

## CEER Citizens' Q&A

# CEER Status Review on the Implementation of Distribution System Operators' and Transmission System Operators' Unbundling Provisions of the 3rd Energy Package

April 2016

---

## 1 What is unbundling?

The term unbundling describes the legal requirement imposed on energy companies obliging them to separate their generation/supply activities from their network operations, be they high voltage transmission or lower voltage distribution.

The background here is that, even in liberalised energy markets, networks are generally a monopoly activity. In other words there is typically only the one transmission or distribution network operator in an area, as this is more efficient than having multiple operators. In order to allow competing generators and suppliers fair access to these monopoly networks, and to ensure that all consumers are treated the same irrespective of their supplier, there must be a minimum level of separation of the networks from the operators' affiliated generation and supply activities. Hence energy network activities are generally required to be unbundled under EU legislation.

## 2 What do the Status Reviews present?

The two CEER Status Reviews focus on whether the Distribution System Operators (DSOs) and Transmission System Operators (TSOs) in Europe have properly unbundled or not, according to the EU's legislative requirements. The reports emphasise the important role of energy regulators in enabling a clear and transparent unbundling process in compliance with the relevant EU legal provisions.

## 3 How does it work?

There are different models of unbundling depending on the network concerned; if the network is transmission then the TSO unbundling rules are stronger and companies are obliged either to sell their grid or isolate the management of the grid within the company through operational and legal measures. For distribution, the DSO unbundling rules are less restrictive because the potential of discrimination is lower.

## 4 Why is this important for energy customers? What is the impact on energy customers?

System operators (DSOs and TSOs) are required under EU legislation to act as neutral bodies in terms of how they deal with energy generators, suppliers and customers, thereby facilitating fair competition in energy generation and supply, to the benefit of consumers.

Consequently unbundling helps promote and maintain competition in energy markets, ensuring greater choice for consumers and thus facilitating pressure on energy companies to offer the best possible value and services.

## 5 Key findings

The main difference between DSOs and TSOs lies in the requirement for TSOs to be certified by the competent NRA as being compliant with the unbundling requirements under the 3rd Package.

The key findings in the CEER Status Reviews are as following:

### DSOs

- The DSO landscape in Europe remains heterogeneous - in some Member States there are hundreds of DSOs, in other countries there might be only one or two. After the implementation of the 3rd Package, the number of DSOs did not change significantly. We can conclude that the unbundling provisions did not trigger substantial structural changes.
- We observe different unbundling structures in Member States; some DSOs have a separate ownership to suppliers whereas some others are part of the same group.
- Apart from the Netherlands where the full ownership unbundling is required by law, in the other Member States (25) participating in the survey, at least a legal and functional unbundling for both gas and electricity DSOs is required. In most countries, different regimes are put in place for gas and for electricity DSOs.
- 15 out of 26 Member States participating in the survey apply the exemption at national level related to DSOs serving less than 100 000 connected customers.

### TSOs

- The most prevalent energy unbundling model implemented is the Ownership Unbundling model; with 70% of electricity TSOs and 40% of gas TSOs certified under this model.
- 6 out of 26 Member States participating in the survey responded that TSOs continue to benefit from an exemption (temporary and/or partial) to the unbundling rules.
- In general, the ownership structure is more diverse in the gas than in the electricity sector. The public ownership is more prevalent in the electricity than in the gas TSOs.

### Electricity TSOs:

- Half of the responding MSs have a 100% public ownership;
- 2 out of 26 responding MSs have a full private ownership.

### Gas TSOs:

- 5 out of 26 responding MSs have a 100% public ownership;
- 4 out of 26 responding MSs have a full private ownership.