



EUROPEAN FEDERATION OF
LOCAL ENERGY COMPANIES

2009 ANNUAL REPORT



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A WORD FROM THE CHAIRMAN

In 2009, the European Union had to face some significant challenges.

The security of procurement remained once again a thorny problem. In addition, the deep economic recession, which followed the world financial crisis, contributed to the reduction in the demand for electricity and natural gas, as well as energy prices.

The European Union had translated its great expectations for an urgent and binding post-Kyoto agreement in Copenhagen in 2009, into the ambitious 20-20-20 objectives for 2020: 20% reduction in greenhouse gas emissions, 20% renewable energy and 20% improvement in energy efficiency.

In order to reach the internal energy market expected for over 10 years, the European Parliament, the European Council and the European Commission reached a compromise on the "Third Package" of directives to reinforce the internal electricity and natural gas market: stricter rules for the decoupling between the regulated activity of the transmission network and the commercial activities of production and supply, falling within a harmonisation of the competences exercised by the national regulators and the creation of a European regulator, all while paying the necessary attention to the rights of the consumers and planning a schedule for the development of the smart meter systems. The transposition into national law of the Member States must go into effect no later than March 2011.

During the past year, the European Union also transformed and reformed its institutions.

A new European Parliament was elected, the Member States ratified the Treaty of Lisbon bringing a more efficient and more democratic operation to the EU, the President of the Commission was elected by the Parliament and a new College of European Commissioners was created and the European Council chose its first President in accordance with the new treaty.

Of course, all these events and developments listed above have repercussions on the future activities of the CEDEC and have confirmed and even reinforced the need for coordination and collaboration between the local companies at the European level.

A constructive role with the political authorities and their administrations and the different regulatory bodies, allows the local energy companies to have their ideas and their specific opinions included in an integral manner into the European political decisions.

At the European level, faced with a European regulator and strong multinational groups, the local energy companies must, in order to ensure their role in the European electricity and gas market and their development, continue to collaborate through the CEDEC, which is the European coordination body that comes closest to their characteristics and their specific interests.

The local energy companies will not be able to obtain without encountering any opposition the right to be actively associated in the consultation procedures at the European level. Their current involvement in the Forums of Florence and Madrid, covering electricity and gas respectively, in the Citizens' Energy Forum of London and in the Energy Efficiency Forum of Bucharest, must provide the transparent basis for the future definite discussions on the subject of their infrastructures and their customers.

Thanks to the credibility that it has acquired over the years - since the appearance of the first projects concerning the liberalisation of the European energy market - CEDEC remains a successful protagonist in the European energy sector.

The quest for a balance between the legitimate interests of the Community and local investors, the companies involved, the consumers and the general interest remains a challenge, also for the long term.

I would also like to thank the management and the colleagues of the federations and the affiliated companies, which provide an essential contribution to the effectiveness of the actions carried out successfully by the CEDEC.

Also, we will continue to count, in the years to come, on the experience, the know-how and the enthusiasm of the CEDEC and all its members.

As I pass the Presidency to my successor, I appreciate the personal and professional relationships established with all the interesting, high calibre persons - throughout the long years of my involvement in the CEDEC - who were involved in the decision-making bodies of CEDEC.

I would be remiss, if I did not seize this last opportunity, to tell you to what an extent I have appreciated, unfailingly and without reservation, the precious collaboration of the staff of the CEDEC, as efficient as it is dedicated.

The President

Robert Urbain

THE CEDEC

MISSIONS STATEMENT

- ***To represent our affiliated companies' interests in dealings with the European authorities***

The CEDEC represents its members' interests in dealings with the European authorities in the field of electricity and gas. The drawing up of legislation and statutory instruments is the final outcome of a long process of information, dialogue, consultation and negotiation, in which the CEDEC plays an active part.

It aims to put forward and defend the joint positions of the companies affiliated to it in dealings with the various European institutions, including the European Parliament, the Council and the European Commission. It also takes part in the forums held in Florence (electricity), Madrid (gas) and London (energy consumers) and Bucharest (renewable energies) and plays a role as a European spokesman for the local energy company sector.

The CEDEC gives opinions on behalf of its members at the various stages of the legislative process, although on certain subjects, the CEDEC works together with other European federations and bodies, by taking part in exchanges of ideas and positions.

Through its work, the CEDEC thus aims to promote the development of local energy companies in Europe.

- ***Acting as an intermediary between the national regulator and the European regulator***

The CEDEC translates the relationship between local companies and national regulators at European level: getting the CEDEC involved in consultation procedures and other initiatives launched by the European regulator (ERGEG/ACER) has become a strategic objective for the upcoming years.

- ***Promoting exchanges of information and experience***

The CEDEC acts as a genuine round table for local companies operating in the field of energy. It promotes the exchanging of scientific information and technical and economic experience relating to the problems including those involved in energy distribution between its members on the one hand, and between the CEDEC and the relevant international organisations on the other.

Depending on the needs at any given time, ad hoc task forces are set up, involving experts in the various fields represented, and these latter draw up the CEDEC's opinions.

In order to feed into exchanges of information and experience, the CEDEC is also in touch with other European and international organisations, including the ECPE (Centre Européen des Entreprises à participation Publique et des services d'intérêt général - European Centre for Companies with Public Participation and services of general interest) and the CIRIEC (Centre International de Recherches et d'Information sur l'Économie Publique, Sociale et Coopérative - International Centre for Research and Information on the Public, Social and Cooperative Economy).

- ***Providing services to affiliated companies***

The CEDEC closely monitors all legislative and regulatory initiatives and sends out its opinions on subjects which are relevant to local energy companies.

It publishes a regular newsletter providing targeted information entitled CEDEC Info.

Depending upon strategic and technical requirements, the CEDEC organises conferences and seminars.

Its website and information portal (www.cedec.com) allow people to view a whole series of information online, especially the relevant European legislation.

