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## ROLE OF REGULATORY BODIES ON ENERGETIC MARKETS OF EUROPEAN UNION

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This article analyses the role of regulatory body on energetic markets of European Union. In European Union it exist the single European market for natural gas and electricity. In the past, supplying with natural gas and electric energy was public service, and was a regal right of member states. Present, we have new regulation on that field, with divided authorities between European Union and Member States. In this article we shall analyze the role of the regulatory authorities on energetic markets of the European Union, with accent on the role of the most important energetic regulator, Agency for the Cooperation of Energy Regulators.

**Key words:** *European Union, regulatory bodies, services of general economic interest*

### 1. INTRODUCTION

Regulatory bodies has important role on energetic supply of European Union. Their role is so important because many of energetic needs of European citizens today represent civilization achievements, and European Union and her member states take efforts for regulating this very important part of public interest.

On the other side, performing of energetic activities in modern European countries is in domain of private sector, and is matter of the market conditions on Single European Market. So, in this situation we have balance between public and private interest. Public interest is supplying with energetic products and services of European citizens for affordable and fair prices, an on the other hands, efficient and economic sustainable production of those products and services on European market. Also, public interest of authorities of European Union and member states is creating of regulatory framework for energy supplying of consumers from different operators on the same conditions on the markets. In the past, these services were in domain of member states, which provides these services through the states companies. Present, it existed division of authorities between member states and European Union on those services. Old regulatory model is passed. The new model is based on concept of “services of general economic interest”. Supply with electricity and natural gas is one of these services.

Croatia, as a future member state of European Union, has highly expressed interest for developing energetic sector, including regulatory bodies, as framework of European energetic regulatory network.

In this article shall be analyzed the role of the regulatory bodies on the electricity and natural gas market, with accent on the role of the most important energetic regulator, Agency for the Cooperation of Energy Regulators.

## 2. ELECTRICITY MARKETS

European Union passed new legislation for regulation of internal markets of electricity in 2009<sup>1</sup>. European directive, which is regulating electricity markets, is „Concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC“. Directive introduced common rules for the generation, transmission, distribution and supply of electricity. It also regulating universal service obligations and consumer rights, and specifies competition requirements. Organization of the electricity sector is focused on developing a competitive, secure and environmentally sustainable market in electricity.<sup>2</sup> Member states has obligation to using all measures for providing preconditions by operating in the electricity sector public service obligations which cover issues of security and security of supply, environmental protection and energy efficiency, price and regularity and quality of service.<sup>3</sup> Member States must also ensure that all customers can choose their own electricity supplier and change easily if they want it. This can do in three weeks with assistance of electricity system operator. Suppliers of electric energy must inform customers about their rights, including right on complain, the part of each energy source and impact on environment. Member States will also establish independent body for solving disputes or complains of consumers.<sup>4</sup>

Member states must unbundled transmission systems. Transmission system operator of electricity must be certified before being officially constituted as transmission system operator. Transmission system operators are responsible for ensuring a long term ability of the system to ensure requirements for electricity,

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<sup>1</sup> Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009.

<sup>2</sup> Long discussion guided in academic and political public about new legal regulation and establishing a new internal market of electricity. See: Domanico, F: Concentration in the European electricity industry: The internal market as solution?, *Energy policy*, 2007., vol. 35., issue 10., pp. 6064-5076. Also see Green, R.: Electricity liberalization in Europe—how competitive will it be?, *Energy policy*, 2006, vol. 34, issue 16, pp. 2532-2541.

<sup>3</sup> One of the most important issues is creating equal conditions for all subjects on liberalized market of energy, and protection of consumers. See more in Ofgem: *Electricity supply competition: An Ofgem occasional paper*, 16 December 2002 no 83/02, Office of Gas and Electricity Markets, London, 2002. See Danwitz, T.: Eigentumsschutz in Europa und im Wirtschaftsvölkerrecht, in: Thomas von Danwitz / Otto Depenheuer / Christoph Engel (eds.), *Bericht zur Lage des Eigentums*, Berlin, 2002, p. 215-318.

