countries, more than 95% of customers are supplied at a regulated price: Greece, Latvia, Lithuania, Portugal, Romania and the Netherlands.
- In 1 countries, less than 95% but more than 80% of customers are supplied at a regulated price: France.
- In 3 countries, between 50% and 80% of customers are supplied at a regulated price: Ireland, Italy and Spain.

### Medium-sized to large businesses

- In 3 countries, more than 95% of customers are supplied at a regulated price: Greece, Lithuania, Portugal.
- In 2 countries, less than 95% but more than 80% of customers are supplied at a regulated price: France, Romania.
- In 1 country, less than 50% of customers are supplied at a regulated price: Ireland.

### Energy intensive industry

- In 2 countries, more than 95% of customers are supplied at a regulated price: Greece, Portugal.
- In 2 countries, less than 95% but more than 80% of customers are supplied at a regulated price: France, Estonia.
- In 1 country, between 50% and 80% of customers are supplied at a regulated price: Romania.
- In 1 country, less than 50% of customers are supplied at a regulated price: Spain.

## Electricity

### 3.5. Reversibility

Regulators were asked whether customers who have switched to the market process are able to return to regulated prices (for the same site/metering point)?

In a majority of countries with end-user price regulation, customers can return to regulated prices after having chosen a free market retail price; returning whenever they want or after a minimum fixed period on the market, as shown below:

Table 12: Reversibility of regulated price vs. market price

Electricity	Households	Small businesses	Medium-sized to large businesses	Energy-intensive industry
Reversibility	12 Denmark France Greece Hungary Ireland Italy Latvia Lithuania Poland Portugal Slovak Republic Spain	9 Denmark Greece Hungary Ireland Italy Latvia Lithuania Portugal Spain	5 Denmark Greece Ireland Lithuania Portugal	4 Denmark Estonia Greece Portugal
No reversibility	1 Romania	2 France Romania	2 France Romania	3 France Romania Spain
N.A.	1 the Netherlands	1 the Netherlands	0	0

There is no clear link between the share of customers/consumption supplied at regulated prices and the possibility or not to switch back to regulated prices after having chosen a retail market price (reversibility).

## Electricity

### 3.6. Roadmap towards a competitive market without end-user price regulation

This section deals with the number of countries that have adopted a roadmap, as of 1 July 2008, towards a competitive market without end-user price regulation, as advocated for in ERGEG's 2007 Position Paper on end-user energy price regulation.

Section 5 of this status review includes a case study on Poland, which has already implemented a roadmap. The case study explains in-depth the content and scope of this roadmap.

The following comprehensive table lists only countries with end-user electricity price regulation in open market segments as of 1 July 2008.

If a roadmap has been adopted, it does not always concern all market segments with regulated prices. In particular, household customers are usually not covered by the roadmap; only the Polish roadmap relates to households.

In an additional column the author of the roadmap is listed (if one was adopted) as well as the information about whether there is a plan to adopt a roadmap in countries where no roadmap has been compiled yet.

Regulators were asked whether a roadmap has been adopted and what the content and timeframes of the roadmap are. If a roadmap has not been established, regulators were asked to explain whether there is a plan for one and if so what the expected date of its approval would be.

## Electricity

Table 13: Overview of the adoption of a roadmap as of 1 July 2008

Country	Has a road map been adopted?	If yes, who has set it ?	If no, is there a plan to adopt one ? (date)
DENMARK	NO		NO
ESTONIA	NO		NO
FRANCE	NO		NO
GREECE	NO		YES
HUNGARY	NO		NO
IRELAND	NO		
ITALY	NO		NO
LATVIA			
LITHUANIA	drafted only	The regulator	YES (2010-01)
NETHERLANDS	NO		
POLAND	YES	The regulator	
PORTUGAL	drafted only		YES
ROMANIA	drafted only		YES (2010-01)
SLOVAK REPUBLIC	YES	The ministry of economy	
SPAIN	YES	The Government	

	YES
	NO
	NA

In only 3 countries out of 14 countries answering this question (Poland, Slovak Republic, Spain) a roadmap towards a competitive electricity market without end-user price regulation has been compiled.

- In the Slovak Republic:** In July 2008, based on consultations with the Regulatory Office for Network Industries, the Ministry of Economy of the Slovak Republic imposed duties in the general economic interest to the electricity producer in order to guarantee electricity supply including the price of electricity supply for **households and small businesses for the period from 2009** until the economic indicator of "the share of energy costs on the overall household income" is balanced with the EU Member States' average. There is an assumption that market prices should be reached by 2011-2012. The notification of this document was sent to the DG TREN Director General.
- Poland:** see the case study in chapter 6.
- In Spain,** where a roadmap was adopted as of 1 July 2008 (by the Electricity Law), the content of the roadmap can be described as follows:
  - Beginning on 1 January 2010, only those consumers with low-voltage supply (lower than 1kV) may continue to have recourse to the last resort tariff (end-user regulated price).
  - Beginning in 2011, consumers who have contracted a capacity of less than 50 kW may have recourse to last resort tariff (end-user regulated price).

### Electricity

The Ministry of Industry, Tourism and Commerce is authorised to modify the capacity limit established in the prior paragraph if so recommended by the market conditions with regard to low-voltage consumers.

It is important to note that last resort tariffs adopted in Spain are end-user regulated prices referring to all customers within a certain customer category (“universal service” supply, “default” supply etc.) and so, are in the scope of this survey.

The last remaining regulated prices for large industrial consumers will be removed as of 1 July 2009.

**In another 4 countries, there is a plan to adopt a roadmap** (Greece, Lithuania, Portugal and Romania). 3 out of 4 of these countries have at least drafted a roadmap as of 1 July 2008 (Lithuania, Portugal, Romania).

- In **Portugal**, an agreement has been signed by the Portuguese and Spanish governments drafting the liberalisation roadmap without end-user regulated prices by 2011. At that time, only domestic last resort supply regulated tariffs should exist. The Portuguese Government has publicly announced the drafted roadmap.
- In **Romania**, the drafted roadmap was not accepted by the Regulator’s Committee, so it will be redrafted.

### Other comments

In **Ireland**, the regulators strategic plan for 2006 – 2011 sets out its objective to establish and maintain effective retail markets in electricity and gas. The regulator actively monitors market developments, publishing retail market data reports. The decision to remove price regulation in the various market segments is taken as competition develops e.g. the energy intensive industry in 2007. The regulator is currently conducting a review of the model for retail price regulation including retail margins, revenue correction mechanisms and tariff structures. The outcome of this review will define next steps in the roadmap.

In **the Netherlands**, the regulator conducted an evaluation of price regulation in 2008. Officially this is not a roadmap, but it stimulates discussion on abolishing end user price regulation.

**Another country, Latvia, without having drafted any roadmap, indicated that it had scheduled to remove end-user price regulation** (see table 7).

As a summary, Table 14 presents countries with a scheduled removal date by 2011. Countries with an adopted or drafted roadmap are in bold.

*Table 14: Countries which planned to remove end-user price regulation by 2011 (countries with an adopted or drafted roadmap in bold characters)*

Households	Small businesses	Medium-sized to large businesses	Energy-intensive industry
3 Latvia, <b>Lithuania</b> , <b>Slovak Republic</b>	4 Latvia, <b>Lithuania</b> , <b>Portugal</b> , <b>Spain</b>	2 <b>Lithuania</b> , <b>Portugal</b>	2 <b>Portugal</b> , <b>Spain</b>

## Electricity

### 3.7. The regulation process: regulator's role

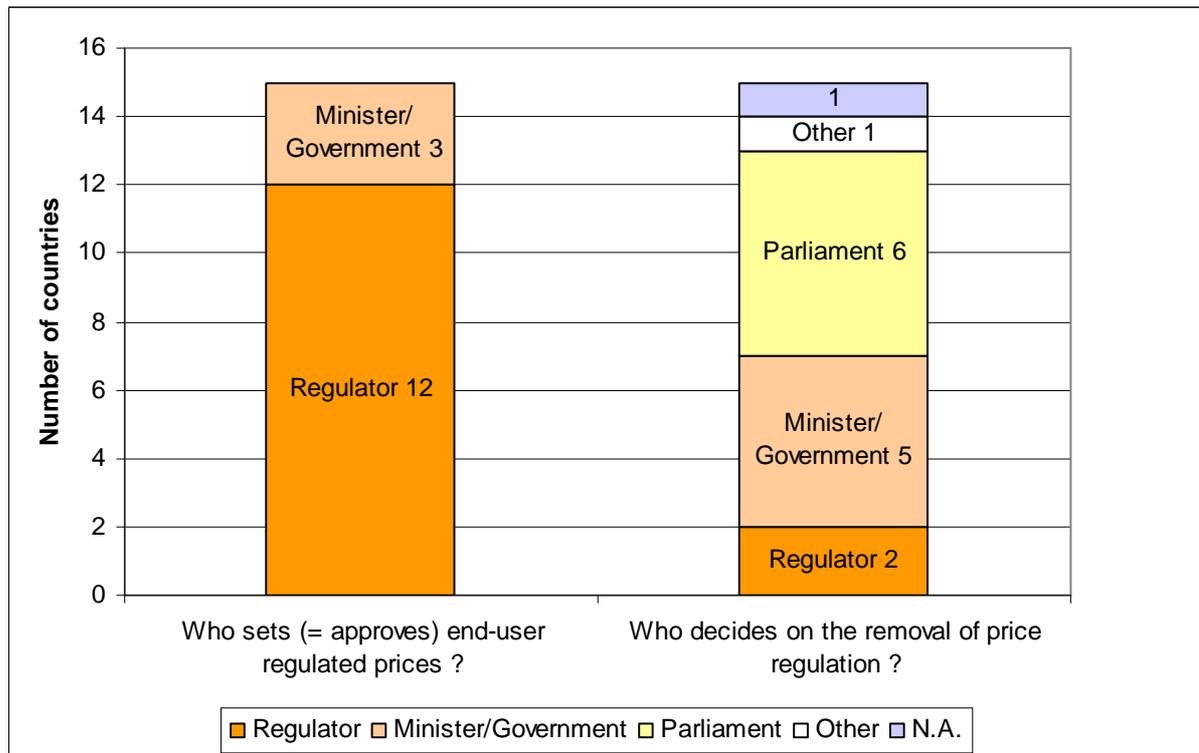
In this section, the regulator's role within the regulation process shall be analysed. It is not only an important responsibility for the regulator to set end-user regulated tariffs. In light of this report and the 2007 ERGEG Position Paper ERGEG it is also crucial to consider whether the decision to remove end-user regulated prices is within the scope of the regulator's powers.

