

## EUROGAS POSITION ON THE REVISED PROPOSAL FOR A DRAFT DIRECTIVE CONCERNING THE INTRODUCTION OF RATIONAL PLANNING TECHNIQUES IN THE ELECTRICITY AND GAS DISTRIBUTION SECTORS

(COM(95)369)

### 1. PRIOR AND CURRENT DEVELOPMENTS

On 20 September 1995, the European Commission adopted the proposal of Council Directive "to introduce rational planning techniques in the electricity and gas distribution sectors" (COM(95)369), resulting from a 1993 Commission working paper on which Eurogas had given extensive comment and recommendations that had not been taken into account in the proposed Directive. On 14 December 1995, Eurogas issued its position paper (S/EUR/95/613) on the proposal of Directive, fully rejecting the latter as unnecessary, potentially harmful and discriminatory.

It is noted that the Council has been mostly opposed to the proposal and should be encouraged by industry to remain so.

The proposal of Directive has been reviewed in the European Parliament in 1996.

Following the introduction of a number of proposed amendments from the Parliament, the Commission has issued the subject Revised Proposal in April 1997, which has been assessed since in the Eurogas Internal Market Task Force, with conclusions and recommendations as follows.

The Revised Proposal up for a Common Position of the Council, then to be reviewed again in the Parliament and submitted to the Council for a decision, although the time schedule is not known at this stage.

### 2. COMMENT ON THE REVISED PROPOSAL

The most significant changes in wording are (Article 2)

- ⇒ the inclusion of "supply" companies in addition to "distribution" companies, thus broadening the scope of application within the otherwise unchanged electricity and gas sectors ;

- ⇒ enhanced bureaucracy with the obligation for companies to *"present to the competent authorities ... a strategic development plan showing how they will meet future demand requirements ... evaluating all resource alternatives on an equal economic basis"* ;
- ⇒ mechanisms should be established that *"do not adversely affect the competitive position of electricity and gas in relation to other energy sources falling outside the scope of this Directive"*.

Other amendments are of a more editorial and technical nature.

The first mentioned change is not clear. It may be intended to bring the Directive into line with the Gas Directive, but its effect would be to greatly increase the scope of the rational planning proposal, with unwelcome implications for the whole industry.

For gas, again, the phrasing "evaluating all resource alternatives on an equal economic basis" is absurd, as the gas industry will not consider the replacement of gas by other fuels.

Notwithstanding the last mentioned helpful amendment in relation to the competitive position of gas and electricity, the resulting revised proposal is no more acceptable to Eurogas than the original version, and for the same reasons.

Briefly, the proposed Directive remains :

- **unnecessary**, because in today's energy competitive market gas suppliers offer efficient commercial solutions for rational energy utilisation, increasingly energy services tailored to the specific needs of customers ; indeed regulatory aspects of the proposal are potentially incompatible with plans to open up the gas market to more gas to gas competition Europe-wide.
- **potentially harmful**, because the implied enhanced bureaucracy will not improve the economic operation of the efficient competitive market in which energy effective solutions are the most successful. Information requirements would be particularly onerous for smaller suppliers, and possibly present a not insignificant barrier to entry to the competitive gas market.
- **discriminatory**, because natural gas is not treated on an equal basis with other competing energies, in particular with oil products and coal which by and large are less energy effective and less environmentally friendly than gas.

# eurogas

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