<sup>4</sup> More about the problem of regulatory policy in liberalized EU market see in Meeus, L.: Why (and how) to regulate power exchanges in the EU market integration context?, *EUI Working Papers*, Robert Schuman Centre for Advanced studies, Florence School of Regulation, 2010/2012.

contribution of supply security of electric energy, managing electricity flows on the system, ensuring non-discrimination between users, providing users information, which they need to access the system. In these fields we have division on regulators and operators of electricity supply. Regulators in markets are regulatory authorities, in the first level national regulatory authorities, and on the second level is The Agency for the Cooperation of Energy Regulators. Operators on the markets are independent companies, which provide supply of electric energy in European states.<sup>5</sup>

### 3. GAS MARKETS

European Union passed new legislation for regulation of internal markets of natural gas in 2009<sup>6</sup>, Directive „Concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC“.

Directive provides complete opening of gas markets of member states for competition, and create internal gas market in European Union. New supplier of natural gas can enter on the market, and consumers can free choosing their gas supplier. System operators in each EU Member State doing operation, maintenance and development of transmission and distribution, storage and liquefied natural gas (LNG) facilities. They must ensure the safety, reliability, efficiency and interconnection of gas network. System operators must guarantee non-discriminatory access for all suppliers on gas market. System operators may not favor some gas companies, especially the company which they are connected. In attempt to avoid any discrimination relating to network access, in situation when companies are vertically integrated, the transmission and distribution activities must be legally and functionally separate from other activities, such as production and gas supply. This Directive established minimum standards to ensure a high level protection of consumer on the market.

Key elements for regulation of gas market are regulatory authorities in each Member State. They also act as a dispute settlement authorities.<sup>7</sup>

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<sup>5</sup> It shall be very interesting to watch the development of single European Electricity market, in context of relations between national regulatory authorities, European regulatory authorities, providers on that market, and consumers on the market with regulatory protection, not only from regulations which regulate EU electricity market, but also the regulations which are connected with EU Consumers law. No doubts that we would have very complex situation and it shall need the time to establish consistent regulatory system in that field. See more about regulatory system on electricity market in Boisseleau, F.: The role of power exchanges for the creation of a single, European electricity market: market design and market regulation, PhD dissertation, Delft University Press, 2004.

<sup>6</sup> Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009.

<sup>7</sup> About the importance of regulation of natural gas market on European and international market see more in Hawdon, D.: Efficiency, performance and regulation of the international gas industry—a bootstrap DEA approach, *Energy Policy*, Vol. 31, Issue 11, 2003., pp. 1167. – 1178. More on the problem of establishing efficiency regulatory mechanism in single European natural gas market see in Drasdo, P. – Karasz, Z. – Pustisek, A.: Disharmony in European Natural Gas Market(s) – Discussion of Standards and Definitions, *Zeitschrift für Energiewirtschaft*, June 2013., Vol. 37, Issue 2, pp. 143. – 156.

At the end, it can be say that the existence of internal gas market, like internal electricity market, is essential for completion of internal energy market within the EU.

#### **4. AGENCY FOR THE COOPERATION OF ENERGY REGULATORS**

The Agency for the Cooperation of Energy Regulators is established with Regulation 2009/713/EC.<sup>8</sup> Main purpose of this Agency is cooperation of energy regulators of Member states The Agency is a Community body with legal personality. The Agency is responsible for adopting individual decisions on technical issues. The Agency is also responsible for monitoring of operators on the internal markets in electricity and natural gas. The Agency cover: an Administrative Board, A Board of Regulators, which is responsible for providing advice to the Director, a Director, appointed for five years and responsible for managing the Agency, a Board of Appeal.<sup>9</sup>

The role of Agency is very important. Agency must ensure that national regulatory authorities performed regulatory functions, in accordance with Directive 2009/72/EC and Directive 2009/73/EC. These regulatory activities must be properly coordinated, and when is necessary, completed on the level of European Community. It is also necessary to guarantee the independence of the Agency from electricity and gas producers, transmission and distribution system operators and consumers. This is very important for technical and regulatory capacities of Agency, and for conformity of Agency's bodies to apply Community law.<sup>10</sup>

One on the main tasks of Agency is to monitor regional cooperation between transmission system operators in the electricity and gas sectors. The involvement of Agency is crucial, because it must ensure the cooperation between transmission system operators' proceeds in an efficient and transparent way. This question is important for positively impact on internal markets in electricity and gas. The other task of Agency is monitor, in cooperation with Commission, the Member States and national authorities, who are relevant for natural gas and electricity

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<sup>8</sup> Regulation 2009/713/EC of the European Parliament and of the Council of 13 July 2009.