THE CEDEC

THE COMPOSITION OF THE MANAGEMENT AND SUPERVISORY BODIES

The Board

Chairman

Robert URBAIN (Intermixt)

Vice-chairmen:

Bernard MARGARON (FNSICAE)
Bernd WILMERT (VKU)

Administrators:

Roberto BAZZANO (Federutility)
Norbert BREIDENBACH (VKU)
Mauro d'ASCENZI (Federutility)
Jo GEEBELEN (INTER-REGIES)
René KELHETTER (FNCCR)
Bernard MARGARON (FN SICAE)
Giorgio SOLDADINO (Federutility)
Robert URBAIN (Intermixt)
Jacques VANDEBOSCH (INTER-REGIES)
Bernd WILMERT (VKU)
Alexandre DUNOYER (ANROC)
Michaël WÜBBELS (VKU)

The following experts attend board meetings:

Lorenzo BARDELLI (Federutility)
Pierre BOULNOIS (FNSICAE)
Claude BOURDET (ELE) (from the 1st July 2009)
Frank CHEVALLEY (FNCCR)
Gert DE BLOCK (CEDEC)
Renato DRUSIANI (Federutility)
Thomas FREUDENBERG (VKU)
Luc GATIN (FNSICAE)
Luc HUJOEL (Intermixt)
Alain PETIT (Intermixt)
Yves RAGUIN (FNCCR) (from the 1st July 2009)
Joachim RECK (VKU)
Jean RIVET (FNCCR) (until the end of June 2009)
Fabio SANTINI (Federutility)
Pascal SOKOLOFF (FNCCR)
Guillaume TABOURDEAU (ANROC)
Christian VIAENE (Intermixt)
Bruna ZANONZINI (Federutility)

Honorary chairman

Renzo CAPRA (Federutility)

The College of Commissioners

Jos ANSOMS (Intermixt)
Karl FERRARI (Federutility)
Claude BOURDET (ELE)

Day-to-day management

Gert De Block - General Secretary

MEETINGS OF THE MANAGEMENT BODIES

The Board met on 29/01/2009 (in Brussels - Belgium), 2/04/2009 (in Paris - France), 3/06/2009 (in Berlin - Germany), 8/10/2009 (in Brussels - Belgium), 3/12/2009 (in Brussels - Belgium).

The Annual General Meeting was held in Berlin (Germany) on 3/06/2009.



The CEDEC's ambition is to expand with new members in order to consolidate its presence in dealings with the European institutions and its impact on the European decision-making process, in order to defend the positions and interests of local companies as effectively as possible.

Any company or organisation which provides a public service of local interest and wishes to get involved in the work of the CEDEC - as an effective or an associate member - may apply to join the CEDEC.

AFFILIATION TO THE CEDEC

CEDEC members are local companies (or the national federations representing them) operating in the field of energy.

The fact that local companies are anchored in their own local communities does not in any way deprive them of the right - and indeed the duty - to be represented at European level. Maximum collaboration between all local companies will strengthen and optimise both their representativeness and the defending of their interests.

Local energy participants are the only competitors as they are already well-established in the national markets, and there can be no competition unless there are competitors, whether they are large or small, private or public.

2009 - KEY FACTS

JANUARY

- The Czech Republic takes over the Presidency of the Council of the European Union in the first six months of 2009.
- The work on the 3rd energy package, with a view to the second reading, begins in the ITRE Committee, after the sending to the European Parliament of the Council's common positions accompanied by the Commission's opinion.
- The energy regulators (ERGEG) and the Committee of European Service Regulators (CESR) recommend the harmonisation of European rules governing data storage, transparency and the exchanging of information.
- The International Renewable Energy Agency (IRENA) is set up. Its task is to help both developed and developing economies to make use of renewable energies.
- The second strategic analysis of European Union energy policy is adopted by the European Parliament's ITRE Committee.

FEBRUARY

- The twenty-seven EU Member States debate the 2nd strategic analysis of energy policy and the security of natural gas supply at the Energy Council meeting.
- The Commission publishes the conclusions of a consumer opinion survey about the retail electricity and gas markets.
- The ERGEG, the European energy regulators' group, publishes its 4th benchmarking report on electricity quality.
- More than 350 towns and cities from all over Europe sign the Covenant of Mayors, giving an undertaking to exceed the European Union's Climate/Energy targets.
- Coreso, the first regional technical coordination centre in Europe which was set up on the initiative of the French (RTE) and Belgian (ELIA) electricity transmission system operators, extends its activities in order to improve the security of electricity supply.

MARCH

- The European Commission expands its survey on regulated electricity tariffs.
- The European Council asks the Commission and the European Parliament to reach an agreement on the 3rd energy package quickly.
- The European Commission adopts two regulations designed to bring about the gradual withdrawal of energy-hungry conventional electric light bulbs from the market - by no later than 2012.

APRIL

- The European Parliament votes in favour of the 3rd energy package on the liberalisation of the gas and electricity markets.
- The European Commission welcomes the official adoption of the package of measures on the climate and energy and legislative acts designed to reduce carbon dioxide emissions.
- The European Commission presents a White Paper setting out the measures necessary in order to strengthen the Union's ability to stand up to climate change.

MAY

- The CEDEC takes part in the 16th Madrid European Forum.

JUNE

- The European elections are held from 4th to 7th June 2009 and new European MPs are elected to serve for the legislature from 2009 to 2014.
- The Council of Ministers formally adopts the 3rd legislative package on the liberalisation of the gas and electricity markets.
- The CEDEC takes part in the Florence Forum, for electricity, and the Bucharest Forum, based around the subject of energy efficiency and renewable energies.
- The European Commission opens legal proceedings against 25 of the 27 European Union Member States, accusing them of failing to open their energy markets up sufficiently to competition.
- The European Commission launches a public consultation on the assessment and revision of the action plan for energy efficiency.

JULY

- Sweden takes over the Presidency of the Council in the second six months of 2009.
- The European Commission adopts four regulations on eco-design aiming to improve energy efficiency.

AUGUST

- The directives and regulations of the 3rd energy package are published in the Official Journal of the European Union.

SEPTEMBER

- The European Parliament approves the reappointment of José Manuel Barroso at the head of the European Commission.
- The CEDEC takes part in the second Citizens' Energy Forum (London Forum).

OCTOBER

- The European Commission announces a series of proposals as part of a recommendation to strengthen the contribution made by information and communication technologies (ICT) to energy efficiency.

