



GEODE POSITION ON EUROPEAN COMMISSION GREEN PAPER on a European Strategy for Sustainable, Competitive and Secure Energy

GEODE, the European association of independent energy distributors, welcomes the general outlines of the Green Paper. As distributors association, our comments put special emphasis on the issues related to the completion of the internal electricity and gas markets and security of supply.

I.- Competitiveness and internal market.-

GEODE totally supports the need of achieving an internal energy market in Europe. The current situation of European energy markets is that Europe is divided into many geographic and national electricity sub-markets, with different competition levels between them. There is a lack of cooperation between TSO's and bottlenecks limit trade and a homogenous market development. At the same time there is market concentration and market power of dominant generators and vertically integrated companies is increasing.

In this framework, **GEODE** agrees with the Commission that harmonised rules and market based solutions are necessary prerequisites for fair competition and efficiency. Therefore we support the proposal of a **European grid code** harmonising grid access conditions as well as common rules on regulatory issues that affect cross-border trade.

Regarding interconnections, **GEODE** believes that improved infrastructures and the removal of bottle-necks are crucial for the function of the internal energy market. The lack of market integration is largely due to the fact that interconnection capacity available is still broadly insufficient. The decision of the Barcelona European Council in 2002 that all Member States must have interconnection capacity equivalent to at least 10% of their national consumption has to be achieved in the near future and, it should be higher in Member States with high level of market concentration.

GEODE considers that more cooperation between network operators, TSO's is needed and we agree that in the long-term vision it should be a common TSO's for the European electricity and gas markets. Then, **GEODE** supports the settlement of a **formal Group of TSO's at European level** and the creation of a **European Centre for Energy Networks**. Both conditions will facilitate cross-border trade.

Concerning the need of a **European Regulator**, **GEODE** considers that a single European energy market, on the long-term, would need a European energy regulator: one market-one regulator, as it is proposed on the Green Paper, to look at cross-border issues. It would substantially contribute to the harmonisation of rules affecting cross-border trade.

GEODE supports the Commission concerns on the need to assure effective unbundling of transmission from competitive activities by fully implementing the electricity and gas directives.



However, if further measures in that respect are considering ownership or structure unbundling, **GEODE** would support ownership unbundling for transmission activity from other activities as it would prevent TSO's block the markets. But, at the level of distribution activities, there is no need to introduce an obligation for ownership unbundling, as distributors could never have the capacity to block markets.

GEODE stands for the creation of a positive investment climate. A stable European fiscal and regulatory framework to attract investment, without distorting elements, eg. price caps, is essential to meet future energy demand.

II.- Internal energy supply policy.-

GEODE shares the opinion that a competition based market model improves security of supply by sending the right investment signals.

More formal coordination & cooperation between TSO's on EU-level is desirable, to guarantee security of supply.

Increased emphasis on common standards for the physical security level of the infrastructure is desirable.

III.- Energy mix.-

GEODE agrees that companies and Member States should invest in the energy mix they prefer within a harmonised set of rules.

It is questionable if this can be combined with a minimum EU-level of "secure and low-carbon technologies".

IV.- Environment.-

GEODE supports the ambition of energy efficiency and renewable & low-carbon energy production

Market based solutions within a EU-wide framework is the most efficient way to achieve this:

A white certificates trading system acts only in the demand side, motivating a reduction of consumption. **GEODE** stands for an efficient use of energy.

An efficient use of the flexible mechanisms and a rapid expansion of the ETS system internationally are important for Europe's competitiveness.

The volatility of the EUA prices this year illustrated the need for a revision of the operation of the system.



V.- Energy technology & innovation.-

GEODE supports the idea of a strategic plan for energy sources and technologies, but stresses that also the improvement for existing sources should be considered.

VI.- External relations.-

GEODE supports the idea of a common external energy policy.

A special attention should be given to Russia in this context, given it's special importance as most important EU supplier.

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