<sup>9</sup> Agency is a central regulatory body of EU for natural gas market and the electricity market, with residence in Ljubljana. Agency has more tasks, and important role in cooperation and harmonization of European energy markets. All concepts of services of general economic interest include regulatory agencies, as a important part of liberalized market of public services. This concept for energy market was specially analyzed in Trilas, F.: Electricity and telecom reforms in The EU: inside of the economic of federalism, Working Paper, University of Navarra, Business school, May 2010.

<sup>10</sup> Many of experts have very critical attitude on increasing number of different European and national agencies. This attitude is expressing in fact that market liberalization and new regulation in some areas of life (for. example environmental protection) leads in creating a very bureaucratic and complex European administration). See more in Tarant, A. – Keleman, R., D.: Building the Eurocracy: The Politics of EU Agencies and Networks, Working Paper, Biennial European Union Studies Association Convention, Montreal, Canada, 2007.

markets. Regulatory agency provides an integrated framework in cooperation with national regulatory authorities. The framework must facilitate the uniform application on the internal markets in all Member states. Agency has overview of the national regulatory authorities, and it should have an advisory role towards Commission.

Agency also making recommendations for national regulatory authorities, and assist them and other subjects on the markets in sharing and creating a good practice. This role of Agency is very important, because on internal market of electricity and natural gas it must be the same conditions for all subjects in all Member states, and legal practice must be understandable and unique. The main role of Agency is coordination and equalization the conditions for all subject, and support Commission for creation and improvement of legal framework for perform services.<sup>11</sup>

The role of Agency is also important in implementation of guidelines on European energy network, related on Decision No 1364/2006/EC of the European Parliament and Council of 6 September 2006. This decision provide regulatory framework for guidelines for trans-European energy network. Also, Agency must contribute to the efforts of enhancing energy security.<sup>12</sup>

#### **4. 1. Administrative board of the Agency**

The Administrative board should have necessary powers to establish the budget, check implementations and draw up the internal rules. The Administrative board acting independently and objectively in the public interest and should not seek or follow political instructions. Agency has legal powers to perform its regulatory functions in an efficient, transparent, and independent manner. It is necessary to ensure independence of the Agency from electricity and gas producers and transmissions and distribution system operators. That is not only basic principle of good governance, but also fundamental condition to ensure trust of market. The Board of Regulators should act independently from any market interest, and

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<sup>11</sup> Agency for the Cooperation of Energy Regulators is typical regulatory institutions, and suggests that in European Union has transition from old concept of public services, to new European concept of services of general economic interest. This process captures many services in European Union, and we have completely new regulatory system, which is more likely with the regulatory system of public services in the United States. It can be also notice that, in this moment, the role of the national states has changing, and they become share their executive powers in the field of public services with European Union. So the main purpose of this Agency, as a regulatory and coordinative institution, is managing on energy market in coordination with national energy regulators, and monitoring on that market. National energy regulators have also their own role in managing of energy markets in their countries, but this role must execute in coordination with European energy regulator. That is completely new approach to managing of services of general economic interest. See more in Eberlein, B. – Grande, E.: Regulation and Infrastructure Management: German Regulatory Regimes and the EU Framework, German Policy Studies/ Politikfeldanalyse, Vol. 1, No 1., 2000., pp. 39. – 66.

<sup>12</sup> It can be also say that development of regulatory authorities we can follow as a tendency to create one unique market, besides the differences in the European countries. See Gilardi, F.: The Same But Different: Central Banks, Regulatory Agencies, and the Politics of Delegation to Independent Authorities, Comparative European Politics, No 5, 2007, pp. 303. – 327.

must avoid conflicts of interests. Board of Regulators should not seek or follow instructions or accept recommendations from a government of a Member State, from the Commission or another public or private entity. This is very important rule, because it provided totally independency of Agency. The decisions of the Board of Regulators should comply with Community law concerning energy, such as the internal energy market, the environment and competition. Because of that, Board of Regulators must take care not only of the regulatory framework of European electricity and natural gas market, but also on regulatory framework which is concerned on protection of environment. The Board of Regulators should report its opinions, recommendations and decisions to the Community institutions. Interested parties can also have possibility of appeal to a Board of Appeal, which should be part of the Agency, but independent from its administrative and regulatory structure.<sup>13</sup>