NOVEMBER

- The European Union elects its first President of the Council, Herman Van Rompuy, and the High Representative, Catherine Ashton.
- The European Commission publishes a communication outlining its policy for the next decade, known as the "EU 2020" strategy.
- The CEDEC takes part in both the Florence electricity Forum and the Madrid gas Forum.
- The ERGEG opens public consultations and issues recommendations about the setting up of the one-stop shop, the management of billing disputes, financial compensation for consumers and the monitoring of complaints.

- The European Parliament and the Council validate a common position on the energy efficiency of buildings and on energy labelling for products.
- The DG TREN launches a task force for the implementation of smart grids within the European energy market.

DECEMBER

- Spain, Belgium and Hungary announce the introduction of a joint work programme for the next 18 months.
- Ljubljana (Slovenia) is chosen to host the future Agency for the Cooperation of Energy Regulators (ACER).
- The Copenhagen Conference, held in order to reach a worldwide post-Kyoto agreement, ends in failure, as there is no binding agreement and a number of countries announce that they will refuse to ratify the final “political” text.

THE MAIN POLITICAL GUIDELINES IN THE FIELD OF ENERGY

The Presidency of the Council plays a crucial role in driving forward the legislative and political decision-making process within the European Union. It has the task of organising and chairing all of the meetings of the Council, and also of coming up with compromises which might offer solutions to the matters under discussion.

The role is taken on in turn by each Member State for a period of six months (from January to June and from July to December), in a predefined order. In 2009, the Presidency was held successively by the Czech Republic and Sweden. Each Presidency draws up its own work programme which also includes a section on energy-related matters.

The European Council is made up of the European Union Member States' Heads of State or of government and the President of the European Commission and the decisions made at meetings of the European Council play a crucial role in deciding upon the general guidelines for EU policy, including energy policy.

The Treaty of Lisbon came into force on 1st December 2009, thus providing the European Union with both modernised institutions - including greater powers for the European Parliament - and optimised working methods. Since 1st January 2010, the Belgian Prime Minister Mr Herman Van Rompuy has been appointed to serve as President of the European Council for two and a half years and Mrs Catherine Ashton, who up until then had been the Commissioner for Trade, was appointed as the new High Representative of the Union for foreign affairs and security policy, and Vice-President of the Commission.



Finally, the "Energy" Council includes those EU ministers whose remit focus on energy-related questions.

The programme for the Czech and Swedish presidencies

The priority missions for the Czech and Swedish presidencies were set out when the 18-month programme for the successive French, Czech and Swedish presidencies was drawn up.

The French Presidency of the Council of the European Union in the second half of 2008 was then taken over in turn by the Czech and Swedish presidencies which continued to focus their efforts in a number of areas linked to energy and the climate. This 18-month programme included the following goals:

- to reach a final agreement on close cooperation with both the European Parliament and the Commission on the third package of measures relating to the internal energy market;
- to continue working towards the European Union's goal of a 20% improvement in energy efficiency by 2020;
- to contribute to implementing the European strategic plan for energy technologies as quickly as possible;
- to work hard on the measures designed to adapt to climate change within the EU.

The Czech Presidency, which held the Presidency of the Council of the European Union for the first six months of 2009, engaged in heated negotiations with the European Parliament on the 3rd legislative package concerning the liberalisation of the energy market in order to complete the single gas and electricity market. The aim was for it to be passed on its second reading before the European Parliament's legislature ended in June 2009.



Its other energy priorities were the security of energy supply, the replacement of fossil energies with new technologies, the diversification of energy suppliers and the diversification of gas supply routes.

The European Commission's second strategic energy analysis and the legislative proposals on energy efficiency were also discussed during this Presidency as well as being the main subject of the European summit held on 19th and 20th March 2009.

The Swedish Presidency, sitting on the Council of the European Union in the second six months of 2009, focussed its attention on the subjects of energy efficiency and the EU's transition towards an eco-efficient economy.

In terms of energy efficiency, Stockholm was hoping to bring the discussions between the Council and the Parliament about the three legislative proposals on the energy performance of buildings, the labelling of energy products and the labelling of tyres to a close.

Sweden was also hoping to continue the debate on the proposals in the "energy security and solidarity" package, put forward by the European Commission in November 2008. In particular the Swedes were aiming to revise the regulation on the security of gas supply in order to avoid a new crisis between Russia and the Ukraine.



Energy Council meeting held on 19th February 2009

The Council meeting which took place in Brussels on 19th February debated the strategic analysis, the core of which is the "European energy security and solidarity action plan". These debates led to the Council's conclusions, which set out the short and long-term priorities on security and solidarity.

In the short term, the Council recommends diversifying energy sources, suppliers and supply routes and, as a result, approves the plans for gas infrastructures set out in the 2nd analysis.

Similarly, the Council would like to see a widespread development of offshore wind farms.

The Ministers also approve of the revised energy efficiency action plan (November 2008) and the target of 20% additional efficiency by 2020.

In order to reduce its dependency on imported energy sources, the European Union needs to make the best possible use of its own resources - including renewable energies and fossil fuels - and foster a climate in which the Member States can effectively facilitate investment in these resources.

So the Council confirms that it is necessary to:

- promote renewable energies and remove any barriers which may be slowing down their development;
- promote an environmentally-friendly form of development, using fossil energies in efficient, sustainable ways, by means of advanced technologies;
- plan for the development of a community regulatory framework on nuclear safety.

The EU should speak with one voice in its relations with other countries and assert the principles of the Energy Charter.

In the long term, the Ministers recommend developing an action plan aiming towards 2030 and a vision up to 2050 which, amongst other things, should include the subject of energy technologies (SET Plan).

So the Council has asked the Commission to identify and draw up legislative measures and other relevant initiatives, taking on board the provisions already made in the European recovery plan.

European spring summit held on 19th and 20th March 2009

The European Council meeting held in Brussels on 19th and 20th March dealt with questions such as:

- Energy security is an essential priority which needs to be strengthened by improving energy efficiency, diversifying suppliers, energy sources and supply routes and promoting the European Union's interests in the field of energy in dealings with non-EU countries.

So the European Council has approved the broad initiatives which appear in the 2nd strategic analysis of the European Union's energy policy.