Details are listed for single aspects of the regulator's fields of responsibility and a comprehensive table has been compiled to give an overview of the state of play in different countries as of 1 July 2008.

With regard to the role of the regulator in the regulated price setting, NRAs were asked who is responsible for setting the prices and if it is not the regulator, then what is the role of the regulator (e.g. make proposals, give consultative opinions, make a report, others).

With regard to the role of the regulator in the decision to remove price regulation, NRAs were asked which institution decides on the removal.

Figure 7: The regulator's role in the electricity price regulation process



## Electricity

If the regulator sets regulated prices, it does not automatically decide on their removal.

In 12 countries (out of 15 countries), the regulator sets (i.e. approves) end-user regulated electricity prices: (Denmark, Estonia, Hungary, Ireland, Italy, Latvia, Lithuania, the Netherlands, Poland, Portugal, Romania and the Slovak Republic).

In 3 countries, a Minister sets end-user regulated prices (France, Greece and Spain).

In 2 countries, the regulator has the power to decide on the removal of end-user price regulation (Ireland and Poland).

This is not the case in 12 other countries:

- In 5 countries, a Minister or the government decides on the removal of end-user price regulation (Estonia, Greece, Latvia, Portugal, Spain).
- In another 6 countries, it is within the power of the Parliament to remove end-user price regulation (Denmark, France, Hungary, Italy, the Netherlands, and Romania).
- In the Slovak Republic, this responsibility lies with the Regulatory Council.

In the Netherlands, the situation is as follows: Energy suppliers are bound by law to submit all tariff proposals to Energiekamer (the NRA) in order for Energiekamer to check whether prices are reasonable. Energiekamer checks the reasonableness of the tariffs based on an undisclosed model which contains wholesale prices, operational and capital expenses and a certain reasonable margin. Based on its assessment that a specific tariff of an energy supplier is unreasonably high, the Energiekamer has the authority to force that energy supplier to lower its proposed end-user tariffs. So far, Energiekamer has never exercised this power.

Table 15 gives an overview of the role of the regulator in each country with regard to the setting and removing of regulated prices.

## Electricity

Table 15: The regulator's role in the electricity price regulation process

ELECTRICITY: 15 countries with end-user regulated prices in at least one open market segment			
Countries	Who sets (= approves) end-user regulated prices ?	Role of the regulator (if not setting regulated prices)	Who decides on the removal of price regulation ?
DENMARK	The regulator		The Parliament
ESTONIA	The regulator		The Minister of Economic Affairs and Communications
FRANCE	The Minister for Energy and Minister for Economy	gives a consultative opinion / recommendation	The Parliament
GREECE	The Minister of Development	gives a consultative opinion / recommendation	The Minister of Development
HUNGARY	The regulator	Energy charge for universal service consumers is prepared by universal suppliers and approved or rejected by the regulator.	The Parliament
IRELAND	The regulator		The regulator
ITALY	The regulator		The Parliament
LATVIA	The regulator		Ministry of Economy, Public Utilities Commission
LITHUANIA	The regulator		NA
NETHERLANDS	The regulator		The Parliament & the Queen
POLAND	The regulator		The regulator
PORTUGAL	The regulator		The government
ROMANIA	The regulator		The Parliament
SLOVAK REPUBLIC	The regulator		The Regulatory Council
SPAIN	The Minister	gives a consultative opinion/recommendation + makes a proposal (that can only be approved or rejected)	The Minister

Note: the Regulatory Council in Slovak Republic is an independent collective state authority for strategy and regulation management in network industries.

## Gas

**4. GAS****4.1. End-user gas price regulation**

Table 16 presents an overview of market opening and the existence of end-user price regulation in open markets for the different market segments in gas.

Regulators were asked the following questions regarding price regulation in their markets:

- *Date of market opening: for each market segment, even if there is no clear definition of the segment, give the effective or expected market opening date.*
- *Is there any kind of end-user price regulation in your gas system for the following market segments?*
- *If yes, indicate the exact date when end-user regulation will be or has been removed for each segment.*

In Table 16, market segments where regulated end-user prices still exist are shown in orange, whereas market segments without any regulated end-user price are depicted in green. If known, scheduled dates of removal of end-user price regulation are also portrayed in the table for each segment they apply for.

Another column was integrated indicating the final market opening date. It is the last date where a segment has been or will be opened.

The segments open in June 2007, where end-user price regulation was removed between June 2007 and July 2008 are surrounded in orange.

The segments which were closed in June 2007 and are open in July 2008 are surrounded in red.

Gas

Table 16: Overview of market opening and price regulation in open gas market segments as of 1 July 2008

Country	Market opening Final market opening date	Price regulation on 1 July 2008			
		Households	Small businesses	Medium-sized to large businesses	Energy-intensive industry
AUSTRIA	2002-10				
BELGIUM	2003-07				
CZECH REPUBLIC	2007-01				
DENMARK	2004				
ESTONIA	2007-07	2010-10			
FRANCE	2007-07				
GERMANY	1998				
GREECE	2009 - 2030				
HUNGARY	2007-07			2010-06 and 2009-07	2009-07
IRELAND	2007.07				
ITALY	2003-01				
LATVIA	2010-01				
LITHUANIA	2007-07				
LUXEMBOURG	2007-07				
NETHERLANDS	2004-07				
POLAND	2007-07				
PORTUGAL	2010-01				
ROMANIA	2008-07				
SLOVAK REPUBLIC	2007-07				
SLOVENIA	2007-07				
SPAIN	2003-01		2009-07 and 2010-07		
SWEDEN	2007-07				
UNITED KINGDOM	1998				

except Bulgaria, Finland, Croatia, Iceland, Turkey (NA) ; except Cyprus, Malta, Norway (no gas)

Price regulation :

	YES
	NO
	Closed market
	N.A.
XXXX-XX	Scheduled date of price regulation removal

Changes between June 2007 and July 2008:

	End-user price regulation in open market segment removed between June 2007 and July 2008
	Segment closed in June 2007

Gas

Table 17: Overview on end-user price regulation as of 1 July 2008

	Households	Small businesses	Medium-sized to large businesses	Energy-intensive industry
Countries without end-user price regulation as of 1 July 2008 (out of 23)	8	11	13	15
	Austria Belgium Czech Republic Germany Luxembourg Slovenia Sweden United Kingdom	Austria Belgium Czech Republic Estonia Germany Italy Luxembourg Slovak Republic Slovenia Sweden United Kingdom	Austria Belgium Czech Republic Estonia Germany Italy Luxembourg the Netherlands Slovak Republic Slovenia Spain Sweden United Kingdom	Austria Belgium Czech Republic Denmark Estonia Germany Italy Ireland Luxembourg the Netherlands Slovak Republic Slovenia Spain Sweden United Kingdom

	Households	Small businesses	Medium-sized to large businesses	Energy-intensive industry
Countries with end-user price regulation as of 1 July 2008 (out of 23)	12	9	8	6
	Denmark Estonia France Hungary Ireland Italy Lithuania the Netherlands Poland Romania Slovak Republic Spain	Denmark France Hungary Ireland Lithuania the Netherlands Poland Romania Spain	Denmark France Hungary Ireland Lithuania Poland Portugal Romania	France Hungary Lithuania Poland Portugal Romania

Note: Greece and Latvia: closed markets; Portugal: closed market for households and small businesses

In open household segments, there are still regulated end-user prices in 12 out of 20 countries (closed segment in 3 countries), which means that more than half of the answering countries in gas have open markets for household customers with regulated end-user prices. For small businesses segments, there are regulated end-user prices in 9 countries.

The bigger the consumption of the customers in a segment the more likely that the segment is not price-regulated. For medium-sized to large businesses there are regulated prices in 8 countries. For energy intensive industries, there are regulated prices in 6 countries.

Greece and Latvia have a closed gas market for the four market segments, whereas in Portugal the gas market is still closed for household and small business customers.

In Poland, price regulation still exists in the gas sector, not only for final customers but also for traders in the wholesale market. About 98% of the market is covered by one gas supplier.