#### **4. 2. Organizational structure of Administrative board**

The Administrative Board shall have nine members. Each member shall have an alternate. Two members and their alternates shall be appointed by the Commission, two members and their alternates shall be appointed by the European Parliament and five members and their alternates shall be appointed by the Council. No Member of the European Parliament shall be a member of the Administrative Board. The term of office of the members of the Administrative Board and their alternates shall be four years, renewable once. For the first mandate, the term of office of half of the members of the Administrative Board and their alternates shall be six years. The Administrative Board shall appoint its Chairman and its Vice-Chairman from among its members. The Vice-Chairman shall automatically replace the Chairman if the latter is not in a position to perform his duties. Mandate of the Chairman and of the Vice-Chairman shall be two years, renewable once. The sessions of the Administrative Board shall be convened by its Chairman. The Chairman or the nominee of the Board of Regulators, and the Director shall participate, without the right to vote, in the deliberations unless the Administrative Board decides otherwise as regards the Director. The Administrative Board must have minimally two meetings per year for ordinary session. It shall also have appointment at the initiative of its Chairman, at the request of the Commission or at the request of at least a third of its members. The Administrative Board may invite any person who may have a relevant opinion to attend its meetings in the capacity of an observer. Decisions of the Administrative Board shall be adopted on the basis of a two-thirds majority of the members present on the meeting.<sup>14</sup> Each

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<sup>13</sup> Main functions of the Board leading the principles of organization of regulatory authorities of European Union. In that sense, European Union has highly increased tendency for more regulations in many aspects which concerned the single European markets of European Union. See more Eberlein, B. -Grande, E: "Die Europäische Union als Regulierungsstaat, in: Jachtenfuchs, M. - Kohler-Koch, B.(eds.): Europäische Integration, Opladen: UTB Leske + Budrich, 2003, pp. 417-447.

<sup>14</sup> Directive provides possibility of exceptions of main rules. So, it is possible that the way of making decisions is different, according to the Directive.

member of the Administrative Board or alternate shall have one vote. A member of the Administrative Board shall not be a member of the Board of Regulators. The members of the Administrative Board shall undertake to act independently and objectively in the public interest. They must avoid any political instructions. For that purpose, each member shall make a written declaration of commitments and a written declaration of interests indicating either the absence of any interest which may be considered prejudicial to his independence or any direct or indirect interest which might be considered prejudicial to his independence.<sup>15</sup>

#### **4. 3. Tasks of Administrative Board and monitoring of Agency**

The Administrative Board shall adopt, before 30 September each year, after consulting the Commission and after having received approval by the Board of Regulators, the working program of the Agency for the coming year and shall transmit it to the European Parliament, the Council and the Commission. The working program shall be adopted without prejudice to the annual budgetary procedure and shall be made public. The Administrative Board shall adopt and, if necessary, revise a multi-annual program. That revision shall be based on an evaluation report, made by an independent external expert at the request of the Administrative Board. Those documents shall be made public. The Administrative Board shall decide, after having obtained the agreement of the Commission, whether to accept any legacies, donations or grants from other Community sources or any voluntary contribution from the Member States or from the regulatory authorities. The Agency shall provide a framework within which national regulatory authorities can cooperate. It shall promote cooperation between the national regulatory authorities and between regulatory authorities at regional and Community level, and shall take due account of the outcome of such cooperation when formulating its opinions, recommendations and decisions. Where the Agency considers that binding rules on such cooperation are required, it shall make the appropriate recommendations to the Commission.

The Agency should be mostly financed from the general budget of the European Union, by fees and by voluntary contributions. And also, the resources currently pooled by regulatory authorities for their cooperation at Community level should continue to be available to the Agency. The Agency must have highly professional staff, and it should have benefit from the competence and experience of staff seconded by the national regulatory authorities, the Commission and the Member States. The Agency shall provide an opinion, as a regulatory authority or of the Commission. Where a national regulatory authority does not comply with the opinion of the Agency, within four months from the day of receipt, the Agency shall inform the Commission and the Member State concerned accordingly. The

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<sup>15</sup> This is a very important, because Agency must have completely independent from any of subjects on the market, and also from people and institutions which has connected with those subjects. About some of the aspects between regulator, and operator on electricity market see more in Cameron, Peter D.: *Completing the Internal Market in Energy: An Introduction to the New Legislation*, in Cameron, P. D.(ed): *Legal Aspects of EU Energy Regulation*, Oxford University Press, Oxford 2005.