- An agreement has been reached on the recovery plan, including energy. The European Commission's proposals have been adopted with the aim of allocating 5 thousand million euros of unspent money from the community budget to projects involving interconnections between the various Member States' energy networks.
- The European Union is still determined to play a leading role in drawing up a worldwide agreement on climate change in Copenhagen in December 2009. On this point, the Council has decided to tackle this subject in greater depth at the Council meeting on 11th and 12th June 2009.



Energy Council meeting held on 11th and 12th June 2009

The Energy Council meeting held in Luxembourg on 11th and 12th June looked at the reports made by the Czech Presidency on energy efficiency, amongst other things on the energy labelling of household appliances and tyres and on the re-drafting of the directive on the energy performance of buildings.

The Swedish Presidency then aimed to reach a political agreement on these three draft directives at the Council meeting in December 2009.

European Council meeting held on 18th and 19th June 2009

The last European Council meeting held under the Czech Presidency took place in Brussels on 18th and 19th June. On the eve of the Council meeting, the Heads of State and of Government signed an agreement protocol on the plan for the interconnection of energy markets in the Baltic region.

José Manuel Barroso presented the Heads of State and of Government with his "political ambitions" and priorities for the work to be done over the next five years for the purposes of his bid to be reappointed as President of the European Commission.

His ambitions included political proposals of a general nature, and their aims included preparing the way for smarter, greener and more sustainable economic growth, developing an economy with low carbon emissions and promoting energy security.

Environment Council meeting held on 25th June 2009

The Council of Ministers meeting held in Luxembourg on 25th June 2009 formally adopted the third legislative package on the liberalisation of the European Union's gas and electricity markets. This package of legislative measures includes three options for unbundling supply and production activities from the operation of the transmission grids:

- the full unbundling of the ownership structures;
- an independent system operator;
- an independent transmission operator.

The legislation also offers energy consumers greater protection, especially by setting out universal service obligations.

The regulations covering electricity grids and gas networks are designed to promote a more transparent way of running the internal energy market.

The ministers also managed to reach a political agreement on the revision of the directive on industrial emissions (IPPC). Some of the Member States were calling for greater ambition to be shown in terms of protecting the environment than the compromise put forward by the Presidency although, on the contrary, an even larger number of them wanted to see greater flexibility, especially in relation to time limits and specific exceptions for combustion facilities in small isolated systems.

The Commission supported this agreement which, even though it is less ambitious than its initial proposal, does allow some progress to be made on industrial emissions.

Energy Council meeting held on 24th September 2009

The revised directive on eco-design was adopted by the meeting of the Council of Ministers of the European Union held in Brussels on 24th September 2009. It extended the scope of the current directive to cover energy-related products, amongst other things.

The aim of this is both to improve energy efficiency and to promote efficient use of resources through a far wider range of products than is covered by the current directive.

European Council meeting held on 29th and 30th October 2009

The Council meeting held in Brussels on 29th and 30th October helped to break the deadlock with regard to the future of both the Treaty of Lisbon and, by extension, the institutional framework for the EU.

Once it had been signed by the Czech Republic, the Treaty came into force on 1st December 2009.

The heads of State and of government drew up the European Union's position as far as the Copenhagen conference on climate change held in December 2009 is concerned.



Energy Council meeting held on 7th December 2009

The energy ministers met in Brussels on 7th December 2009. They noted the progress of the work on energy efficiency, in other words the directive on the energy performance of buildings and the directive on energy labelling, plus a regulation on the labelling of tyres.

As far as energy security is concerned, the Council noted the report on the progress of the work relating to the proposed regulation on the security of gas supply and on the draft regulation on plans for investment in the EU's energy infrastructures.

Outside the Council meeting itself, the heads of State formally adopted a decision designed to site the headquarters of the European Agency for the Cooperation of Energy Regulators (ACER) in Ljubljana, Slovenia.

European Council meeting held on 10th and 11th December

The European Council meeting was held in Brussels on 10th and 11th December 2009.

In its conclusions, it asserted its commitment to the conclusion of an ambitious agreement on climate change in Copenhagen, although this eventually ended in failure.



BROAD OUTLINE OF EUROPEAN UNION ENERGY POLICY

INTRODUCTION

Europe needs to adapt to ever-growing demand for energy and to changes to the factors which exert an influence over the energy available. Taking the effects of fossil fuels and the growing fight to appropriate limited resources on board to a greater extent could lead to an increase in costs and reduced access to energy by private individuals, companies and governments.

In order to avoid ending up in this situation, the European Union has made energy and the environment more of a priority and an ambitious package of measures on energy and climate was adopted and applied in 2009. At the very start of the year - at a time when many Member States were facing crises in their supplies of gas - the European Union was already striving to improve energy security and efficiency and giving fresh impetus to the internal energy market through a number of reforms.

Europe has made sure that it commits itself specifically to the fight against climate change whilst still taking care to ensure that consumers have a secure, affordable energy supply from sustainable sources.

So during 2009 European leaders took initiatives aiming to save more energy whilst at the same time stressing the need for an effective international strategy. It is only if we all speak with a single voice, with the concerted support of the European Union Member States, that we will be able to promote innovative solutions in the field of energy and cut consumers' energy bills.



3RD ENERGY PACKAGE

The last fifteen years have seen Europe heading down the path towards total liberalisation of the gas and electricity market, and a number of important steps forward were taken in this area in 2009.

The five pieces of legislation in the 3rd energy package were passed on their second reading at the European Parliament on 22nd April 2009 and were then formally approved at the Environment Council meeting held on 25th June. Following the publication of the 5 pieces of legislation in the Official Journal of the European Union on 14th August 2009, the Member States now have a period of 18 months to transpose the directives into their national legislations (by no later than 3rd March 2011).

With a view to the approaching elections to the European Parliament in June 2009, MEPs were forced to accept the same provisions for the electricity market as for the gas market, in other words they had to give up their demands for the unbundling of ownership as the sole option for electricity and gas companies.

