

Competition in the European Power Market

Presentation

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"The Energy Future in an Interdependent World"

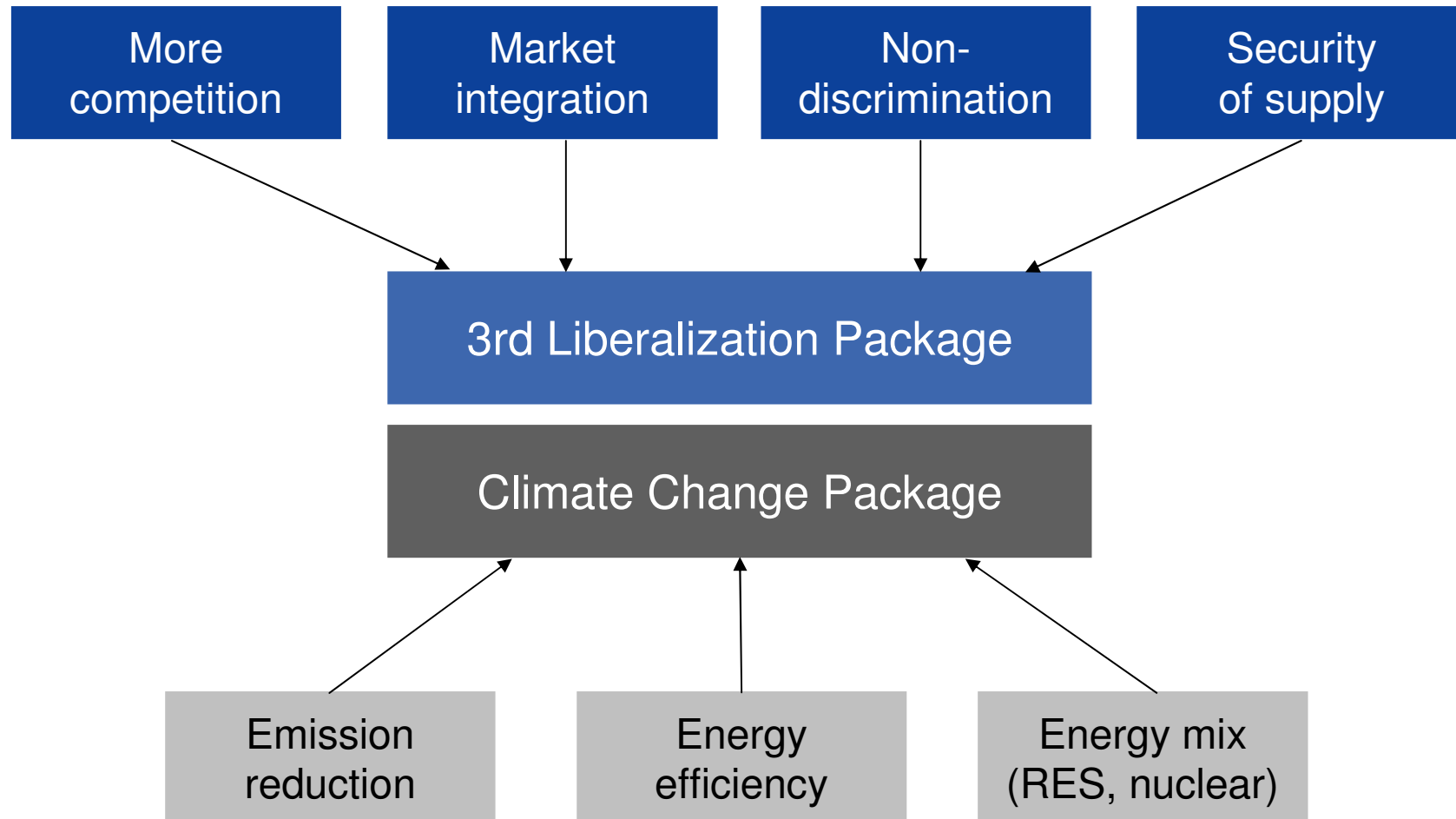
Special Session on

"Competition in the European Energy Market"

on 13 November 2007 in Rome



The new objectives of the Commission – do they lead to a sustainable and coherent policy?



