



Distribution sector reform

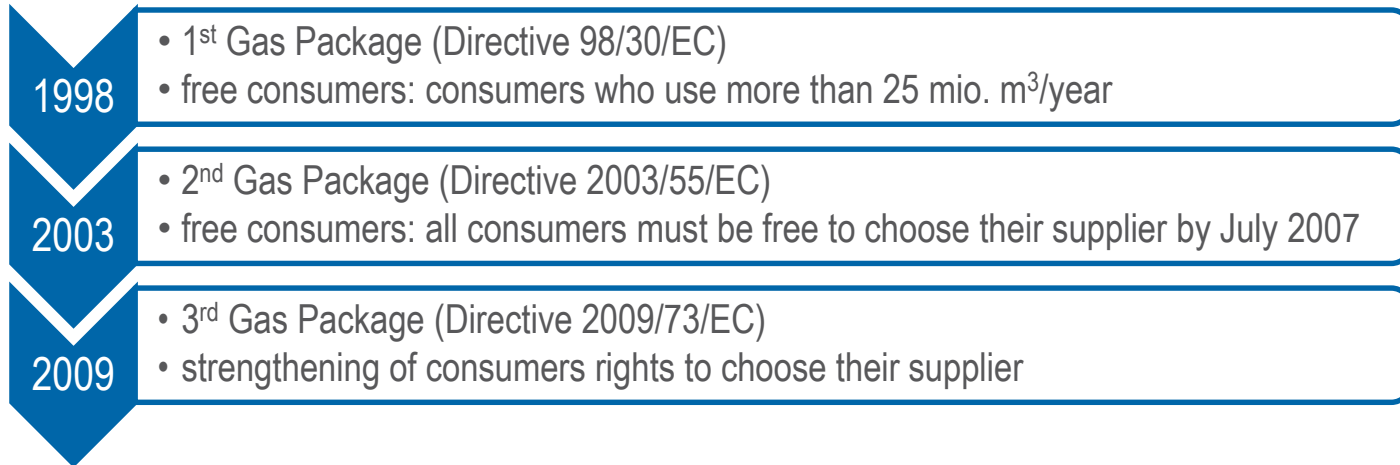
The regulatory perspective

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24 October 2019

- Liberalisation
 - Opening up markets for competition
- Expectation of an EU internal market for energy
- Expectation of competition on the energy market
 - choice of supplier for the end consumers and better services
- Expectation of the European industry to become more competitive on the world market
 - more jobs and more prosperity
- Expectation that liberalisation would lead to lower prices

- During the 1990s, most national natural gas markets in the EU were still monopolized
- The EU and the Member States decided to open these markets gradually to competition



- Austria decided to implement full market opening from 1 October 2002

- At EU-level unbundling of distribution system operators was introduced in 2003 (2nd Gas Package)
- Basic elements of unbundling of DSOs:
 - **legal unbundling** of the DSO from other activities of the vertically integrated undertaking not related to distribution*
 - **functional unbundling** (management separation, effective decision-making rights, compliance program) of the DSO in order to ensure its independence from other activities of the vertically integrated undertaking
 - **accounting unbundling**: requirement to keep separate accounts for DSO activities
 - possibility of exemptions from the requirement of legal and functional unbundling for small DSOs (<100,000 connected customers)**
- distribution means the transport of natural gas through local or regional pipeline networks with a view to its delivery to customers, but not including supply
- ** In Austria, this threshold was set at 50,000

Liberalisation effects in Austria

Macroeconomic effects of energy market liberalisation in Austria

- Without liberalisation, private households and industry would have paid € 10bn more for electricity and € 1.3bn more for natural gas between 2001 and 2009