## Gas

Figure 8: Progress between June 2007 and July 2008

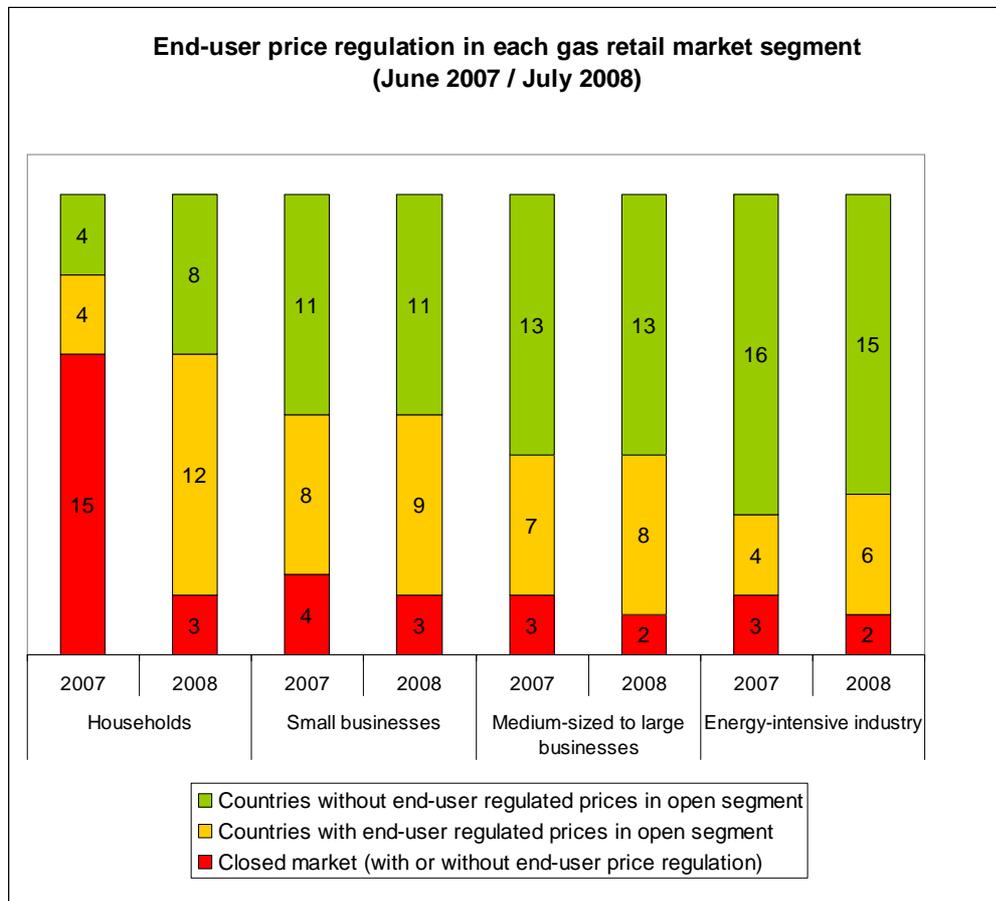


Table 18: Progress per market segment between June 2007 and July 2008

Gas	Households	Small businesses	Medium-sized to large businesses	Energy-intensive industry
End-user regulated prices <b>removed</b> between 2007 and 2008 in open market segments	0	0	1 Spain	0
End-user regulated prices <b>introduced</b> between 2007 and 2008 in open market segments	0	0	1 Lithuania	1 Lithuania
Market segment closed in June 2007, open in July 2008 <b>without</b> end-user price regulation	4 Belgium, Luxembourg, Slovenia, Sweden	0	0	0
Market segment closed in June 2007, open in July 2008 <b>with</b> end-user price regulation	8 Estonia, France Hungary, Ireland Lithuania, Poland Romania, Slovak Republic	1 Lithuania	1 Portugal	1 Portugal

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## Gas

**Compared to the electricity market, very little progress has been made in the gas market** since the EREG Status Review on end-user price regulation was published. Between June 2007 and July 2008, **end-user regulated prices were removed in one segment for one country, while they were introduced in two other segments in another country.**

### **Segments open in June 2007**

**Between June 2007 and July 2008, Spain removed end-user regulated prices for medium-sized to large businesses.**

**On the other hand, Lithuania has introduced end-user regulated prices in two market segments:** medium-sized to large businesses and energy intensive industries. According to the new provisions of the Law on Natural Gas (from April 2007), end-user prices are regulated in all segments in 2008.

In **Italy**, there are still non-household customers supplied at end-user regulated prices, reflecting the fact that contracts signed before October 2006 (when end-user regulated prices were limited to households customers) are still valid, until the contract expiration date or the moment the parties decide to give notice (it was the same situation in June 2007, but in the Status Review for 2007, the non-domestic segments were considered with price regulation, by mistake).

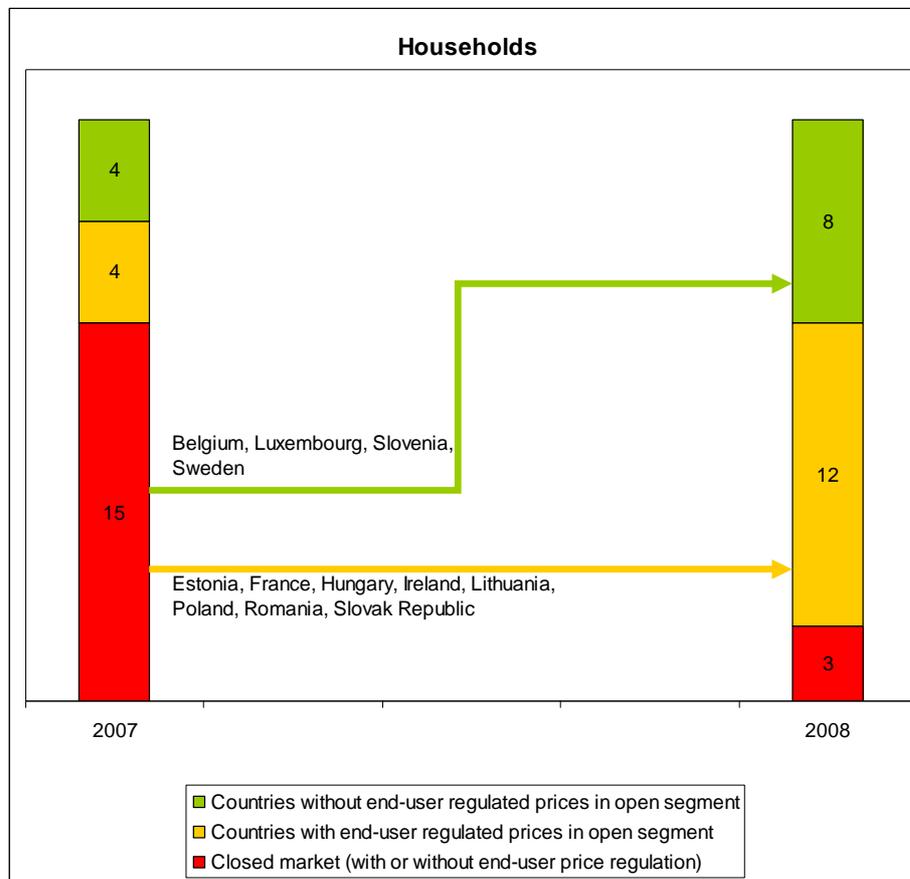
### **Segments closed in June 2007**

Between June 2007 and July 2008, there has been a transition from closed to open market segments, essentially for household customers, with or without end-user regulated prices.

Figures 9, 10, 11 and 12 illustrate the progress that has been made between June 2007 and July 2008 for each customer segment.

Gas

Figure 9: Progress between June 2007 and July 2008 for households



In June 2007, the **household** market segment was closed in 15 countries (Belgium, Estonia, France, Greece, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Poland, Portugal, Romania, Slovak Republic, Slovenia, Sweden).

In 4 countries (Denmark, Italy, Netherlands, Spain), this market segment was open and applied end-user price regulation.

In 4 countries (Austria, Czech Republic, Germany, United Kingdom), this segment was open and did not apply end-user price regulation.

In July 2008, the household market segment was closed in only 3 countries (Greece, Latvia, Portugal).

In 12 countries (Denmark, Estonia, France, Hungary, Ireland, Italy, Lithuania, the Netherlands, Poland, Romania, Slovak Republic, Spain), this market segment was open and applied end-user price regulation.

In 8 countries (Austria, Belgium, Czech Republic, Germany, Luxembourg, Slovenia, Sweden, United Kingdom), this market segment was open and did not apply end-user price regulation.

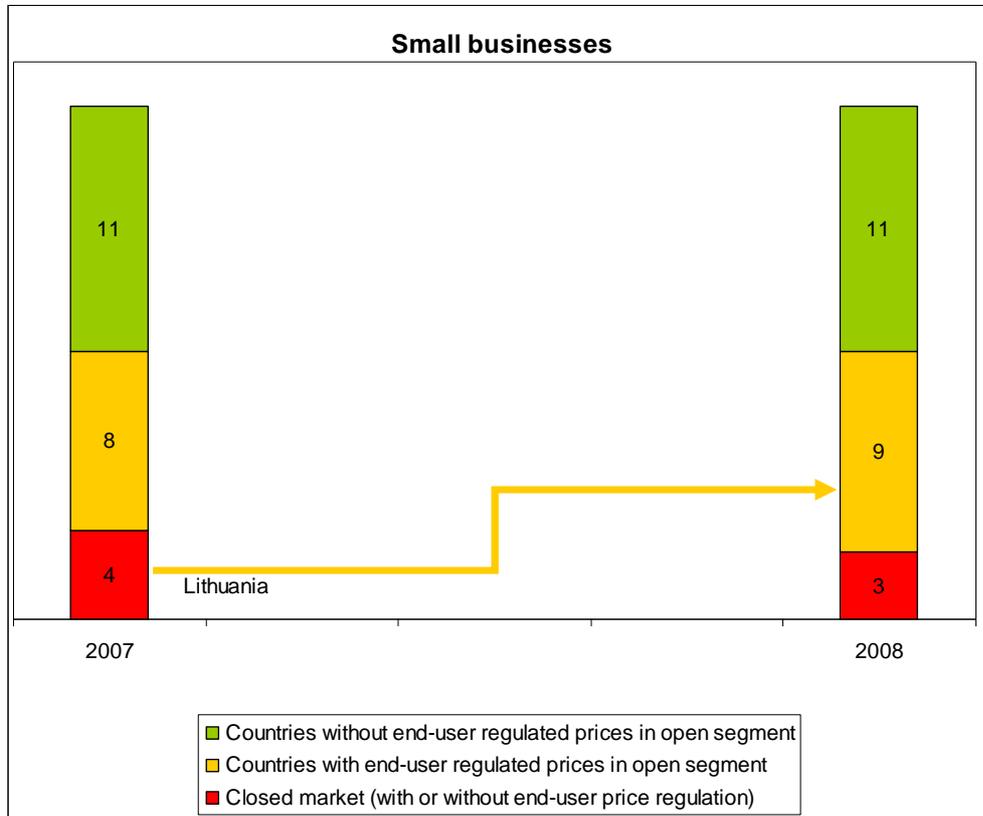
**FINDING:**

Between June 2007 and July 2008:

