



# Challenges for a compliance officer in the liberalized EU energy market: A case study on the Greek gas transmission system operator

Eleftherios I. Amoiralis<sup>a,\*</sup>, Kostas Andriosopoulos<sup>b</sup>

<sup>a</sup> Hellenic Gas Transmission System Operator, 357-359 Mesogeion Av., Halandri GR 15231, Greece

<sup>b</sup> ESCP Europe Business School, Research Centre for Energy Management, 527 Finchley Road, Hampstead, London NW3 7BG, UK

## ARTICLE INFO

### Keywords:

European commission  
Energy policy  
Compliance  
Transmission system operator  
Independent transmission operator  
Unbundling  
Market monitoring

## ABSTRACT

Under the Third Energy Package Directives 2009/72/EC and 2009/73/EC, European energy networks are subject to unbundling requirements which oblige Member States to ensure the separation of vertically integrated energy companies, resulting in division of the various stages of energy supply (generation, distribution, transmission and supply). This paper addresses the challenges that a regulatory compliance officer faces in line with the Third Package provisions. The focus is on the application of the rules on the unbundling independent transmission operator (ITO) model. The present document highlights the Compliance Officer's practice in dealing with certain aspects of the rules on unbundling of Transmission System Operators (TSOs), as laid down in the Gas Directives, such as developing an Effective Compliance Monitoring Program, and setting out practical rules to be observed by staff in relation to non-discrimination, transparency and the handling of confidential information. As a case study, this experience from the Greek Gas TSO, i.e. the Hellenic Gas Transmission System Operator (DESFA), is presented.

## 1. Introduction

Over the past two decades, the European Union has introduced competition (also known as liberalisation) in the European energy market (Andersen et al., 2017; Andersen and Sitter, 2009). Golombek et al. (1995) found that the liberalisation could increase economic welfare in Western Europe by 15–20% in the long run. Nevertheless, there are not many studies focusing on the effects of the liberalisation reforms in the European countries, although more than 20 years passed from the start of the liberalisation (Ciarreta et al., 2016). Although the European Union has legislated in the area of energy policy for many years, the concept of introducing a mandatory and comprehensive European Union energy policy was only approved in the last twenty years.

Energy liberalisation has a positive but modest impact on efficiency gains (Pollitt, 2012). Makridou et al. (2016) also concluded that opening up the electricity market to a competitive energy market contributes to energy efficiency improvement.

In Europe, liberalisation of the electricity and natural gas markets has been facing more scepticism in the recent years. According to the European Commission, these reforms aimed to “increase efficiency in the production, transmission and distribution, while reinforcing security of supply and the competitiveness of the European economy and

respecting environmental protection” (Gnansounou, 2008). The liberalisation of national electricity markets contributes to the achievement of a single European energy market. In addition, Jamasb and Pollitt (2005) analysed the progress towards this integrated market and some of its main characteristics such as market concentration, investments, security of supply, market design and regulation. Liberalisation of several national energy markets and new long-distance transport options has rapidly improved the world wide integration of natural gas markets (Slabá et al., 2013).

Key contributions point to an effort on the part of the EU to build and shape international markets (Damro, 2012); to draw on the size of its single European Market in order to project its own regulatory regime beyond its borders and to make them international standards (Bradford, 2012); and to export its rules to neighboring states on a voluntary basis (Lavenex, 2014). The EU's grand strategy on the global scene has been described as a global regulator (Young, 2015), a promoter of free trade spreading norms and building institutions (Manners, 2006), and a normative power that exerts global influence through norms and by example (Duchene, 1972; Laidi, 2008; Manners, 2006; Sjursen, 2006; Whitman, 2011).

It is often said that we live in the age of the regulatory state and the EU is in some ways the ultimate regulatory state (Majone, 1994, 1996). The term regulatory state is used to denote a state (or organization) that

\* Corresponding author.

E-mail addresses: [e.amoiralis@desfa.gr](mailto:e.amoiralis@desfa.gr), [amoiralis@gmail.com](mailto:amoiralis@gmail.com) (E.I. Amoiralis), [kandriosopoulos@escpeurope.eu](mailto:kandriosopoulos@escpeurope.eu) (K. Andriosopoulos).

governs by regulation rather than direct intervention (Lodge, 2008; Moran, 2002). Its primary policy tools are the imposition of rules on economic agents that are designed to alter market behavior. This is justified in terms of the need to correct market failures (Begg, 1996; Bohne, 2011).

Generally, the development, operation and exploitation of both the electricity and natural gas industries, i.e. production, transport, distribution and storage systems, are complex and risky activities. Because of these circumstances and because of the economy of scale associated with their technical and spatial characteristics, these systems have been considered as natural monopolies (Train, 1991; Waterson, 1988), in which competition was not feasible (Joskow, 2007). Liberalisation is widely expected to result in efficiency gains. However, it is not clear whether increased competition in one market will benefit the end-users of that type of energy or whether it will be transmitted to the energy markets using the first type of energy as a production input (Jacobsen et al., 2006). Three consecutive legislative packages of measures were adopted between 1996 and 2009, addressing market access, transparency and regulation, consumer protection, supporting interconnection and adequate levels of supply.