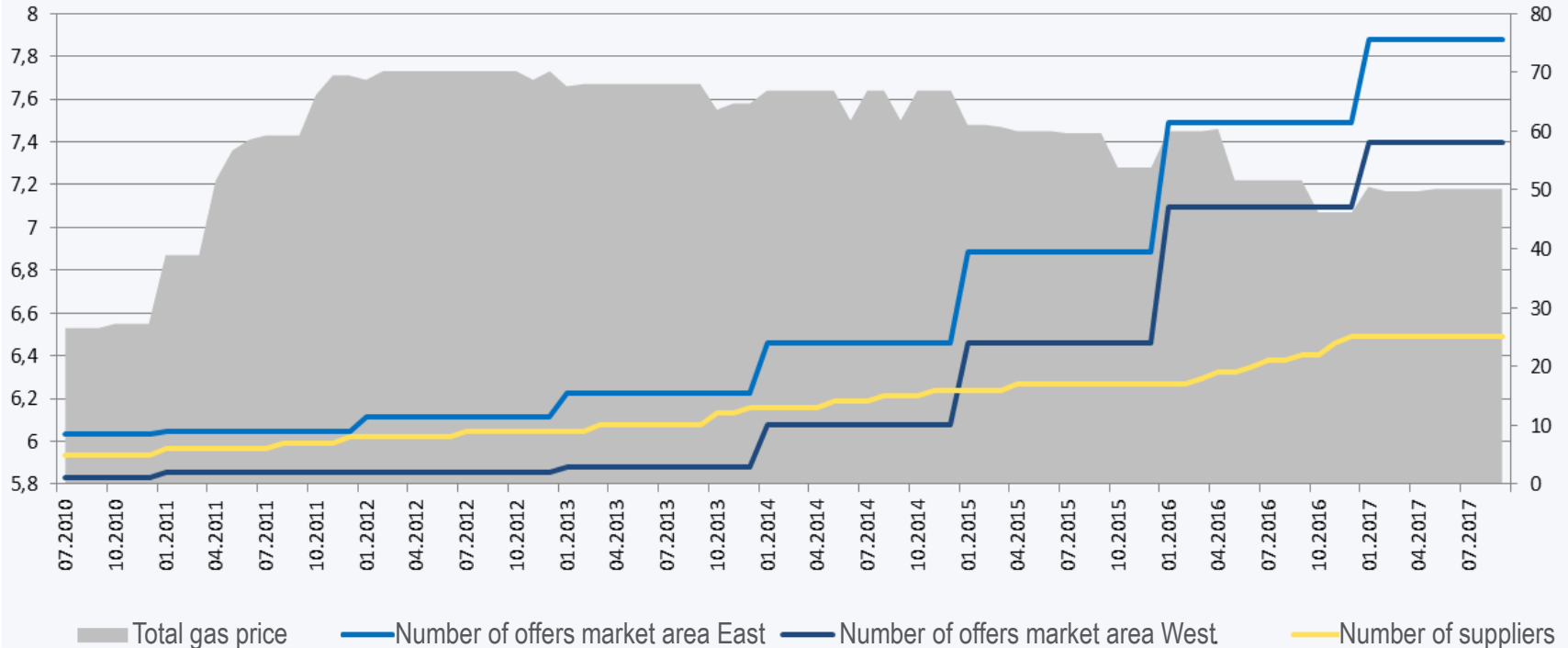
THE EFFECTS OF LIBERALISATION 2001-2009 (billion Euro)		
	Electricity	Gas
Industry	8.90	1.20
Households	1.30	0.08
Total	10.20	1.28

- Without liberalisation, GDP would be 1% lower
- Without liberalisation, there would be 3000 fewer jobs

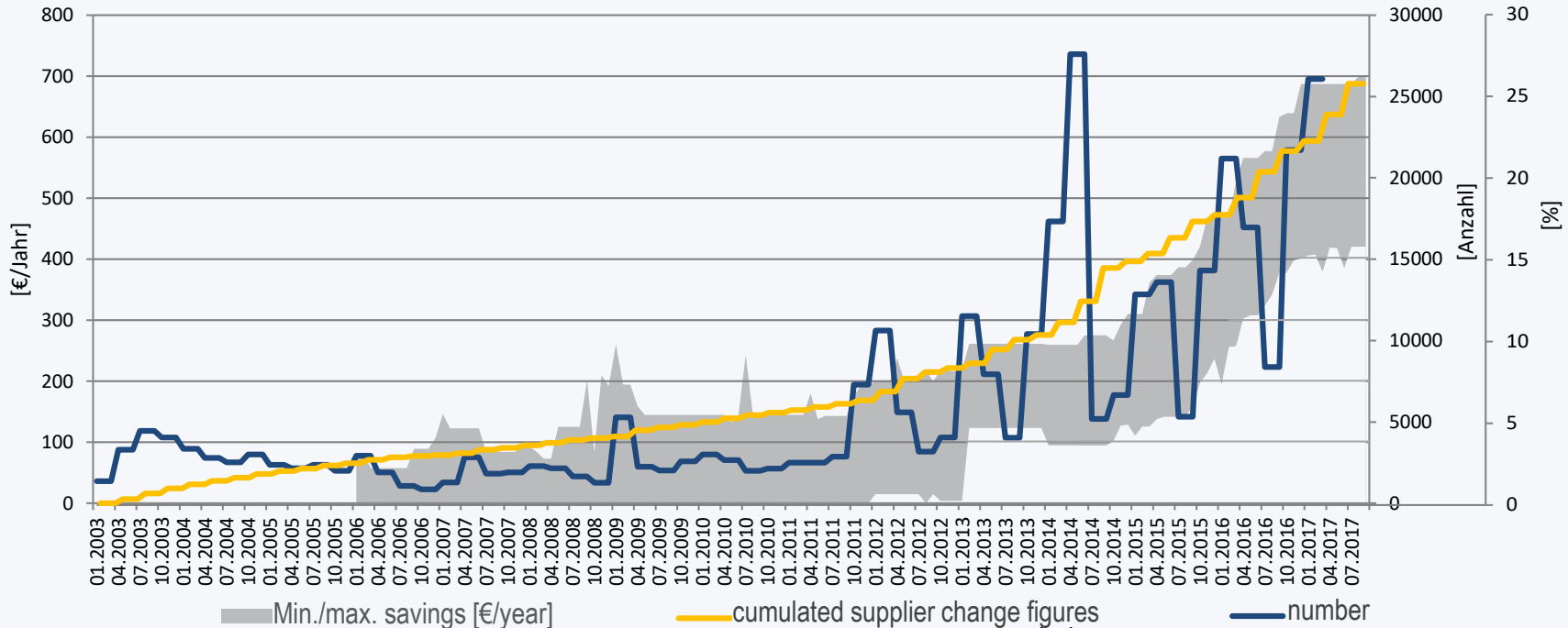
Source: Austrian Institute of Economic Research