Agency, in close cooperation with the Commission, the Member States and the relevant national authorities including the national regulatory authorities and without prejudice to the competences of competition authorities, shall monitor the internal markets in electricity and natural gas, in particular the retail prices of electricity and natural gas, access to the network including access of electricity produced from renewable energy sources, and compliance with the consumer rights laid down in Directive 2009/72/EC and Directive 2009/73/EC. The Agency shall make public an annual report on the results of the monitoring. In that report, it shall identify any barriers to the completion of the internal markets in electricity and natural gas.

#### **4. 4. Director of Agency**

The Agency shall be managed by its Director, who shall provide the opinions for the Board of Regulators. Without prejudice to the respective roles of the Administrative Board and the Board of Regulators in relation to the tasks of the Director, the Director shall neither seek nor follow any instruction from any government, from the Commission, or from any other public or private entity. The Director shall be appointed by the Administrative Board following a favorable opinion of the Board of Regulators, on the basis of merit as well as skills and experience relevant to the energy sector, from a list of at least three candidates proposed by the Commission, following a public call for expression of interest. Before appointment, the candidate selected by the Administrative Board may be invited to make a statement before the competent committee of the European Parliament and to answer questions put by its members.

The Director's mandate shall be five years. In the course of the nine months preceding the end of that period, the Commission shall undertake an assessment. In the assessment, the Commission shall examine in particular the performance of the Director and Agency's duties and requirements in the coming years. The assessment concerning requirement in coming years shall be carried out with the assistance of an independent external expert.

The Administrative Board, acting on a proposal from the Commission, after having consulted and given the utmost consideration to the assessment and the opinion of the Board of Regulators on that assessment and only in those cases where it can be justified by the duties and requirements of the Agency, may extend once the term of office of the Director by no more than three years. The Director may be removed from office only upon a decision of the Administrative Board, after having obtained a favorable opinion of the Board of Regulators. The Administrative Board shall reach that decision on the basis of a three-quarters majority of its members. The European Parliament and the Council may call upon the Director to submit a report on the performance of his duties. The European Parliament may also invite the Director to make a statement before its competent committee and answer questions put by the members of that committee. The Director shall be responsible for representing the Agency and



shall be in charge of its management. The Director shall prepare the work of the Administrative Board. He shall participate, without having the right to vote, in the work of the Administrative Board. The Director shall adopt and publish the opinions, recommendations for national regulatory authorities, which have received a favorable opinion of the Board of Regulators. The Director shall be responsible for implementing the annual work program of the Agency under the guidance of the Board of Regulators and under the administrative control of the Administrative Board. The Director shall take the necessary measures, notably as regards adopting internal administrative instructions and publishing notices, to ensure the functioning of the Agency in accordance with this Regulation. Each year the Director shall prepare a draft work program of the Agency for the following year, and shall submit it to the Board of Regulators, to the European Parliament and to the Commission by 30 June of that year. The Director shall draw up a preliminary draft budget of the Agency. Each year the Director shall prepare a draft annual report with an independent section on the regulatory activities of the Agency and a section on financial and administrative matters.

#### **4. 5. Board of Appeal**

The Board of Appeal shall comprise six members and six alternates selected from among current or former senior staff of the national regulatory authorities, competition authorities or other national or Community institutions with relevant experience in the energy sector. The Board of Appeal shall elect its Chairman. The decisions of the Board of Appeal shall be adopted on the basis of a qualified majority of at least four of its six members. The Board of Appeal shall be convened when they have topic to discuss and bring decisions. The members of the Board of Appeal shall be formally appointed by the Administrative Board, on a proposal from the Commission, following a public call for expression of interest, and after consultation of the Board of Regulators. The mandate of the members of the Board of Appeal shall be five years. That term shall be renewable. The members of the Board of Appeal shall be independent in making their decisions. They shall not be bound by any instructions. They shall not perform any other duties in the Agency, in its Administrative Board or in its Board of Regulators. A member of the Board of Appeal shall not be removed during his term of office, unless he has been found guilty of serious misconduct, and the Administrative Board, after consulting the Board of Regulators, takes a decision to that effect.

Members of the Board of Appeal also shall not take part in any appeal proceedings if they have any personal interest therein, or if they have previously been involved as representatives of one of the parties to the proceedings, or if they participated in the decision under appeal.