- closed segments were opened with no end-user price regulation in 4 countries (Belgium, Luxembourg, Slovenia, Sweden)
- closed segments were opened with end-user price regulation in 8 countries (Estonia, France, Hungary, Ireland, Lithuania, Poland, Romania, Slovak Republic)

Gas

Figure 10: Progress between June 2007 and July 2008 for small businesses



In June 2007, the **small businesses** market segment was closed in 4 countries (Greece, Latvia, Lithuania, Portugal).

In 8 countries (Denmark, France, Hungary, Ireland, the Netherlands, Poland, Romania, Spain), this market segment was open and applied end-user price regulation.

In 11 countries (Austria, Belgium, Czech Republic, Estonia, Germany, Italy, Luxembourg, Slovak Republic, Slovenia, Sweden, United Kingdom), this market segment was open and did not apply end-user price regulation.

In July 2008, the small businesses segment was closed in 3 countries (Greece, Latvia, Portugal).

In 9 countries (Denmark, France, Hungary, Ireland, Lithuania, the Netherlands, Poland, Romania, Spain), this market segment was open and applied end-user price regulation.

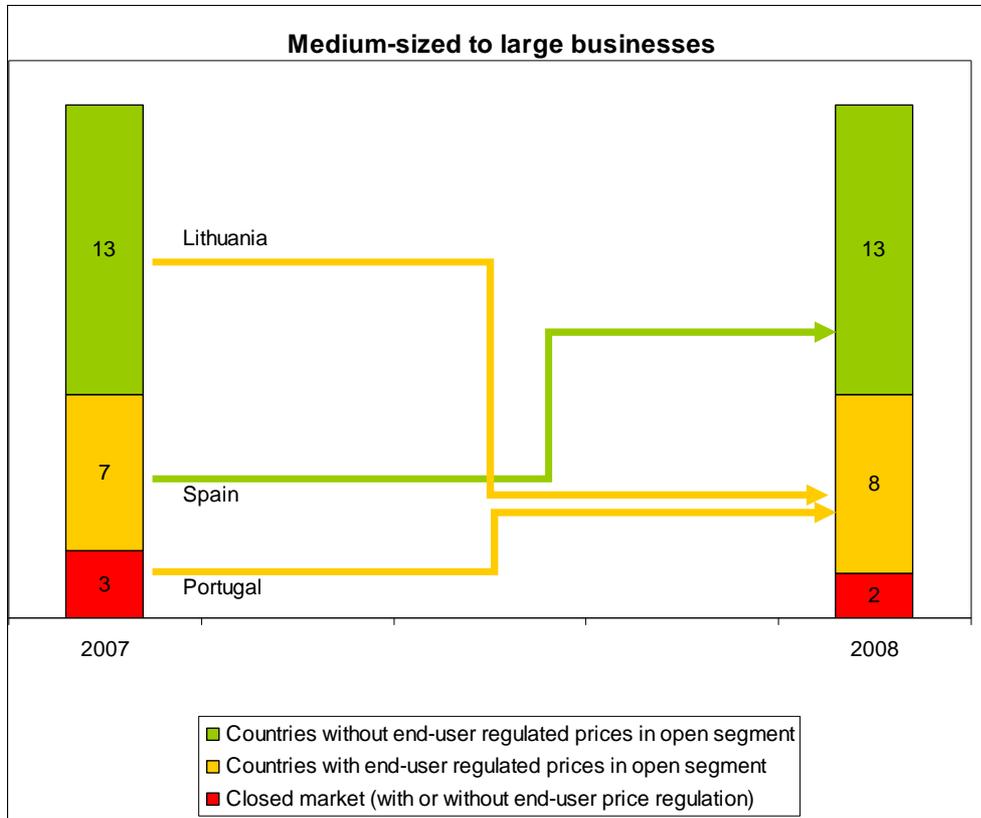
In 11 countries (Austria, Belgium, Czech Republic, Estonia, Germany, Italy, Luxembourg, Slovak Republic, Slovenia, Sweden, United Kingdom), this market segment was open and did not apply end-user price regulation.

**FINDING:**

Between June 2007 and July 2008, the closed market segment was opened with end-user price regulation in Lithuania.

Gas

Figure 11: Progress between June 2007 and July 2008 for medium-sized to large businesses



In June 2007, the **medium-sized to large businesses** market segment was closed in 3 countries (Greece, Latvia, Portugal).

In 7 countries (Denmark, France, Hungary, Ireland, Poland, Romania, Spain), this market segment was open and applied end-user price regulation.

In 13 countries (Austria, Belgium, Czech Republic, Estonia, Germany, Italy, Lithuania, Luxembourg, the Netherlands, Slovak Republic, Slovenia, Sweden, United Kingdom), this segment was open and did not apply end-user price regulation.

In July 2008, the medium-sized to large businesses market segment was closed in 2 countries (Greece, Latvia).

In 8 countries (Denmark, France, Hungary, Ireland, Lithuania, Poland, Portugal, Romania), this segment was open and applied end-user price regulation.

In 13 countries (Austria, Belgium, Czech Republic, Estonia, Germany, Italy, Luxembourg, the Netherlands, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom) this segment was open and did not apply end-user price regulation.

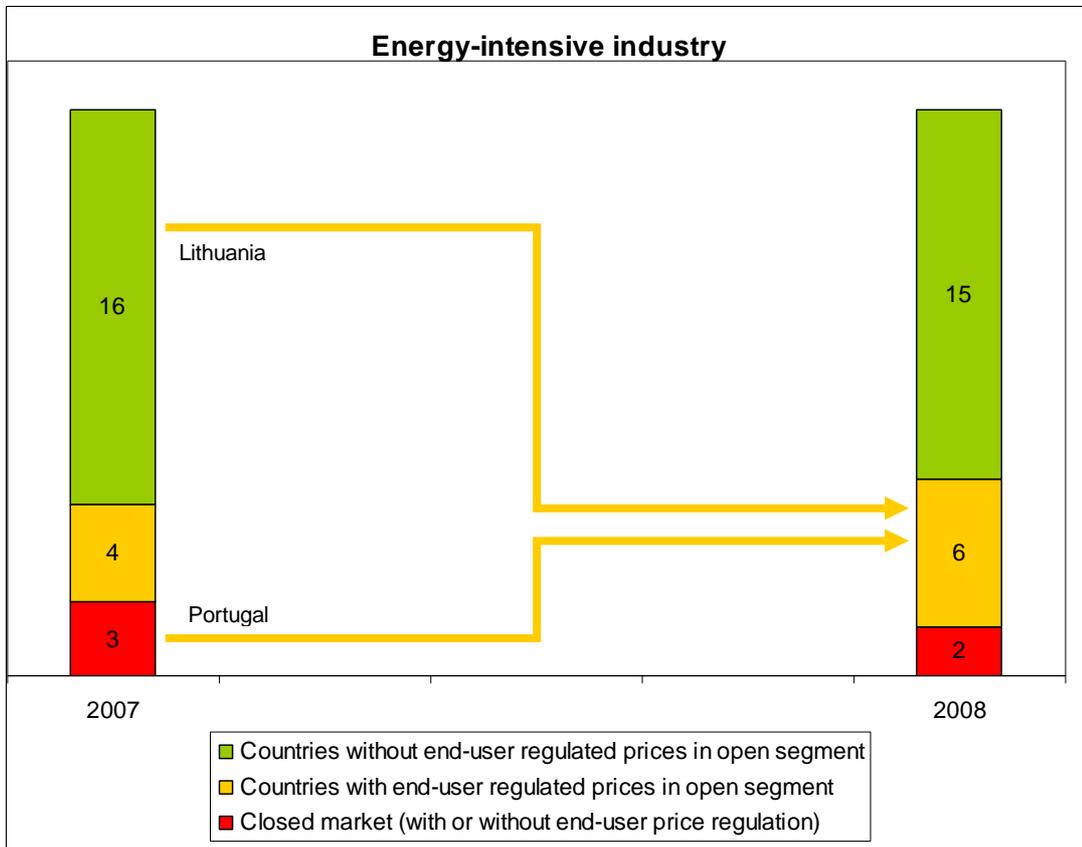
**FINDING:**

Between June 2007 and July 2008:

- end-user price regulation in an open segment was removed in Spain
- end-user price regulation in an open segment was introduced in Lithuania
- the closed segment was opened with end-user price regulation in Portugal

Gas

Figure 12: Progress between June 2007 and July 2008 for energy-intensive industry



In June 2007, the **energy-intensive industry** market segment was closed in 3 countries (Greece, Latvia, Portugal).

