

EU regulation of networks

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3 common myths

- EU has deregulated
- EU has imposed privatisation
- EU has imposed regulation on unwilling member states

Traditional governance of networks

- No EU regulation- networks seen as outside general competition law and no sector specific legislation
- Public ownership of most suppliers of final services
- National monopolies
- Most powers in hands of ministers
- No independent regulatory authorities

- Many cross-subsidies
- Use for political, social and technological aims
- Service public

Growth of EU network regulation

- Gradual growth of sectoral regulation late 1980s-today
- Liberalisation, re-regulation, institutional forms of national regulatory authorities (little)
- Regulatory networks- formal and informal
- General competition law- especially takeovers and mergers

EC telecoms LIBERALISATION DIRECTIVES

- **TERMINALS DIRECTIVE 1988**
- **SERVICES DIRECTIVE 1990**
- **SATELLITE DIRECTIVE 1994**
- **CABLE TV NETWORKS DIRECTIVE 1995**
- **VOICE TELEPHONY DIRECTIVE 1995**
- **MOBILE COMMUNICATIONS DIRECTIVE
1996**
- **FULL COMPETITION DIRECTIVE 1996**

EC RULES TO ENSURE 'FAIR COMPETITION'

- **OPEN NETWORKS PROVISION DIRECTIVE 1990 (AMENDED 1997)**
- **LEASED LINES DIRECTIVE 1992 (AMENDED 1997)**
- **VOICE TELEPHONY DIRECTIVE 1995 (REPLACED 1998)**
- **INTERCONNECTION AND UNIVERSAL SERVICE DIRECTIVE 1997**
- **LICENSING DIRECTIVE 1997**
- **NUMBERING DIRECTIVE 1998**
- **CABLE DIRECTIVE 1999**

REGULATORY PACKAGE 2000-2

- **The 1999 Communications Review**
- **Unbundling/access to local loop
Regulation (EC) No 2887/2000**
- **Framework Directive 2002/21/EC (7
March 2002)**
- **Authorisation Directive 2002/20/EC**
- **Access Directive 2002/19/EC**
- **Universal Service Directive 2002/22/EC**

Current debates

- Euro-regulators
- Networks of regulators
- Mobile charges
- Structural separation
- Legislative package of November 2008-
esp European Electronic Communications
Market Authority

Electricity- 1996 Directive

- partial liberalisation (25-33% of distribution),
- access to grid,
- MSs to create dispute settlement procedures
- MSs free to choose liberalisation via licences or competitive bidding for generation

Limits to 1996 Directive

- Different forms of access to grid- inc single buyer
- No structural separation required
- MSs allowed to impose public service obligations- eg security, continuity and quality of supply and protection of environment
- IRAs not required

2003 Electricity Directive

- Monopoly over distribution to end by 2007
- End of single buyer model or bidding for generation
- Rules for 'fair competition'- eg greater separation of grid from other activities
- Regulators to be independent of suppliers
- Public service provisions- eg price transparency, fair contractual terms, special measures for vulnerable users

Legislation and MSs

- Member states accepted EC legislation
- Mostly passed under normal Commission-Council-EP co-decision procedures
- Even when use of Article 86 (ex Article 90), agreement on substance

Features of EU decision making aiding acceptance

- **1 Participation of national governments**
- **2 Incrementalism;**
- **3 Advance sign-posting**
- **4 Compromises;**
- **5 Balance and linkages**
- **6 National power/discretion after EU directives**

Functions for governments and national champions

- Legitimate privatisation
- Prepare for inevitable competition
- Allow EU-strategy for 'national' firms
- Aid institutional redesign- eg establishment of IRAs

Scope for national discretion

- Implementation by NRAs
- Few EU rules on NRAs
- Variations in institutional design of IRAs
- Continuing controls over IRAs
- State controls over suppliers
- Informal linkages between public policy makers and suppliers

Electricity in France

- Majority public ownership of EDF
- Government powers over regulated tariffs
- CRE set up 2000 due to EU legislation
- Low-cost nuclear power
- Strong sectoral network - grands corps
- Linkages between French private suppliers and state- eg Suez

French strategy

- CRE pressed for gradual liberalisation
- CRE moves for profitable domestic market- eg price rebalancing and increases in regulated tariffs
- State-led restructuring of energy sector (CNR, Suez-GDF)
- Overseas expansion by EDF

Responding to myths

- No deregulation- in fact, more rules
- No privatisation required
- EC regulation imposed- often desired by national governments and suppliers