Any natural or legal person, including national regulatory authorities, may appeal against a decision which is addressed to that person, or against a decision which, although in the form of a decision addressed to another person, is of direct and individual concern to that person.

The appeal shall be filed in writing at the Agency within two months of the day of notification of the decision to the person concerned, or, in the absence thereof, within two months of the day on which the Agency published its decision. The Board of Appeal shall decide upon the appeal within two months of the lodging of the appeal.

#### **4. 6. Other aspects of organization of Agency for the Cooperation of Energy Regulators**

The Agency should apply the general rules regarding public access to documents held by Community bodies. This is important principle, because it is reflection the principles of good governance, which is one of the crucial doctrine in EU.

Also, till 15 February each year, the Director shall draw up a preliminary draft budget covering the operational expenditure and the program of the work anticipated for the following financial year, and shall forward that preliminary draft budget to the Administrative Board, together with a list of provisional posts. Each year, the Administrative Board shall, on the basis of the preliminary draft budget prepared by the Director, make an estimate of revenue and expenditure of the Agency for the following financial year. That estimate, including a draft establishment plan, shall be transmitted by the Administrative Board to the Commission by 31 March. Prior to adoption of the estimate, the draft prepared by the Director shall be transmitted to the Board of Regulators, which may deliver a reasoned opinion on the draft. Funds for the work for Agency are subsidy from the Community, entered in the general budget of the European Union, fees paid to the Agency, voluntary contributions from the Member States or from the regulatory authorities and legacies, donations or grants, in accordance with the European regulations.

### **5. THE INFLUENCE OF AGENCY TO EUROPEAN ENERGY MARKET**

#### **5. 1. Priorities in 2013 Year**

In view of the target set by the Council of the European Union in February 2011, concerning the completion of the Internal Energy Market (IEM) by 2014, in 2013 the Agency will focus its efforts on the evaluation of the Network Codes drafted by the European Network of Transmission System Operators for Electricity (ENTSO-E) and the European Network of Transmission System Operators for Gas (ENTSO-G) on the basis of the Framework Guidelines developed in 2011 and 2012. This is in line with the Commission decision on the establishment of the annual priority lists for the development of network codes and guidelines for 2013.

More specifically, following an initial proposal and a public consultation (held from 8.3.2012 to 16.4.2012), the Commission has set the following areas and activities as priorities for 2013:

- developing of harmonized electricity rules,
- developing of harmonized gas rules.

It should, however, be stressed that unexpected events in the energy sector may lead EU institutions, including the Agency, to modify their priorities, and the Agency to perform tasks which are not envisaged in the present Work Program. Moreover, some of the activities outlined above and in Section 6 may turn out to be more complex than expected or may require further investigation, including as a result of the feedback provided by stakeholders during public consultations. Therefore, priorities may need to be adjusted in the course of the year. In the area of framework guidelines and network codes, such developments are discussed and the re-prioritization of activities agreed in the Planning Group - which comprises senior representatives of the European Commission, the Agency, ENTSO-E and ENTSG and which generally meets on a bimonthly basis – and are reflected in the Three-year Plan which is maintained by the Group.<sup>16</sup>

## **5. 2. New priorities in 2014 Year**

In 2014 The Agency will start the process for the development of Framework Guidelines in two new areas: rules regarding harmonized electricity transmission tariff structure and rules for trading related to technical and operational provisions of network access services and system balancing in gas. Internal structure of Agency shall lay down on four elements: The Electricity Department, The Gas Department, The Market Monitoring Department and The Administration Department. Agency shall also monitor the natural gas market and electricity market, and working on liberalization of those markets in all member states.<sup>17</sup>

## **6. FUTURE REGULATION OF SINGLE EUROPEAN ENERGY MARKET**

Future development of energy market is closely connected with the development of other market of services, which are familiar with the unique European concept - “services of general economic interest”. This concept is common for the public services, which was delivered users from member states and their public enterprises. In an effort to liberalize these services, and create single and unique market in the European Union for all of them, it is established the concept “services of general economic interest”<sup>18</sup>, and supply of electric energy and natural gas supply is one

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<sup>16</sup> See ACER work program for 2013., Ljubljana 2013., pp. 32. – 34.

<sup>17</sup> See ACER work program for 2014., Ljubljana.