Increased competition and customer orientation

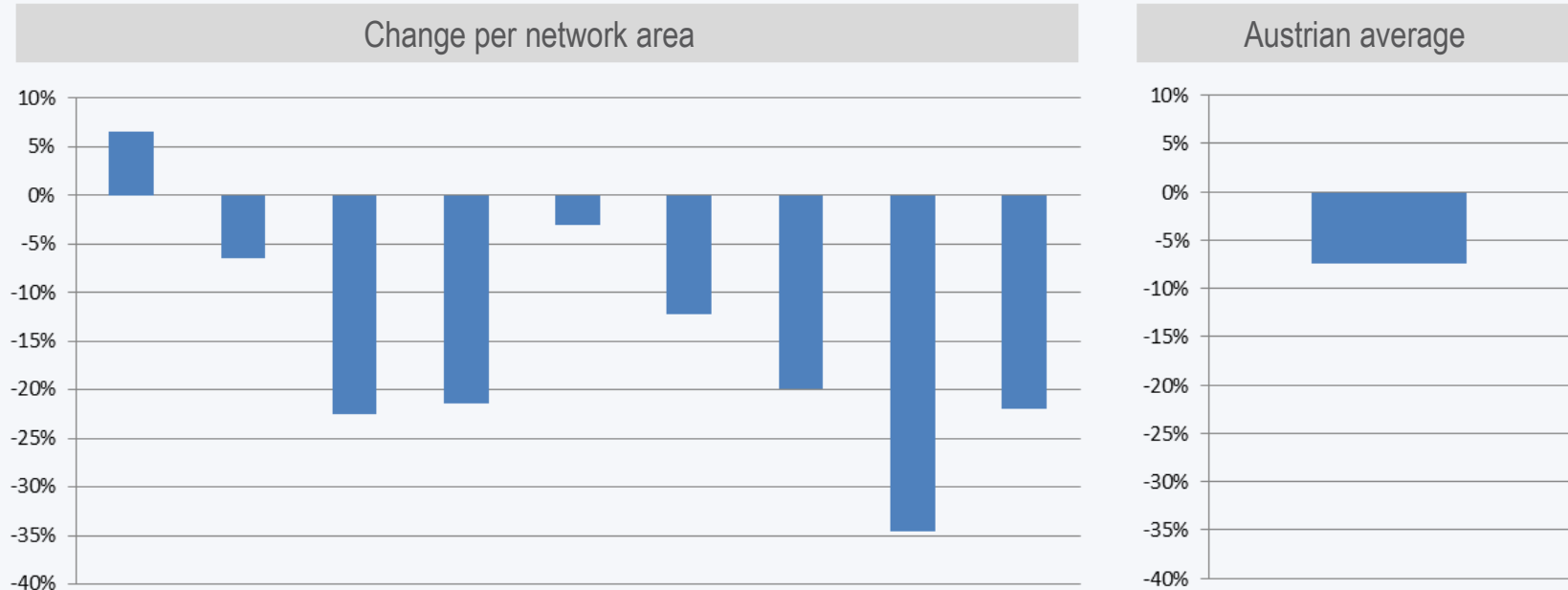
Total gas price / Development of the number of suppliers and offers [€/kWh / number]



Savings when changing supplier / Number of supplier changes and cumulated supplier change figures