In spite of their firm vote that they had taken during the first reading in the European Parliament in June 2008, for a total unbundling of ownership on the electricity market, on 21st April 2009, the MEPs agreed on a solution offering both electricity and gas companies three options for unbundling the production and supply operations of grid operators:

- Integrated energy companies may be forced to sell their transmission systems so that they retain only their distribution grids, and this option, known as unbundling of ownership, prohibits supply and production companies from owning a controlling share in a transmission system operator.
- With the independent system operator (ISO) option, energy companies may retain ownership but must give up control of their transmission grids to a separate entity.
- The third option known as "ITO", which is essentially supported by Germany and France, allows energy companies to own both supply and transmission companies. Even so, these vertically integrated companies must comply with strict rules in order to guarantee the independence of the transmission system operator from the parent company.

As a result, all operators will have non-discriminatory access to the energy transmission grids, with fair, transparent pricing conditions, and all companies will be on an equal footing so that they are able to compete with one another. Companies from non-EU countries must adhere to the same rules as companies based in the European Union. These measures are also designed to facilitate access to the grid for small energy producers, including those which use renewable energies.



The CEDEC is in favour of the agreement on the 3rd energy package and believes that the five pieces of legislation published in August 2009 will make a contribution both to the common goal of creating an internal energy market in Europe, and to achieving the ambitious 20-20-20 target contained in the package on climate which has already been adopted.

The CEDEC has also assiduously defended the exemption from unbundling for small and medium-sized distribution system operators (fewer than 100,000 customers), which already appeared in the second directives on the internal electricity and gas market. This exemption, which is also put forward in the 3rd energy package, remains crucial to the CEDEC in order to avoid an increase in grid costs and tariffs (due to the loss of economies of scale and the impact of fixed costs).

Amongst other things, new rules in the 3rd energy package introduce universal service obligations and set out the rights of energy consumers - there are special measures designed to ensure both that the most vulnerable citizens are protected and to combat so-called "fuel poverty".

The MEPs have thus set out the right to change electricity or gas supplier within three weeks and free of charge.

Consumers will be entitled to compensation if the quality of service is not good enough.

Secondly, smart meters must be introduced for 80% of consumers by around 2020, although this is provided that it is assessed positively by the Member States.

The CEDEC welcomes both the introduction of smart meters on the electricity markets of the future and the measures designed to protect customers.

Even so, the CEDEC has always maintained that, in the short term, a mass launching of smart metering systems for all customers in European Union Member States is not feasible from a practical point of view.

The CEDEC also believes that the profitability of implementing these systems would have to be calculated by analysing first of all the costs which would be incurred as a result of the mass launch of new electronic meters and secondly the actual benefits these would offer consumers.

Secondly, the CEDEC has always highlighted the fact that the costs relating to these investments and the operational costs associated with them will inevitably - either directly or indirectly - be passed on to consumers.

The creation of an Agency for the Cooperation of Energy Regulators (ACER) is also part of the 3rd energy package. This agency will replace the European Regulators' Group for Electricity and Gas (ERGEG) and will be operational by the start of 2011. This new agency, whose headquarters are located in Ljubljana (Slovenia), will retain the ERGEG's advisory role towards the European Commission and is to guarantee that the regulation duties taken on by the national regulatory authorities are properly coordinated as far as the new rules of the internal energy market are concerned. Even so, the Council stressed the fact that this supervisory work would not hinder the supervision carried out by the national authorities from the point of view of competition.

The Agency's non-restrictive nature is obvious because it will give the transmission system operators opinions and recommendations and then, if they are not adhered to, the ACER may make other opinions and recommendations to the European Parliament, to the Council or to the European Commission.

This Agency monitors regional cooperation between transmission system operators in the electricity and gas sectors, and also the operation of ENTSO for electricity (ENTSO-E) and ENTSO for gas (ENTSO-G). The ACER must guarantee the efficiency and transparency of the cooperation between TSOs.

Although it remains responsible to the Parliament, the Council and the Commission, this Agency may only "inform" the Commission if it finds that the cooperation between TSOs is not efficient or that a national regulatory authority has taken a decision which is not in line with the broad organisational outlines or which does not properly follow an opinion, a recommendation or a decision made by the Agency.

The CEDEC appreciates both the initiative to strengthen the national regulators and make them independent as well as the increased role played by the Agency in the process of developing the grid's codes. The CEDEC feels sure that a solid regulatory framework which is comparable from one Member State to another, will be a positive factor in the development of the internal energy market, by guaranteeing that it runs smoothly, although this is only provided that the regulatory framework and the regulators themselves take a long-term view of their work.

Even so, the CEDEC considers that powers to monitor the conclusion of contracts between energy suppliers and customers must not be attributed to the regulatory authorities and indeed, that the regulatory authorities' powers must be limited to the sectors which lack competitiveness.

The CEDEC disapproves of any additional monitoring of ex ante restrictive contractual practices and of the recommendations envisaged by the regulatory authorities in terms of end prices, as far as the monitoring of anti-competitive practices already falls within the jurisdiction of the Member States' councils on competition or judges.

Although the Agency may be an effective instrument for tackling cross-border problems, the necessary attention must be paid both to the principle of subsidiarity and to the important role played by the national regulators in terms of energy distribution.

The CEDEC has always maintained that the Agency should not become a responsible regulatory authority either on the regional markets or for questions relating to distribution; this would be an additional handicap to local energy companies, and would actually be an obstacle to the principle of subsidiarity.

In September 2009, following the publication of this 3rd energy package, the European Commission published explanatory notes on how the contents of these directives should be interpreted.

These explanatory notes include the following points:

- the rules on unbundling;
- access for non-EU countries;
- the national regulatory authorities;
- problems relating to the retail market.

Unfortunately, on several occasions the contents of these notes has failed to offer a precise reflection of the agreement concluded between the European Commission and the European Parliament in the 3rd package.

The CEDEC has reacted to the points which affect its interests, especially in terms of the unbundling of assets, the frequency with which smart meters are read and the study of the pros and cons of the smart meter systems which the Member States are to carry out in advance.

The European Union's work in liberalising the internal energy market is not restricted to new legislation. Measures have also been taken to encourage the Member States to implement the current legislative provisions in full.

In June 2009, the European Commission issued infringement proceedings against 25 countries for failing to adhere to the requirements of the regulations on gas and electricity.