In 4 countries (France, Hungary, Poland, Romania), this market segment was open and applied end-user price regulation.

In 16 countries (Austria, Belgium, Czech Republic, Denmark, Estonia, Germany, Ireland, Italy, Lithuania, Luxembourg, the Netherlands, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom), this market segment was open and did not apply end-user price regulation.

In July 2008, the energy-intensive industry market segment was closed in 2 countries (Greece, Latvia).

In 6 countries (France, Hungary, Lithuania, Poland, Portugal, Romania), this market segment was open and applied end-user price regulation.

In 15 countries (Austria, Belgium, Czech Republic, Denmark, Estonia, Germany, Ireland, Italy, Luxembourg, the Netherlands, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom), this segment was open and did not apply end-user price regulation.

**FINDING:**

Between June 2007 and July 2008:

- end-user price regulation in the open market segment was introduced in Lithuania
- the closed segment was opened with end-user price regulation in Portugal

Gas

**4.2. Free retail market prices and wholesale market prices**

Table 19 illustrates whether or not average free market retail prices are based on wholesale prices for each country which has regulated prices.

*Table 19: Are average free market retail prices based on wholesale prices as of 1 July 2008?*

Country	Households	Small businesses	Medium-sized to large businesses	Energy-intensive industry
DENMARK	YES	YES	YES	
ESTONIA				
FRANCE	NO	NO		
GREECE				
HUNGARY	YES	YES	YES	YES
IRELAND	YES	YES	YES	
ITALY	YES			
LATVIA				
LITHUANIA	YES	YES	YES	YES
NETHERLANDS	YES	YES		
POLAND				
PORTUGAL			YES	YES
ROMANIA	YES	YES	YES	YES
SLOVAK REPUBLIC	YES			
SPAIN				

**Free retail market price based on wholesale market price**

	YES
	NO
	closed market segment
	no end-user price regulation
	N.A.

All responding countries indicated that free market retail prices are based on wholesale market prices, except in France for households and small businesses segments.

In **France**, free market retail prices for households and small businesses are usually set by the supplier, making a discount on the regulated price. For the other segments, free market retail prices are usually based on wholesale market prices.

Gas

### 4.3. Regulated prices compared to free retail market prices as of 1 July 2008

This section deals with the price level of regulated end-user prices compared to free market retail prices. Only those participating countries which have regulated prices are covered. The NRAs were asked whether the average regulated price is below the average free market retail price offered to customers for the relevant market segments as of 1 July 2008.

*Table 20: End-user regulated prices compared to free market retail prices as of 1 July 2008*

Country	Households	Small businesses	Medium-sized to large businesses	Energy-intensive industry
DENMARK				
ESTONIA				
FRANCE				
GREECE				
HUNGARY				
IRELAND				
ITALY				
LATVIA				
LITHUANIA				
NETHERLANDS				
POLAND				
PORTUGAL				
ROMANIA				
SLOVAK REPUBLIC				
SPAIN				

	average free retail market price below average regulated price
	average free retail market price above average regulated price
	average free retail market price similar to average regulated price
	closed market segment
	no end-user regulated prices
	N.A.

No firm conclusions can be drawn on the relative level of regulated prices compared to free market retail prices, when both prices coexist. Results for each market segment differ considerably from one country to another. Unfortunately, only 8 countries chose to answer this question for gas.

For household market segments the situation is diverse. 5 countries out of 8 (Estonia, Ireland, Lithuania, Romania and the Slovak Republic) state they have a regulated price for household customers that is below the average free market retail level.

As with electricity, where regulated prices still exist, the way in which they operate and their overall effect is diverse. For example in countries like France, the regulated price is higher than the free market price for households, with suppliers offering a discount on the regulated price. In Spain, the regulated price is similar to the market price. In Lithuania, the regulated price is below the free market price. These diverse situations indicate that motives for the retention of regulated prices may differ from country to country.

The comparison of the results for gas with those for electricity shows that average regulated end-user electricity prices tend to be below or similar to the level of average free market retail prices offered to customers more often than is the case in gas.

Gas

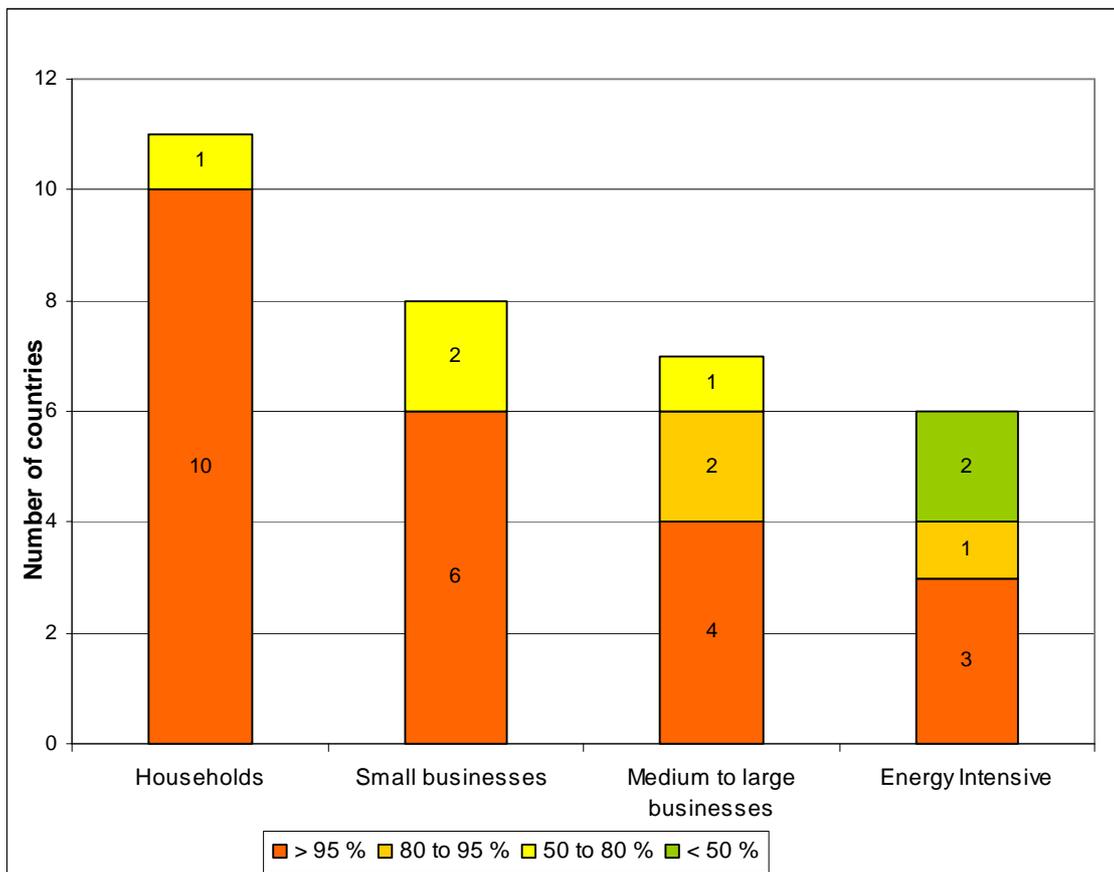
**4.4. Share of customers/consumption supplied at regulated prices**

Regulators were asked to indicate, for each market segment, the percentage of customers supplied at regulated prices as of 1 July 2008 in relation to the total number of customers in that segment, as well as the equivalent annual consumption of these customers if available, as a percentage of the total consumption of the segment.

Answers to this question were only sought from countries where end-user regulated prices still exist in at least on market segment (13 countries).

A detailed list of consumers and consumption supplied at regulated prices for each segment and country can be found in the Annex.

Figure 13: Percentage of eligible customers supplied at regulated gas prices



Only a limited number of customers, in general, have switched from regulated prices to retail market prices. In almost all countries, the share of customers supplied with regulated prices is more than 80% for most market segments.

Compared to the electricity sector:

- for households and energy-intensive industries, the share of customers being supplied with regulated prices is nearly the same ;
- for small businesses and medium-sized to large businesses, the share of customers being supplied with regulated prices is higher in gas than in electricity.

## Gas

### Households

- In 10 countries, more than 95% of customers are supplied at a regulated price: Estonia, France, Hungary, Ireland, Italy, Lithuania, Poland, Romania, the Slovak Republic and the Netherlands.
- In 1 country, between 50% and 80% of household customers are supplied at regulated end-user prices: Spain.

### Small businesses

- In 6 countries, more than 95% of customers are supplied at a regulated price: Hungary, Ireland, Lithuania, Poland, Romania and the Netherlands.
- In 2 countries, between 50% and 80% of customers are supplied at a regulated price: France, Spain.

### Medium-sized to large businesses

- In 4 countries, more than 95% of customers are supplied at a regulated price: Lithuania, Poland, Portugal, Romania.
- In 2 countries less than 95% but more than 80% of customers are supplied at a regulated price: Hungary, Ireland.
- In 1 country, between 50% and 80% of customers are supplied at a regulated price: France.

### Energy intensive industry

- In 3 countries, more than 95% of customers are supplied at a regulated price: Lithuania, Poland, Portugal.
- In 1 country, less than 95% but more than 80% of customers are supplied at a regulated price: Romania.
- In 2 countries, less than 50% of customers are supplied at a regulated price: France, Hungary.