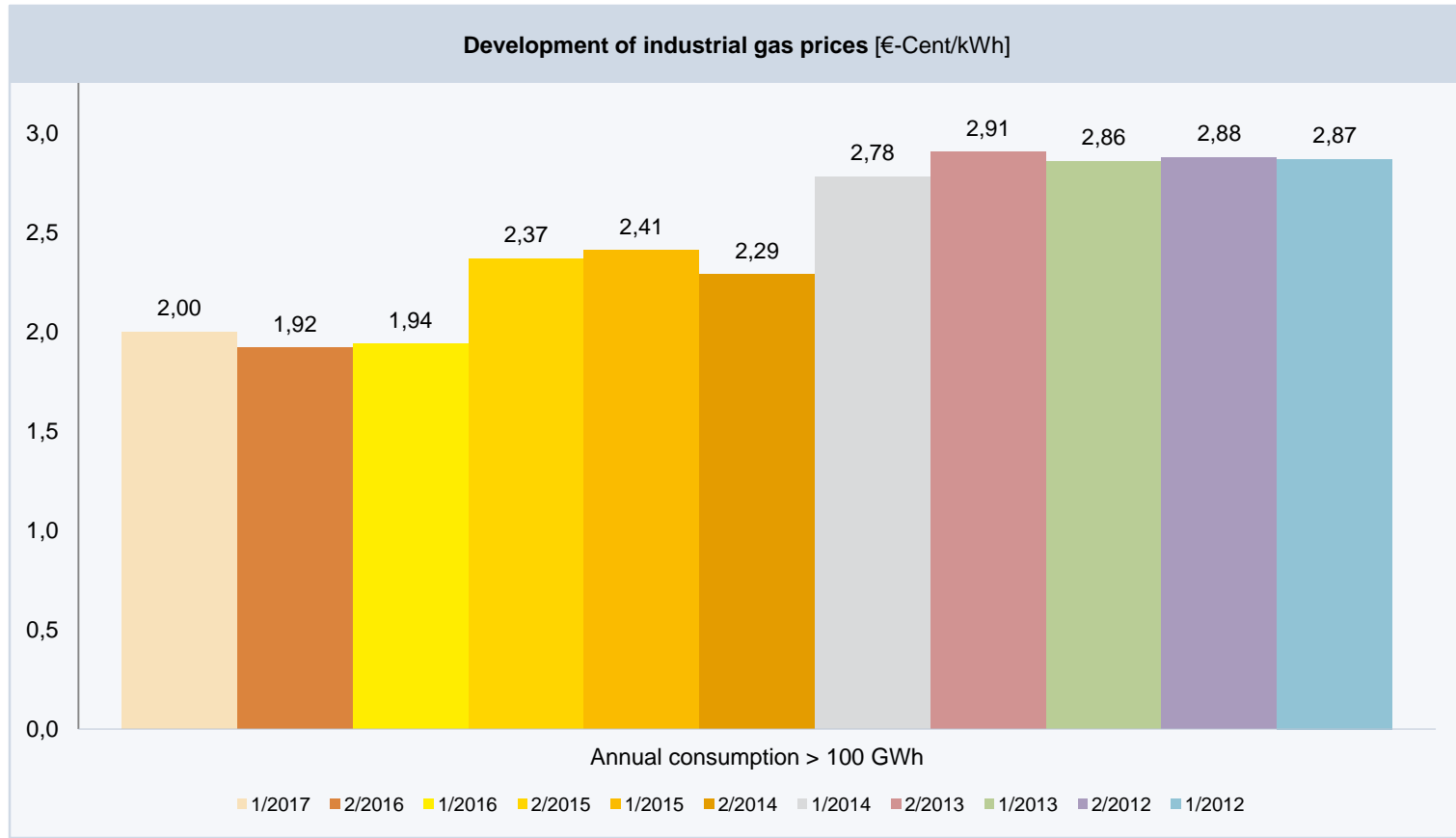


Change in network costs for a household customer consuming 15,000 kWh/y – 2016 vs. 2006 [%]



Note: The reported costs are adjusted for inflation and adjusted for annual fluctuations in the total supply to end consumers as the volume-based basis for calculating tariffs.

Development of gas prices for industry



- Ensuring effective unbundling of DSOs requires continuous monitoring (and enforcement action, if necessary) by regulators
- Rules defining the supplier switching process provide clarity for the customer and the DSO
 - How long does the switching process take?
 - What information is needed to carry out the switching?
 - Possible reasons for rejecting a switch of a supplier should be clearly defined and must be justified
- Allowed remuneration of DSOs to reflect monopoly character of the activity
- Establishment of a transparent wholesale price will be important to be used as a reference for industrial customers (e.g. when negotiating supply contracts)

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