<sup>18</sup> More about development of “services of general economic interest” see in Hancher, L.-Larouche, P: The coming of a Age of EU Regulations of Networks Industries and Services of General Economic

of those services. On that field it was continuing the organizational change from classical model of “public services” thru the new model of “services of general economic interest”, with a new regulatory framework. This regulatory framework provides and regulators on the markets. Operators supplies consumers on the liberalized markets, by commercial conditions. Regulators on the market must be independent, and assure the equal positions for all providers of the services on the market. Also, the services of general economic interest has are not also the public services, which was delivered from the state companies, but also public services which was providing by the other non-commercial institutions<sup>19</sup>, but in the main element has a commercial character.

Single European market of natural gas and electricity energy is typical market of services of general economic interest, were we have private producers and providers of electricity energy, electric and gas transportation infrastructure, which can be used by all providers<sup>20</sup>. On this market national and EU regulatory authority has crucial role. They must established equal conditions for all operators on the Market, and EU regulatory authority should coordinate national regulators, and with them, create unique praxis on the market. In that sense, the process is not finished. Presently existing regulatory framework and new regulatory model, but it is necessary this model rebuilt and develop. This is the only way when it wants to fulfill two gals: better, quality and safe delivery of services for a affordable price, and protection of consumers and their rights.

## 5. CONCLUSION

Regulatory bodies of Member States on energy market today ensure equal and non-discriminatory access for all suppliers of gas or electricity service on single European market. Their role is very important, because supply of energy services, as type of services of general economic interest, in European market is liberalized. In the past, public services were public monopoly of Member States, and their role in regulation these services were crucial. On the single European market comes to liberalization of public services, and some of them became services of general economic interest. Today, not only in energetic sector, but also in transport, communication, Internet services etc., we have suppliers which are part of private sector, and provide services on commercial base. Beside them, we have system operators, who operate with supply system and ensure safely

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Interest, Tilburg University, College of Europe, Bruges, 2010. See also Lavrjissen, S. – Hancher, L.: Networks on Track: From European Regulatory Networks to European Regulatory Network Agencies, Legal Issues of European Integration 36, 2008., pp. 23. – 55.

<sup>19</sup> As an example, can be specified hospitals. See more in Hancher, L.- Sauter, W.: The Commission Approach to Services of General Economic Interest and State Aid to Hospitals, Tilburg University, ISSN 1572-4042, 2012.

<sup>20</sup> Which they have terms and proposition of using this infrastructure, and also providers must pay a fee for its using. With that part of the system operated independent operators, which also ensure non-discriminatory access to the supply system for all suppliers.

and quality supply consumers with energy. They also ensure non-discriminatory access to the supply system for all suppliers. The role of regulatory authorities is monitoring on the energy markets, and intervention in case of irregularity. This role is important especially in case of mediation and dispute between system operators and suppliers, or between suppliers and operators with consumers.

On the European natural gas market and on the European electricity market the most important role has Agency for the Cooperation of Energy Regulators. This Agency, in coordination with agencies of member states, managing on the electricity and natural gas market, and create equal conditions for all operators on the markets. This Agency has several tasks, but most important is coordination between regulatory authorities in member states. The Agency provide framework for cooperation between national regulatory authorities. The Agency also promotes cooperation between the national regulatory authorities at regional and Community level. The other main task of agency is to provide an opinion, as a regulatory authority or of the Commission. With this task, Agency harmonized terms and conditions on whole electricity and natural gas market.

As a result of liberalization of public services, and growing of single European electricity and natural gas market, we can expect even important role of the Agency and national regulatory authorities on the market.

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## SAŽETAK

Ovaj rad analizira ulogu regulatornih tijela na energetskom tržištu Europske Unije. U Europskoj Uniji postoji jedinstveno Europsko tržište za prirodni plin i struju. U prošlosti, opskrba prirodnim plinom i električnom energijom je bila javna služba, te je bila regalno pravo država članica. Danas, imamo novu regulaciju na tom području, sa podjelom nadležnosti između Europske Unije i država članica. U ovom članku analizira se uloga regulatornih tijela na tržištu električne energije i plina

u Europskoj Uniji, s posebnim naglaskom na ulogu najvažnijeg regulatora – Agencije za suradnju energetskih regulatora.

**Ključne riječi:** *Europska Unija, regulatorna tijela, službe od općeg gospodarskog interesa*