Gas

#### 4.5. Reversibility

Regulators were asked whether customers who have switched to the market process are able to return to regulated prices (for the same site/metering point)?

In a majority of countries with end-user price regulation, customers can return to regulated prices after having chosen a retail market price; returning whenever they want or after a minimum fixed period on the market, as shown below:

*Table 21: Reversibility of regulated price vs. market price*

Gas	Households	Small businesses	Medium-sized to large businesses	Energy-intensive industry
Reversibility	8 Denmark Hungary Ireland Italy Lithuania Romania Slovak Republic Spain	6 Denmark Hungary Ireland Lithuania Romania Spain	6 Denmark Hungary Ireland Lithuania Portugal Romania	4 Hungary Lithuania Portugal Romania
No reversibility	1 France	1 France	1 France	1 France
N.A.	3 Estonia the Netherlands Poland	2 the Netherlands Poland	1 Poland	1 Poland

There is no clear link between the share of consumers/consumption supplied at regulated prices and the possibility or not to switch back to regulated prices after having chosen a retail market price (reversibility).

Gas

**4.6. Roadmap towards a competitive market without end-user price regulation**

This section deals with the number of countries who have adopted a roadmap as of 1 July 2008 towards a competitive market without end-user price regulation, as was advocated in ERGEG’s 2007 Position Paper on end-user energy price regulation.

The following comprehensive table lists only countries with end-user electricity price regulation in open market segments as of 1 July 2008.

If a roadmap has been adopted, it does not always concern all market segments.

In an additional column, the author of the roadmap is listed (if one was adopted) as well as the information about whether there is a plan to adopt a roadmap in countries where no roadmap has been compiled yet.

Regulators were asked whether a roadmap has been adopted and what the content and timeframes of the roadmap are. If a roadmap has not been established, regulators were asked to explain whether there is a plan for one and if so what the expected date of its approval would be.

Table 22: Overview of the adoption of a roadmap as of 1 July 2008

Country	Has a road map been adopted?	If yes, who has set it ?	If no, is there a plan to adopt one ? (date)
DENMARK	NO		NO
ESTONIA	NO		
FRANCE	NO		NO
HUNGARY	YES	The Parliament	
IRELAND	NO		
ITALY	NO		NO
LITHUANIA	drafted only	The Ministry of Economy	YES
NETHERLANDS	NO		
POLAND	NO		NO*
PORTUGAL	NO		NO
ROMANIA	NO		
SLOVAK REPUBLIC	NO		NO
SPAIN	YES	The Government	

 YES  
 NO  
 N.A.

\* The road map is planned since December 2008

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## Gas

**In only 2 countries out of 13 countries, Hungary and Spain, a roadmap towards a competitive gas market without end-user price regulation has been compiled.**

- In **Hungary**, although it is not called a roadmap, an Act on Natural Gas defines a timetable for moving away from regulated prices. Act XLII of 2003 on natural gas supply declares that from 1 July 2007 all consumers are eligible. Act XL of 2008 on natural gas supply declares that the following are obliged to go to the open market according to these time frames:
  - household customers and small businesses can have regulated prices as long as they want;
  - medium-sized businesses from 30.06.2010;
  - large businesses and energy intensive industry from 01.07.2009.
  
- In **Spain**, the situation is as follows:
  - From 1 July 2008 onwards, only customers connected at a pressure lower than 4 bar with annual consumption smaller or equal to 3 GWh may be supplied at end-user regulated prices (last-resort tariffs are adopted).
  - From 1 July 2009 onwards, only customers connected at a pressure lower than 4 bar with annual consumption smaller or equal to 2 GWh may be supplied at last resort tariffs.
  - From 1 July 2010 onwards, only customers connected at a pressure lower than 4 bar with annual consumption smaller or equal to 1 GWh may be supplied at last resort tariffs.

It is important to note that last resort tariffs adopted in Spain are end-user regulated prices and concern all customers within a certain customer category (“universal service” supply, “default” supply etc.) and are within the scope of this questionnaire.

**Additionally, Lithuania has drafted a roadmap and has also stated that its adoption is planned.**

The Ministry of Economy has prepared some amendments to the Law on Natural Gas, which provides end-user price regulation only for household customers. It is not possible to provide an exact expected date for its approval, as that depends on Parliament decision.

Gas

**Other comments**

In **Ireland**, the regulator is keeping market development under watch and the decision to remove price regulation in the various sectors will depend on how competition develops. The regulator now publishes a retail market report which shows how competition is developing. In a recent review of the RTF sector (5.5GWh – 264GWh) the regulator deemed that there is not sufficient competition to cease price regulation at this time but the issue will be kept under watch. It is likely that competition will arrive in the larger size customer segments first.

**One other country, Estonia, without having drafted any roadmap indicated that it had scheduled to remove end-user price regulation** (see table 16).

As a summary, table 23 presents **countries with a scheduled removal date by 2011**. The countries with an adopted or drafted roadmap are marked in bold.

*Table 23: Countries which planned to remove end-user gas price regulation by 2011 (countries with an adopted or drafted roadmap in bold)*

	Households	Small businesses	Medium-sized to large businesses	Energy-intensive industry
Gas	1 Estonia	1 <b>Spain*</b>	1 <b>Hungary</b>	1 <b>Hungary</b>

*\*for consumption higher than 1 GWh*

Gas

**4.7. The regulation process: regulator’s role**

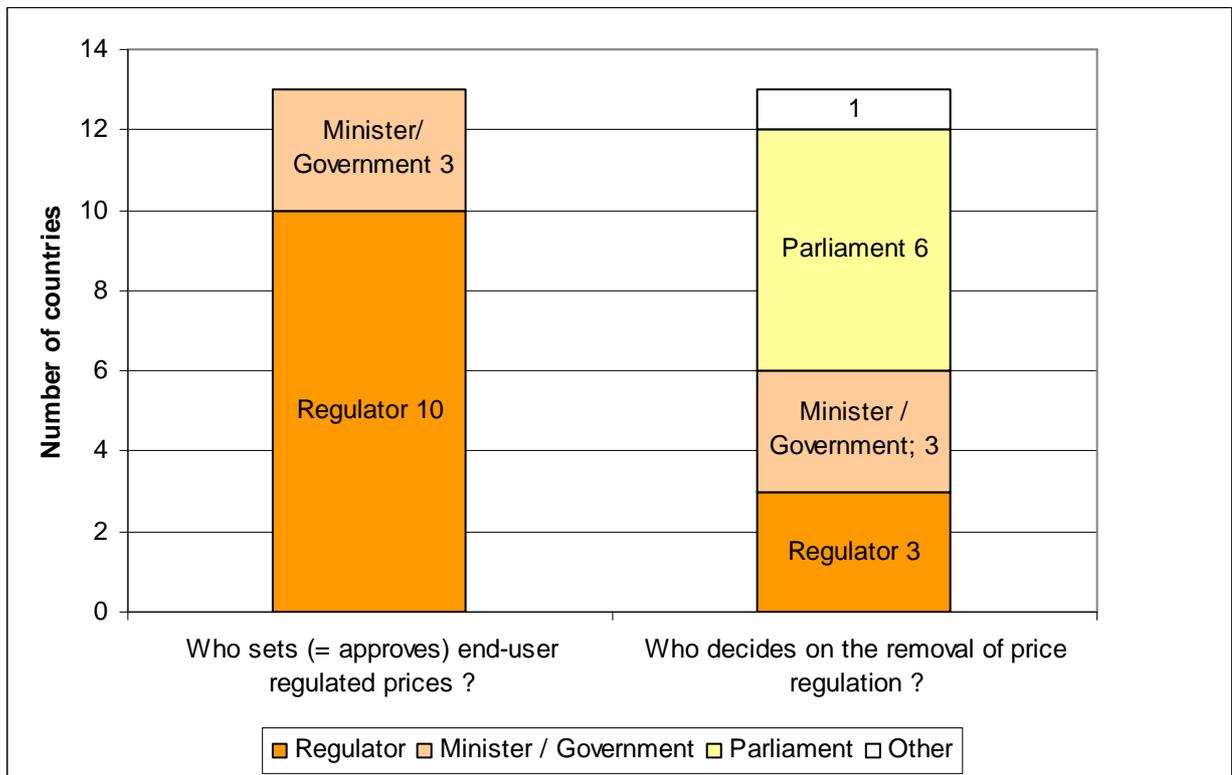
In this section, the regulator’s role within the regulation process shall be analysed. It is not only an important responsibility for the regulator to set end-user regulated tariffs. In light of this report and the 2007 ERGEG Position Paper, it is also crucial to consider whether the decision to remove end-user regulated prices is within the scope of the regulator’s powers.

Details are listed for single aspects of the regulator’s fields of responsibility and a comprehensive table has been compiled to give an overview of the state of play in different countries as of 1 July 2008.

With regard to the role of the regulator in the regulated price setting, NRAs were asked who is responsible for setting the prices and if it is not the regulator, then what is the role of the regulator (e.g. make proposals, give consultative opinions, make a report, others).

With regard to the role of the regulator in the decision to remove price regulation, NRAs were asked which institution decides on the removal.

Figure 14: The regulator’s role in the gas price regulation process



## Gas

If the regulator sets regulated prices, it does not automatically decide on their removal.

In 10 countries (out of 13 countries), the regulator sets (i.e. approves) end-user regulated gas prices (Denmark, Estonia, Ireland, Italy, Lithuania, the Netherlands, Poland, Portugal, Romania and the Slovak Republic).

In 3 countries, a Minister sets end-user regulated prices (Hungary, France and Spain).

