

DAILY NEWS to Members: 07/03/2008 by Niall Lawlor

**EUROPEAN PARLIAMENT RAPPORTEUR SEEKS SWEEPING CHANGES TO
DRAFT ELECTRICITY DIRECTIVE**

The European Parliament *rapporteur* on the European Commission's proposal, under the third liberalisation package, for revising the Electricity Market Directive, UK Socialist MEP Eluned Morgan, has drawn up a total of eighty-eight amendments, inter alia calling for "ownership unbundling", making provision on energy poverty and setting price-caps and capping electricity companies' market-share. The Energy Committee has set a deadline of 11 March for tabling other amendments and will vote on the report in May/June with a view to a first-reading debate in plenary in June.

The Morgan Report goes significantly beyond the proposals set out in the Commission's third package and if adopted, several of the items could have far-reaching implications at all levels of the electricity industry value chain. One Morgan amendment would make provision for Member States to commit to smart metering by 2015. Another calls for a retrospective tax on the value of certificates allocated free of charge under the EU Emission Trading Scheme. A third would mandate capping at 20% the market share of any power generator or supplier. Ms Morgan is also calling for a formal definition of "energy poverty" – describing a household as energy poor "if its share of energy expenditure within total household expenditure exceeds twice the national median energy expenditure".

On a positive note, Ms Morgan is seeking to put regional market integration at the heart of the new Directive by requiring that Member States "promote the cooperation of network operators at a regional level with the aim of realising a competitive European market, and facilitate the harmonisation of their legal and regulatory framework". Her draft would also place the nascent Regulators' Agency (ACER) in the driving seat of this regionalisation process: ACER would be tasked to cooperate with national regulators and TSOs to ensure convergence of regulatory frameworks between the regions "with the aim of realising a competitive European market". In this role, the Agency would have the powers to recommend that "binding rules for co-operation are required". Finally, in the Morgan vision, "in regional markets the Agency shall become the accountable regulatory authority."

Another welcome Morgan amendment is her call on Member States to task regulators with removing all regulation of "generalised" end-user supply prices.

There is still some way to go before Parliament's plenary votes on its final list of amendments in early June. By then the Morgan text will undoubtedly see substantial modifications, counter-amendments and other changes put forward by other MEPs sitting on the lead Industry-Energy Committee and other contributing committees.

Meanwhile Parliament's co-legislator, the Council of Ministers*, has also had its first formal debate on the Directive and is working to reach compromises on key issues.

See *DNs 28/02 & 04/03.