The breaches, which do not affect distribution companies, related to:

- a lack of sufficient information being provided by the transmission system operators, preventing effective access to the grids;
- a lack of cross-border cooperation on the part of both the electricity transmission system operators and the national authorities;
- a lack of supervision of the application of the legislative provisions on the part of the authorities at national level in the event of infringements;
- a lack of sufficient procedures allowing consumers to settle disputes.

Finally, the CEDEC welcomes the improvement in cooperation by the transmission system operators through the setting up of the new body, ENTSO, at the same time stressing that all of the partners in the market must take part in the process of developing the grid's codes.

CLIMATE-ENERGY PACKAGE

Throughout 2009, the European Union focused its work on achieving objectives in the field of combating climate change and energy.

The Climate-Energy package, which was the subject of an agreement in principle in December 2008, before coming into force in April 2009, is designed to fulfil the European Union's climate targets set for 2020 and especially to increase the proportion of renewable energies, to improve energy efficiency and to reduce greenhouse gas emissions.

Amongst other things, this Climate-Energy package is made up of the following components:

- a directive on promoting the use of energy produced from renewable sources;
- a directive introducing a regulatory framework for the capture and storage of carbon;
- a directive designed to improve and extend the European Union's emission quota exchange system;
- a decision setting the targets for the reduction of greenhouse gas emissions for each Member State.



SECOND STRATEGIC ANALYSIS OF ENERGY POLICY

The European Commission had carried out its second strategic analysis of energy policy at the end of 2008.

The range of measures proposed by the Commission focussed on two main lines which were security of supply and energy efficiency.

Energy supply

In 2009 the European Commission completed a Green Paper on energy networks entitled "Towards a secure, sustainable and competitive European energy network". Amongst other things, it sets out the priority initiatives as far as infrastructure needs and the diversification of sources of energy supply are concerned.

The CEDEC responded to the European Commission's public consultation on this Green Paper and, although it mainly dealt with the development of transport or transmission grids, the CEDEC believes that it is vital not to lose sight of the fact that distribution grids play an equally important role in future energy supply in Europe. In particular, in order to promote investments in the distribution grids, they must be incorporated into the European Union's support programme, because the integration of production from renewable energies and from cogeneration, together with the development of "smart" grids, can only take place at distribution grid level.

Energy efficiency

The series of measures relating to energy efficiency comprises three proposals which aim to tighten up the current energy labelling requirements, to introduce new energy saving standards applicable to buildings and to introduce a new form of compulsory labelling for tyres.

The revised directive on energy labelling, validated as a common position by the European Parliament and the Council in November 2009, extends the current system which is applicable to household appliances to cover all energy-related products.

They now have to be accompanied by information about their energy consumption. Under the terms of the agreement concluded between the European Parliament and the Council, the labelling requirements must also be applied to consumer energy products used in the industrial sector and to any products which have an impact on energy consumption.

The political agreement between the European Parliament and the Council in November 2009 on *the directive on the energy performance of buildings* consists of the consolidation of energy efficiency obligations which already applied to new buildings and those subject to large-scale renovation work. This new legislation means that the Member States must increase the proportion of buildings whose energy consumption or CO₂ emissions are low or nil.



The public sector in turn is encouraged to set an example and to promote energy efficiency in buildings. MEPs insisted that the national action plans must set "binding, realistic and well-sustained targets" and "set out the measures to be implemented in order to guarantee that these targets will be met". The Council adopted the amendments proposed by the Parliament which demand that the Member States draw up national plans in order to increase the number of buildings with near nil energy consumption.

These draft directives were adopted by the Council on 15th April 2010 and were approved on their second reading at a plenary session of the European Parliament in May 2010.

The directive on tyres aims to highlight their fuel saving performances using a scale of from “A” (green class for more environmentally-friendly products) to “G” (red class for those which are least environmentally-friendly).

The CEDEC has issued a number of opinions about these revised directives, including those on energy labelling and the energy performance of buildings.

The CEDEC would like local companies to be able to commit to increasing energy efficiency, thus helping to protect the climate and contributing to economic development.

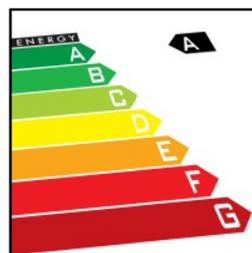
Amongst other things, the European Union legislation states that the rate of energy loss when office equipment and devices are running in stand-by mode may not exceed one watt with effect from 2010. However, the CEDEC recommends showing the actual rate of loss on the energy label of the device in question.

As far as the requirements in terms of energy for new and existing buildings undergoing large-scale renovation work are concerned, local companies currently offer support to the owners of buildings through the energy consultation and partly through the promotion of facilities allowing greater energy efficiency, such as condensing gas boilers, solar panels and the use of energy-saving facilities. This is why the CEDEC welcomes the minimum requirements on energy performance stated by the redrafted version of the directive for technical building systems.

Secondly the CEDEC approves of making the most of the certificate of the energy performance of buildings, although it needs to be issued in more uniform ways than has been the case in the past. It also supports the requirement for the stepping up of the inspection of heating facilities, accompanied by an energy consultation, a field in which local companies have many years of experience.

The European Commission also plans to improve energy efficiency by setting demands in relation to eco-design applicable to all consumer energy products in the residential, service and industrial sectors.

On 12th March 2009 it published a communication on information and communication technologies (ICT).



The Commission has calculated that systems based on ICT were able to reduce energy consumption in buildings by a rate of up to 17%. Remote meter reading is especially important in the process of rationalising energy use, as it provides consumers with a full range of real-time information about their energy consumption and what it is costing.

Remote reading should allow the introduction of bidirectional flows of information between the system operators, energy suppliers and consumers. Some studies suggest that the distribution of smart meters could reduce energy consumption by a rate of up to 10%.

The Commission’s recommendation dated 9th October 2009 asks industrial ICT companies to decide upon shared methods for drawing up shared specifications for smart measuring systems by the end of 2010.

ACTION PLAN FOR ENERGY EFFICIENCY

As part of the debates on energy efficiency, on 8th June 2009 the European Commission opened a public consultation on the assessment and revision of the Action plan for energy efficiency.

By the end of 2010 it will propose a new strategy which will describe the legislation, policies and other measures with the aim of saving 20% of the European Union's energy consumption by 2020. The CEDEC has responded to this public consultation.