In adopting the legislative packages on internal energy markets, European Institutes and bodies (i.e. European Parliament, European Commission, Council of the EU, Directorate Generals etc.) have strongly supported transmission ownership unbundling in the electricity and gas sectors, as the most effective tool to promote investments in infrastructure in a nondiscriminatory way, fair access to the grid for new entrants, and transparency in the market. The EU strategy legally includes solidarity in matters of energy supply and changes to the energy policy within the EU (Aalto, 2014). For this purpose, an EU mechanism has been developed. Fig. 1 depicts the current EU structure regarding the energy sector, taking into consideration the third energy package provisions. This flowchart focuses on the EU natural gas sector and it applies for all EU Member States. The blue frame at the figure illustrates the Greek gas TSO, i.e. the Hellenic Gas Transmission System Operator (DESFA), and the Greek NRA, i.e. the Regulatory Authority for Energy (RAE). Apart from DESFA, currently the only TSO in Greece, the gas energy market in Greece consists of: a) the main importer of pipeline natural gas and liquefied natural gas - DEPA, b) retailers - EPA, and c)

upcoming Distribution Companies - EDA. The current paper investigates the challenges of the EU legislative framework at the TSO level, from the compliance officer's perspective.

In the meantime, the overall energy and gas market policy objectives remain framed into the particular EU conception of how a well-functioning market can be created in an industry that at least partially exhibits the characteristics of a natural monopoly (Westphal, 2014). The current paper investigates the profound restructuring of the Greek gas market and its governance, driven and shaped by the EU internal market reforms and their respective implementation in Greece. The aim of this work is to highlight potential improvements, measures and recent developments, regarding compliance monitoring, that have been created by the experience of the compliance officer of the Greek gas TSO, which is certified by the National Regulatory Authorities (NRA) as an Independent Transmission Operator, under the ITO model (see paragraph 2.1). This work may assist other electricity and gas TSOs to gain experience and implement methods in complying with the requirements of the ITO model.

The paper is structured as follows: in the following section the general legal framework of the European Union is analysed. Sections 3 and 4, respectively, present the role of the compliance officer and the compliance programme, while Sections 5 and 6 illustrate the case study of the Greek TSO, called DESFA. Section 7 refers to a set of measures taken to facilitate implementation of the Compliance programme, proposed by the Compliance Officer, while Section 8 concludes.

## 2. General legal framework

Today, the process of restructuring the energy market is still ongoing (Correljé, 2016). The developments in the energy market are a continuous process, as on a regular basis, new rules, regulations and interventions are announced by the EU.

The first electricity (European Communities, 1996) and gas (European Communities, 1998) directives were adopted in the late 1990s, with the objective of opening up the electricity and gas markets respectively, by gradually introducing competition, highlighting the importance of open access to energy networks. The second electricity (European Communities, 54/2003) and gas (European Communities,

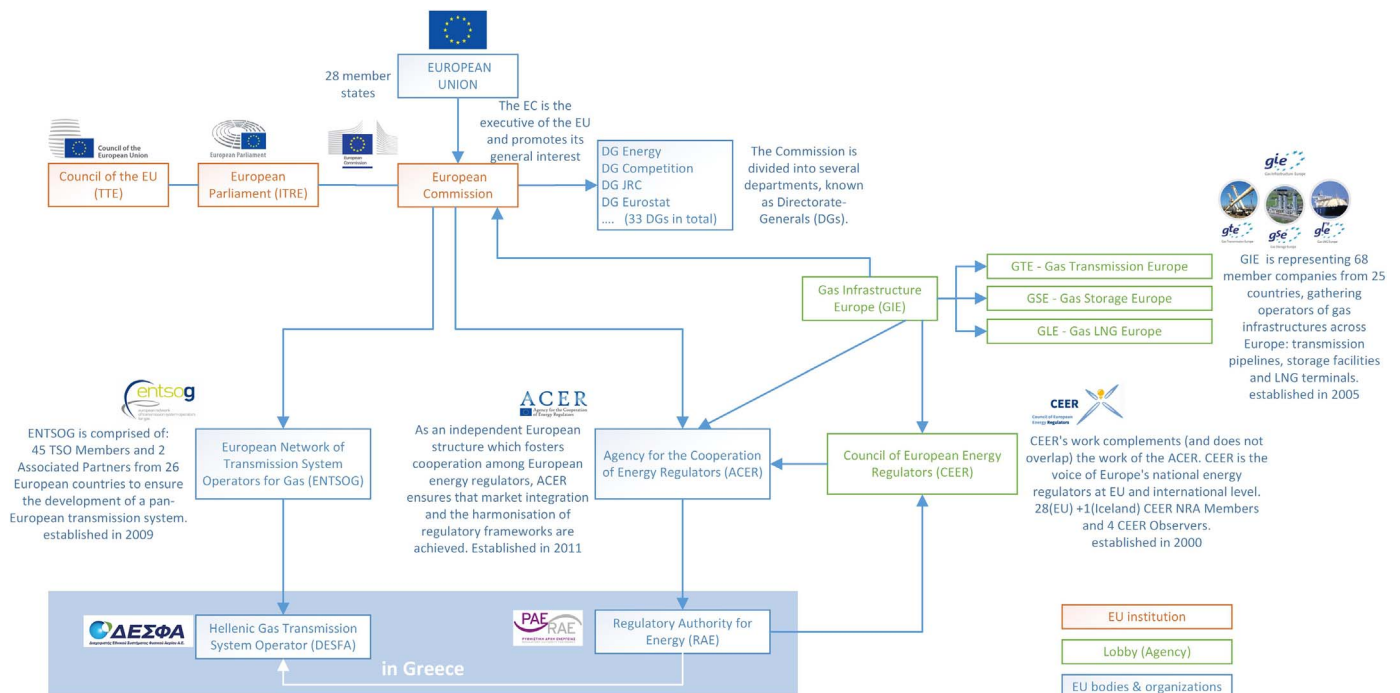


Fig. 1. EU mechanism at the Energy Sector, focusing on the Greek gas market (all the institutional logos used for illustrative purpose).

Download English Version:

<https://daneshyari.com/en/article/5105541>

Download Persian Version:

<https://daneshyari.com/article/5105541>

[Daneshyari.com](https://daneshyari.com)