In 3 countries, the regulator has the power to decide on the removal of end-user price regulation (Ireland, Poland, Romania).

This is not the case in 10 other countries:

- In 3 countries, a Minister or the government decides on the removal of end-user price regulation (Estonia, Portugal and Spain).
- In another 6 countries, it is within the power of the parliament to remove end-user price regulation (Denmark, France, Hungary, Italy, Lithuania, the Netherlands).
- In the Slovak Republic, this responsibility lies with the Regulatory Council.

Table 24 gives an overview of the role of the regulator in each country.

Gas

Table 24: the regulator's role in the gas price regulation process

GAS : 13 countries with end-user regulated prices in at least one open market segment			
Countries	Who sets (= approves) end user regulated prices ?	Role of the regulator (if not setting regulated prices)	Who decides on the removal of price regulation ?
Denmark	The regulator		The parliament
Estonia	The regulator		Ministry of economic affairs and communications
France	The Ministers of industry and energy	Gives a consultative opinion on proposed regulated prices	The parliament
Hungary	The minister	Makes a proposal	The parliament
Ireland	The regulator		The regulator
Italy	The regulator		The parliament
Lithuania	The regulator		The parliament
The Netherlands	The regulator		The parliament and the Queen
Poland	The regulator		The regulator
Portugal	The regulator		The government
Romania	The regulator		The regulator
Slovak Republic	The regulator		The Regulatory Council
Spain	The Council of Ministers	Makes a proposal	Government and Ministry

Note: the Regulatory Council in Slovak Republic is an independent collective state authority for strategy and regulation management in network industries.

## 5. CONCLUSIONS

This report gives an overview of the situation in Member States as regards end-user price regulation and focuses on the questions of whether regulated prices still exist after market opening and whether there has been progress towards markets without regulated end-user prices.

As of 1 July 2008, in a large number of countries -15 in electricity (out of 26 countries), and 13 in gas (out of 23 countries) - both types of end-user prices (regulated prices and market prices) coexist on at least one of the various market segments – households, small businesses, medium-sized to large businesses and energy-intensive industry. The larger the customers' consumption in a market segment, the more likely that the segment is not price regulated.

In most of the countries with end-user regulated prices, the share of eligible customers supplied at regulated prices is more than 80%, all segments considered, indicating a lack of competition in the retail market. This figure is often smaller for larger customers.

In almost all of these countries, customers can return to regulated prices after having changed to a retail market price. In some countries, they have to stay on the market during a fixed minimum period before being allowed to return to regulated prices. There is no clear link between the share of customers/consumption supplied at regulated prices and the possibility or not to switch back to regulated prices after having chosen a retail market price (reversibility).

Between June 2007 and July 2008, 12 countries in electricity and 12 also in gas opened their household market segment to competition, in accordance with European Directives which stipulate that all Member States should have opened their electricity and gas markets to competition by 1 July 2007 at the latest. It is notable that some countries opened their household market segment to competition and continued to have regulated end-user prices while other countries opened the market and did not apply price regulation.

Between June 2007 and July 2008, end-user regulated prices were removed in some of the open market segments of a significant number of countries, essentially in electricity. **Meanwhile, for gas, one country introduced regulated prices for the two industrial market segments.**

Significant progress has been made in electricity markets, especially for medium-sized to large businesses and energy intensive industries, but very little progress has been made in gas markets. In particular, progress can be seen mainly for larger customers.

As of 1 July 2008, 6 out of 15 ERGEG member countries and observers with price regulation have either adopted or at least drafted a roadmap towards a competitive market without end-user price regulation in electricity; and 3 out of 13 countries in gas. The adoption of such a roadmap was a recommendation formulated by the 2007 ERGEG Position Paper on end-user energy price regulation.

It should be noted that these roadmaps in most cases do not concern all market segments with end-user regulated prices. In particular, household segments are often not covered.

Moreover, the roadmaps do not always give a concrete removal date for regulated prices. For example, in one country the roadmap lists all actions which have to be done before price regulation will be removed by the regulator and no removal date is indicated. Therefore we assume that in some cases the roadmap is a political statement and in some cases it has a more concrete purpose.

In more than two thirds of the countries, the regulator sets end-user regulated prices. In approximately one country out of five for electricity and one country out of four for gas, the decision to remove end-user price regulation lies with the regulator.

As mentioned in previous papers, ERGEG believes that, in the long term, regulated end-user energy prices cannot coexist with well-functioning competition. Following this 2008 review, ERGEG reiterates its call for roadmaps to phase out end-user regulated prices in the EU's Member States. ERGEG recognises that competition also requires careful oversight, to ensure that customers are treated fairly, get the best possible deal available and are empowered to exercise their right to choose on an open market. Regulated prices can not only distort the market, but also hinder the goal of customer protection and participation. Whilst protecting vulnerable customers is also of particular importance, social measures with that aim should be in line with market principles.

In view of the current global economic downturn and concerns over security of supply and adequate investment in the electricity and gas markets, it is important to remember that end-user energy price regulation can distort the development of wholesale and retail markets as well as the sending of price signals to both suppliers and consumers (which can encourage behaviour changes and quality improvements). ERGEG calls on all market participants to promote the efficient functioning of Europe's energy markets and to facilitate the development of competition in the energy consumer's interest.

## 6. CASE STUDY

### The Polish roadmap towards a competitive electricity market without end-user price regulation

**Description of the context:** To date in Polish electricity sector, only the so-called G tariff group, which consists mainly of household consumers, is supplied with regulated prices, approved ex-ante by the President of the Energy Regulatory Office (ERO). Energy prices for other groups of customers are no longer subject to regulatory approval (no end-user price regulation in this area).

Abolition of end-users' price regulation is a competence of the President of ERO, however no efficient tools for creating proper conditions for such a decision are in his hands. In order to make a responsible decision to release companies from the obligation to present tariffs for regulatory approval for all final customers, the regulator has issued the *Roadmap of prices liberalisation for all electricity consumers*. The document comprises a description of actions to be taken not only by the regulator, but mainly by another relevant authorities (executive and to some extent also by the legislative branch) for achieving a more competitive electricity market and protecting customers against unjustified increases in prices and unmanageable risks. The original time horizon foreseen was until the end of 2008.

The document was drawn up by the regulator, sent to all concerned authorities and published in the regulatory bulletin and website in January 2008.

#### Objectives and actions to be taken:

#### **I. Strengthening the position of customers in the electricity market and protecting the most vulnerable ones:**

**Action 1** Preparing legal definition of vulnerable customer as well as establishing the statutory system of their protection.

**Action 2** Creating rules and procedures for switching supplier in order to make the process reliable (period of switching should not exceed 30 days), guaranteeing the continuity of supply in case of sudden withdrawal of a chosen supplier (creation of the supplier of last resort legal institution), making DSOs responsible for publishing essential market information.

The above should be achieved by amending the Energy Act.

**Action 3** Carrying-out information campaign for customers, in particular households (distribution of brochures with information for household energy consumers, continuation of ERO's call-center activity, updating the "Customer's Guide" on ERO's website, continuation of co-operation with local consumer ombudsmen.

**Action 4** Adoption of smart metering implementation programme for all customers, including households (remote data transfer, demand-side management tools) and responsibility sharing with respect to data management and data protection.

**Action 5** Applying the so-called "tariff calculator" - action performed with the voluntary participation of suppliers.

## **II. Strengthening the position of the regulatory body, effective tools of supervision and regulation (subject to necessary law amendments)**

**Action 1** Strengthening the regulatory independence and market oversight tools by:

- determining the fixed term of office principle and prolonging the period of the term of office and/or the possibility of its single renewal;
- creating an independent budget which would enable an effective and efficient completion of all the regulatory tasks,
- granting the right to create an independent and flexible structure of the regulatory body;
- granting the competence to act in the Alternative Dispute Resolution area.

**Action 2** Extending the catalogue of regulatory tools:

- granting the regulatory body the right to pass general administrative acts and executive regulations;
- granting the right to approve the compliance programmes and to control their practical implementation;
- granting the competence to define and analyse relevant markets, point out the company with a dominant position in the relevant market, diversify the regulatory tools applied to the entities with a dominant position as well as to the others, who do not have such a position;
- specifying the detailed rules for regulatory book-keeping.

## **III. Increasing competition in the electricity market (subject to necessary law amendments)**

**Action 1** Monitoring anti-competitive practices and market abuses, preparing and implementing a methodology for market power evaluation for the wholesale market (including the balancing market and power exchange) including the methods for limiting such market power (in co-operation with the transmission system operator and TGE SA (Polish power exchange)), as well as monitoring the behaviors of companies and reacting to signals of possible abuse,

**Action 2** Ensuring independence of distribution system operators by:

- specifying precisely the rules of participation in the retail market by eliminating preferential treatment by the DSO for suppliers within the same capital group;
- introducing the obligation to publish market information (detailed transparency rules), uniform standards of information exchange among market participants;
- limiting the participation costs of retail market suppliers handled by certain DSOs;
- strengthening the role of the compliance programme and setting the regulatory supervision rules over the DSO to check if their statutory obligations are respected by them in practice, with the possibility to take administrative decisions, valid even when they interfere with the distribution operators' activities;
- unification of the distribution grid codes and their approval (whole text) by the Regulator.

**Action 3** Changing the wholesale and balancing market rules, introducing the intra-day market.

**Action 4** Removing formal and administrative barriers for investments in networks and generation plants – new regulations making investing easier.

For the purpose of fulfilling the requirements regarding the legislative changes identified in the Roadmap, a special team was set up, including the representatives of the Minister of Economy, Minister of Finance, Minister of the Treasury, Minister of Labour and Social Policy, President of the Office of Competition and Consumer Protection and President of ERO.

