WRITTEN QUESTION E-3849/00
by Raffaele Costa (PPE-DE) to the Commission
(7 December 2000)

Subject: Excessive cost of electrical energy for smaller undertakings

Aware that:

— the prosperity of every region in Europe depends on the competitive capacity of its enterprises and industries,

— many Member States have distinctive systems of production based on small and medium-sized undertakings and 'micro-enterprises',

— small undertakings play a very important role in creating the conditions for the European economy as a whole to develop and thrive,

— often, however, production systems based on smaller undertakings are incapable of developing their very considerable potential because of policy failings, for example the fact that energy policy is not geared to the needs of small businesses, particularly in relation to arrangements for the provision of energy production and distribution services,

— in Italy the 'Decreto Bersani', the statutory provisions transposing the Community legislation on the liberalisation of the electricity market, has in effect excluded smaller undertakings from directly benefiting from the liberalisation of that market by restricting them to the franchise market option (as tied customers),

— despite the best efforts of the national regulatory authority in relation to tariff fixing, in Italy the cost of electrical energy for craft industries and small undertakings is 30% higher than that charged to industrial undertakings and 40% higher than that charged to their counterparts in the other Member States,

— in sharp contrast to trends elsewhere in Europe, there have been considerable increases in electrical energy prices in Italy over the last year, when some categories of customers have seen their electrical energy costs double.

Would the Commission provide the results of any available comparative studies, or else carry out a comparative analysis of the implementation of the Community legislation on the liberalisation of the electricity market in the 15 Member States with a view to highlighting the cost impact of the electricity supply on small undertakings?

It is to be hoped that the Commission will take direct action to identify the policies most likely to restore substantial balance at Community level between the various countries' respective systems in relation to the cost of electrical energy should national policies prove inadequate.

Answer given by Mrs de Palacio on behalf of the Commission
(7 February 2001)

The Directive 96/92/EC of the Parliament and of the Council of 19 December 1996 concerning common rules for the internal market in electricity (1) provided for the partial opening of the market. Customers with demand in excess of 40GWh per annum were given the right to choose their supplier. This is equivalent to some 30% of total electricity demand and includes only the very largest electricity customers.

The vast majority of Member States are going further than legally required, and many have already decided to progressively move to full market opening. However, the Italian market is currently open for 35% of customers with plans to open 40% of its market by 2003. There do not yet appear to be plans to go any further.
The table below gives a summary of the price levels prevailing in Italy in comparison to other Member States for 2000. This shows that Italian price levels are generally above the Community average, particularly for small businesses. Domestic prices, however, are below the Community average.

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<thead>
<tr>
<th></th>
<th>Industrial</th>
<th>SMEs</th>
<th>Domestic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>0.058</td>
<td>0.110</td>
<td>0.065</td>
</tr>
<tr>
<td>Community avg</td>
<td>0.055</td>
<td>0.090</td>
<td>0.080</td>
</tr>
<tr>
<td>Highest</td>
<td>0.070</td>
<td>0.135</td>
<td>0.135</td>
</tr>
<tr>
<td>Lowest</td>
<td>0.035</td>
<td>0.050</td>
<td>0.050</td>
</tr>
</tbody>
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Source: Eurostat. Prices are to the nearest 0.5 eurocents, exclude all taxes and have been deflated to 1995 prices.

Electricity prices for industrial consumers have gone down in all Member States since the Electricity Directive was implemented, except in the case of the Netherlands where average prices went up in the second half of 1999. In general, the most significant price reductions can be found in the Member States that have opened 100%, as can be seen in the following graph, which shows prices for large industrial consumers since 1995.

![Electricity Price Development for industry 1995 - 2000](image)

More detailed information about price development in the various Members States are forwarded to the Honourable Member and the Secretariat of the Parliament.

The situation in Italy and other Member States where market opening is not yet complete demonstrates the Commission's concerns that different rates of liberalisation may generate an outcome for electricity prices leading to distortions in other markets. In particular, differing rates of market opening may have a negative effect on those economies that are based on small scale industrial production if the price of energy for such businesses remains high. Such companies may be competing with large scale production facilities in other Member States who have been able to benefit from energy price reductions consequent to compulsory market opening.

In this context, the European Council of Lisbon of 23/24 March 2000 called upon the Commission to examine measures necessary to speed up liberalisation of the electricity and gas markets to achieve a fully operational internal market. The Commission will present a Communication at the European Council in Stockholm this year. This will include a proposal for a new Directive to further open electricity and gas markets. A number of qualitative measures will also be included in the Directive relating to unbundling and regulatory arrangements.