From the point of view of the new Action plan for energy efficiency, the DG TREN has contacted the CEDEC in order to assess the current role and potential future action that local electricity and gas companies could take in relation to energy efficiency policy.

SMART METERS AND GRIDS

In accordance with one of the new measures included in the third energy package, Europe is asking each Member State to carry out an assessment on the introduction of smart meters by the end of 2012. If no assessment is carried out, the Member State in question will have to introduce smart meters for 80% of grid users by 2020, irrespective of any opposing arguments which the latter might put forward.

In November 2009 the European Commission (DG TREN) set up a task force for the implementation of smart grids within the European energy market. In practice, the task force, which has been established for a period of 20 months, is made up of associations, regulators and market participants, including the CEDEC. Three expert groups have been set up, in which experts from distribution companies who are members of the CEDEC are making active contributions.

In the three assignments allocated to this task force, the second is of great importance as it is a matter of identifying strategic decisions and recommendations on regulating the implementation of smart grids on a Europe-wide scale.

In addition, the CEDEC considers that the model of local energy companies that it represents could be particularly well adapted to the implementation of new approaches to the management of « smart grids » networks, provided the regulatory and financial measures that will govern them are adapted.



CHANGES MADE TO THE INSTITUTIONAL FRAMEWORK OF THE EUROPEAN UNION

2009 was a decisive year for the European Union and some of the changes made to the institutional framework were highly visible. A few of the changes made to the institutions were to do with the normal running of the European Union - for instance, this was the case with the election of the European Parliament and the preparations for the introduction of a new Commission.

On the other hand, the ratification of the Treaty of Lisbon and the awarding of the new offices that it creates were the highlight of an unusual process which was already underway.

The Treaty of Lisbon

The Treaty of Lisbon came into force on 1st December 2009 and brings greater democracy, transparency and efficiency to the European Union, making it easier for citizens to make their voices heard, facilitating access to its procedures and improving coordination between its institutions.

First of all, the national parliaments are able to get more involved in the European Union's decision-making process and able to get a better handle on the fields in which they operate thanks to the system of early consultation on the subject of the European Union's legislative proposals. The European Union's legislative process is becoming far more transparent, especially with the Council opening its meetings up to members of the public when passing new legislation. It also means that MEPs - who are citizens' own directly elected representatives - have greater powers over the legislative acts of the European Union because there are now new areas which are subject to the codecision procedure, which involves the participation of the European Parliament.

Secondly, as a result of the Treaty of Lisbon, the European Union has obtained a new legal status; it now has wider-ranging powers and its decision-making processes have been simplified. The Council will adopt its decisions by a qualified majority rather than unanimously, as had been the case in the past, in new and particularly important areas such as energy security and combating climate change, and this will allow Europe to take action both more quickly and more effectively.

The institutions which have the task of making sure Europe runs smoothly have undergone a few changes; for instance the European Council now elects a President of the European Council to serve for two and a half years in order to give the work of the European Union greater visibility and coherence, and Herman Van Rompuy (Belgium) has been performing the duties of the President of the European Council since 1st January 2010.

The High Representative for foreign affairs and security policy, who is also one of the Vice-Presidents of the Commission, is Mrs Catherine Ashton (UK) and she will be promoting the work of Europe on the international stage.

The Treaty also confirms the European Parliament's power to elect the President of the Commission based on a proposal made by the European Council.

The Treaty of Lisbon means that promoting sustainable development, combating climate change, developing sustainable energies and guaranteeing that the energy market runs smoothly become priorities on the European agenda.



The new European Parliament

The elections to the European Parliament were held in the Member States from 4th to 7th June 2009. At the opening session of the European Parliament, in July 2009, the new MEPs swore an oath and elected Mr Jerzy Buzek, of the PPE group, as President of their Assembly to serve for two and a half years, thus taking over from Mr Hans-Gert Pöttering.

The European Parliament has seven political groups whose Presidents are Joseph Daul (PPE), Martin Schultz (S&D), Guy Verhofstadt (ALDE), Daniel Cohn-Bendit and Rebecca Harms (Greens / European Free Alliance), Michael Kaminski (European Conservatives and Reformers), Lothar Bisky (Confederal Group of the European United Left / Nordic Green Left), Francisco Speroni and Nigel Farage (Europe of Freedom and Democracy).

The CEDEC works more closely with the Chairmen of the Committees which take an interest in its work. These are Herbert Reul (DE-PPE) for the Committee on Industry, Research and Energy (ITRE), Jo Leinen (DE-S&D) for the Committee on the Environment (ENVI) and Malcolm Harbour (EN-ECR) for the Committee on the Internal Market and Consumer Protection (IMCO).



The Parliament is getting ready to exercise powers which have been strengthened under the terms of the Treaty of Lisbon which, amongst other things, grants it greater legislative powers.

One of the key issues for MEPs over the next five years will be to promote energy technologies which do not consume much coal, at the same time emphasising security of energy supply against a background of growing global demand.

During the legislative period from 2009 to 2013, MEPs are also due to be looking at initiatives on the security of energy supply and monitoring progress in the field of renewable energies.

The 2004-2009 legislature concentrated on the common rules of the internal energy market and on the adoption of a new directive designed to promote “green” energy up until 2020. The new legislature will be monitoring the completion of the national and European gas and electricity markets.

Now that the European Union’s agenda for 2020 has been set, the Parliament will need to make continued efforts in order to achieve the targets of a liberalized energy sector of coal in 2050. MEPs are calling for more ambitious energy targets, with a plan designed to make energy efficiency legally compulsory and including the negotiation on the second reading of proposed directives on the energy performance of buildings and on energy labelling.

The work on energy security will continue as part of the Council’s forthcoming directive on the security of gas supply. MEPs will also be called upon to look at a series of specific measures which are necessary in order to implement the Commission’s action plan for energy security.

The new European Commission

The appointment of the new Commission was slightly delayed due to uncertainties about the date on which the Treaty of Lisbon was going to come into force. The outgoing Commission was to have completed its term of office at the end of October 2009 but continued to manage day-to-day business from 1st November through until the end of 2009.

Mr José Manuel Barroso, the President of the European Commission who was officially appointed by the European Council in July 2009, announced his planned make-up for the new Commission, which will serve from 2010 to 2014.