The group drafted relevant proposals for amendments to the Energy Act and handed them over to the Minister of Economy in September 2008.

Because of the length of the legislative process there is no possibility for the proposed amendments to enter into force with effect from 1 January 2009. For this reason the Regulator decided to postpone the planned date of abolishing the price regulation in reference to the households until the time when the main means needed to protect households against unjustified increases in prices are guaranteed by law.

## Electricity

## 7. ANNEX

## 7.1. Electricity: Share of customers/consumption supplied at regulated prices – Reversibility

ELECTRICITY : 15 countries with end-user regulated prices in at least one open market segment				
closed market	percentages given on 1 July 2008			
open market with end-user regulated prices				
open market with no end-user regulated prices				
<b>DENMARK</b>				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	January 2003	January 2003	23 June 1905	20 June 1905
% of eligible customers who are supplied at end-user regulated	NA	NA	NA	NA
% of consumption at regulated prices	NA	NA	NA	NA
Reversibility (YES / YES after a minimum fixed period / NO)	YES after a minimum fixed period on the market			
<b>ESTONIA</b>				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	1 January 2013	1 January 2013	1 January 2009	1 January 1999
% of eligible customers who are supplied at end-user regulated				90%
% of consumption at regulated prices				NA
Reversibility (YES / YES after a minimum fixed period / NO)				YES after a minimum fixed period on the market
<b>FRANCE</b>				
*	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	July 2007	July 2004	2003	2000
% of eligible customers who are supplied at end-user regulated	99%	82%	94%	82%
% of consumption at regulated prices	99%	82%	94%	32%
Reversibility (YES / YES after a minimum fixed period / NO)	YES after a minimum fixed period on the market	NO	NO	NO
<b>GREECE</b>				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	1 July 2007	1 July 2004	1 February 2001	1 February 2001
% of eligible customers who are supplied at end-user regulated	100%	100%	100%	99,99%
% of consumption at regulated prices	100%	100%	100%	
Reversibility (YES / YES after a minimum fixed period / NO)	YES	YES	YES	YES

## Electricity

HUNGARY				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	1 January 2008	1 July 2004	1 July 2004	1 January 2003
% of eligible customers who are supplied at end-user regulated	100%	N.A.		
% of consumption at regulated prices	100%	N.A.		
Reversibility (YES / YES after a minimum fixed period / NO)	YES	YES		
IRELAND				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	2005	2004	2002	2000
% of eligible customers who are supplied at end-user regulated	99,7%	65%	45%	
% of consumption at regulated prices	99,7%	51,6%	38,6%	
Reversibility (YES / YES after a minimum fixed period / NO)	YES	YES	YES	
ITALY				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	1 July 2007	1 July 2004	1 May 2003	1999
% of eligible customers who are supplied at end-user regulated	99,7%	79,2%		
% of consumption at regulated prices	99,7%	47,4%		
Reversibility (YES / YES after a minimum fixed period / NO)	YES	YES		
Percentages given on 31 December 2007				
LATVIA				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	1 July 2007	1 July 2004	1 July 2004	1 July 2004
% of eligible customers who are supplied at end-user regulated	100%	100%		
% of consumption at regulated prices	100%	100%		
Reversibility (YES / YES after a minimum fixed period / NO)	YES	YES		
LITHUANIA				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	1 July 2007	1 July 2004	1 July 2004	1 January 2001
% of eligible customers who are supplied at end-user regulated	100%	100%	100%	
% of consumption at regulated prices	100%	100%	100%	
Reversibility (YES / YES after a minimum fixed period / NO)	YES after a minimum fixed period on the market			

## Electricity

NETHERLANDS				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	1 July 2004	1 July 2004	1 January 2002	1 January 1998
% of eligible customers who are supplied at end-user regulated	100%	100%		
% of consumption at regulated prices	100%	100%		
Reversibility (YES / YES after a minimum fixed period / NO)	--	--		
POLAND				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	1 July 2007	July 2004	January 2000	September 1998
% of eligible customers who are supplied at end-user regulated	99,99%			
% of consumption at regulated prices				
Reversibility (YES / YES after a minimum fixed period / NO)	YES			
PORTUGAL				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	4 Sept. 2006	1 July 2004	1 January 2002	1 January 1999
% of eligible customers who are supplied at end-user regulated	97,2%	96,5%	99,5%	100,0%
% of consumption at regulated prices	98,5%	99,7%	99,8%	100,0%
Reversibility (YES / YES after a minimum fixed period / NO)	YES	YES	YES	YES
ROMANIA				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	1 July 2007	1 July 2007	1 July 2005	27 October 2000
% of eligible customers who are supplied at end-user regulated	100,0%	99,7%	87,5%	79,2%
% of consumption at regulated prices	100,0%	94,9%	64,5%	12,7%
Reversibility (YES / YES after a minimum fixed period / NO)	NO	NO	NO	NO
SLOVAK REPUBLIC				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	1 July 2007	1 January 2005	1 January 2005	January 2005
% of eligible customers who are supplied at end-user regulated	100%			
% of consumption at regulated prices	100%			
Reversibility (YES / YES after a minimum fixed period / NO)	YES after a minimum fixed period on the market			
SPAIN				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	1 January 2003	1 January 2003	01/01/1999 and 30/06/2000	1 January 1998
% of eligible customers who are supplied at end-user regulated	92%	65%		0,005%
% of consumption at regulated prices	91%	65%		7%
Reversibility (YES / YES after a minimum fixed period / NO)	YES	YES		NO

## Gas

**7.2. Gas: Share of customers/consumption supplied at regulated prices-  
Reversibility**

<b>GAS countries with end-user regulated prices in at least one open market segment</b>				
closed market	percentages given on 1 July 2008			
open market with end-user regulated prices				
open market with no end-user regulated prices				
<b>DENMARK</b>				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	2004	2004	2004	2004
% of eligible customers who are supplied at end-user regulated	NA	NA	NA	
% of consumption at regulated prices	NA	NA	NA	
Reversibility (YES / YES after a minimum fixed period / NO)	YES	YES	YES	
<b>ESTONIA</b>				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	2007	1998	1998	1998
% of eligible customers who are supplied at end-user regulated	100%			
% of consumption at regulated prices	100%			
Reversibility (YES / YES after a minimum fixed period / NO)	NA			
<b>FRANCE</b>				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	July 2007	July 2004	2003	2000
% of eligible customers who are supplied at end-user regulated	96%	73%	73%	37%
% of consumption at regulated prices	96%	63%	63%	16%
Reversibility (YES / YES after a minimum fixed period / NO)	NO	NO	NO	NO
<b>HUNGARY</b>				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	July 2007	July 2007	July 2004	July 2004
% of eligible customers who are supplied at end-user regulated	100%	99,8%	95,1%	31,8%
% of consumption at regulated prices	100%	92%	53%	67%
Reversibility (YES / YES after a minimum fixed period / NO)	YES	YES	YES	YES

## Gas

IRELAND				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	July 2007	July 2004	January 2003	1999
% of eligible customers who are supplied at end-user regulated	98%	99,99%	89,00%	
% of consumption at regulated prices	98%	99,99%	NA	
Reversibility (YES / YES after a minimum fixed period / NO)	YES	YES	YES	
ITALY				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	2003	2003	2000	2000
% of eligible customers who are supplied at end-user regulated	95,8%			
% of consumption at regulated prices	92%			
Reversibility (YES / YES after a minimum fixed period / NO)	YES			
	Percentages given on 31 Decembre 2007			
LITHUANIA				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	2007	2007	2004	2001
% of eligible customers who are supplied at end-user regulated	100%	100%	100%	100%
% of consumption at regulated prices	100%	100%	100%	100%
Reversibility (YES / YES after a minimum fixed period / NO)	Yes after a minimum period			
<i>only one gas supplier</i>				
NETHERLANDS				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	2004	2004	2002	2000
% of eligible customers who are supplied at end-user regulated	100%	100%		
% of consumption at regulated prices	100%	100%		
Reversibility (YES / YES after a minimum fixed period / NO)	NA	NA		

## Gas

POLAND				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	2007	2004	2004	2000
% of eligible customers who are supplied at end-user regulated	100%	100%	100%	100%
% of consumption at regulated prices	100%	100%	100%	100%
Reversibility (YES / YES after a minimum fixed period / NO)	NA	NA	NA	NA
<i>only one gas supplier</i>				
PORTUGAL				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	2009	2010	2008	2008
% of eligible customers who are supplied at end-user regulated			100%	100%
% of consumption at regulated prices			100%	100%
Reversibility (YES / YES after a minimum fixed period / NO)			YES	YES
ROMANIA				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	July 2008	January 2008	January 2008	January 2008
% of eligible customers who are supplied at end-user regulated	100%	98%	97%	84%
% of consumption at regulated prices	100%	NA	NA	NA
Reversibility (YES / YES after a minimum fixed period / NO)	YES	YES	YES	YES
SLOVAKIA				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	July 2007	2005	2005	2005
% of eligible customers who are supplied at end-user regulated	100%			
% of consumption at regulated prices	100%			
Reversibility (YES / YES after a minimum fixed period / NO)	YES			
SPAIN				
	Households	Small businesses	Medium to large businesses	Energy Intensive
Market opening	January 2003	January 2002	2000/2001	1998/1999
% of eligible customers who are supplied at end-user regulated	51%	55%		
% of consumption at regulated prices	54%	63%		
Reversibility (YES / YES after a minimum fixed period / NO)	YES	YES		