It features a number of new portfolios, including energy (DG Energy) for which the Commissioner appointed is Mr Günther Oettinger and action for climate (DG Climate) for which the Commissioner is Connie Hedegaard.

FLORENCE FORUM – MADRID FORUM LONDON FORUM – BUCHAREST FORUM

Consultation of market participants

In 2009 the CEDEC took part in the Forums on electricity (known as the Florence Forum), gas (known as the Madrid Forum), citizens' energy (known as the London Forum) and energy efficiency (known as the Bucharest Forum).

The Florence, Madrid, London and Bucharest Forums are made up of representatives of the European Commission, the national regulatory authorities (CEER-ERGEG), the Member States, consumers (IFIEC, BEUC) and organisations representing market participants such as producers, suppliers and traders (Eurelectric, Eurogas and EFET), along with transmission and distribution system operators (ETSO, GTE, CEDEC).

Generally speaking, it is mainly problems affecting the wholesale market which are discussed at the Florence and Madrid Forums, in other words transmission (interconnections), storage, production and trading.

The citizens' energy Forum deals with key questions affecting the retail market, such as the conditions for changing energy supplier, billing, metering and exchanges of data or consumer protection, which means that this forum has more to do with distribution system operators and suppliers.

The Bucharest Forum looks more particularly at the subject of energy efficiency and also the impacts and challenges facing the grids in the periods up to 2020 and 2050.

Madrid Forum - Gas

The CEDEC took part in the 16th Madrid Forum which was held on 28th and 29th May 2009, in other words just after the Council and the European Parliament had reached agreement on the contents of the 3rd legislative package. An important part of the Forum focussed on the planning of the action necessary in order to facilitate the implementation of the new European framework.

The decision was also taken to launch a pilot project dealing with the development of a guideline and a grid Code, new instruments which are an integral part of the 3rd legislative package, in order to set minimum criteria which operators must adhere to throughout Europe. The choice was made to draw up guidelines and a code on the mechanisms for allocating capacity, and the ERGEG had already begun the procedure for the approval of the policy framework in relation to capacity allocation by the end of 2009.

Bucharest Forum - Energy efficiency

The first Bucharest Forum, based around the subject of the energy efficiency, was held in Bucharest on 9th and 10th June 2009 and the CEDEC was represented at it. This Forum, which takes over from the Amsterdam Forum, saw the raising of the first proposals about the new action plan on energy efficiency and on the impacts and challenges facing the grids for 2020 and 2050.

London Forum - Citizens' energy forum

The CEDEC took part in the citizens' energy Forum which was held on 29th and 30th September 2009. The main subjects discussed included the way in which the new provisions contained in the 3rd energy package would be implemented by the Member States. Special attention was paid to the procedures for resolving legal disputes between suppliers and consumers and this topic was then the subject of a consultation by the ERGEG at the end of 2009 and following which the CEDEC presented its position at an ERGEG seminar held on 25th February 2010.

The Forum asked both the distribution system operators and the Member States to take note of the ERGEG guidelines of good practice on functional and informational unbundling for distribution system operators.

The London Forum also afforded the European Commission an opportunity to present its code of good practice for billing. The recommendations call upon energy companies to make their bills more transparent and easier to understand, based upon current consumption.



Florence Forum - Electricity

The 16th and 17th meetings of the Florence Forum were held on 4th and 5th June 2009 and on 10th and 11th December 2009.

As far as the 3rd energy package is concerned, the latter meeting involved looking at questions relating to its implementation and especially the drawing up of the codes and guidelines, for which the Forum decided upon the following priority subjects: connection to the grid, capacity allocation and congestion management.

The European Commission stated its intention of launching the process relating to these three subjects by sending the ERGEG an official request.

The Forum also stressed the need to continue the work which is under way, especially through the creation of an ad hoc advisory group (AHAG) to assist the ERGEG.

The European Commission will be working on drawing up a new, more efficient governance system, called for unanimously by all of the stakeholders and which should also allow better management of the markets integration process. The Florence Forum also looked at the 10-year European grid development plan put forward by the ERGEG and the ENTSO-E.

In addition to the representative forums (Florence, Madrid, London and Bucharest), expert meetings were set up as part of transparent consultation procedures for stakeholders and market participants, and the CEDEC and its 1500 member companies took part with a strong desire to make an active contribution.

ERGEG PUBLICATIONS AND CONSULTATIONS

A number of publications by the European Regulators' Group which appeared in 2009 and which were of great interest to the CEDEC. The CEDEC has issued position papers on some of them, including:

- Public consultation on the draft revised guidelines of good practice on electricity balancing markets (15th January 2009)
- Public consultation on the guidelines of good practice on electricity grid connection and access (11th March 2009)
- Public consultation on the recommendations on the 10-year gas network development plan (11th March 2009)
- Status report on implementing the 3rd package: the next steps (18th June 2009)
- Status review of the definitions of vulnerable customer, default supplier and supplier of last resort (16th July 2009)
- ERGEG principles: Capacity allocation mechanisms and congestion management for gas transmission networks – Evaluation of responses (24th August 2009)
- Status review of DSO unbundling with reference to GGP on functional and informational unbundling for DSOs (9th September 2009)
- Public consultation on the draft guidelines of good practice for electricity balancing market integration – Evaluation of responses (9th September 2009)
- Public consultation on the 2010 work programme of the European energy regulators (9th September 2010)
- Public consultation on draft advice on customer complaint handling, reporting and classification (17th September 2009)
- Status review on the regulatory aspects of smart meters (19th October 2009)
- Recommendations on the 10-year gas network development plan – Evaluation of responses (11th November 2009)
- The 2010 work programme for European energy regulators and evaluation of responses (10th December 2009)
- Final guidelines of good practice on electricity grid connection and access – Evaluation of responses (10th December 2009)
- Public consultation on the draft advice on the 10-year electricity network development plan
- Public consultation on smart grids (10th December 2009)
- CEER public consultation on the regulatory aspects of the integration of the production of wind energy into the European electricity markets (10th December 2009)
- Public consultation on the guidelines on capacity allocation on European gas transmission networks (10th December 2009)



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