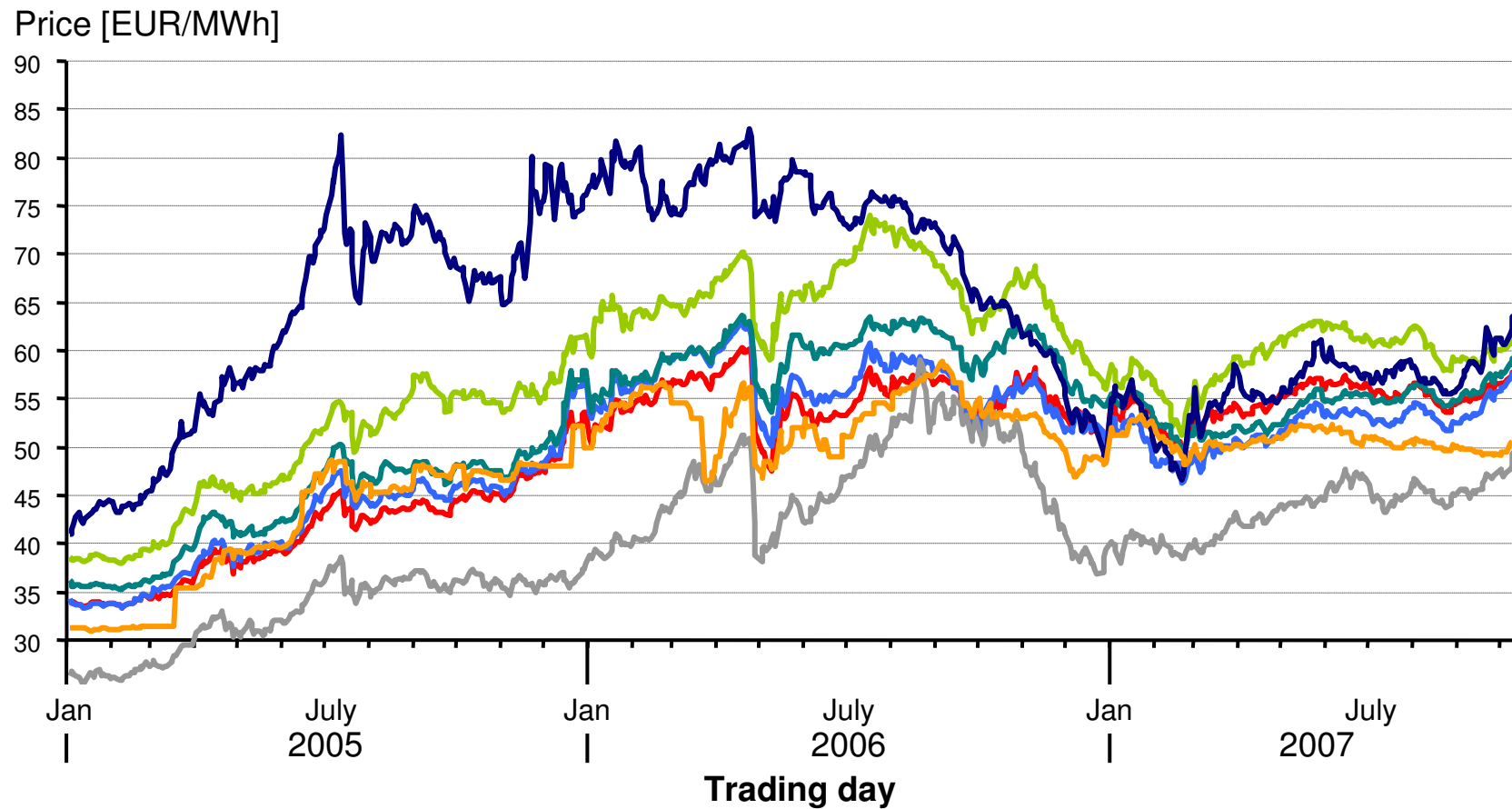
Market integration

Physical base for an internal market not yet established, markets and trading not yet consolidated



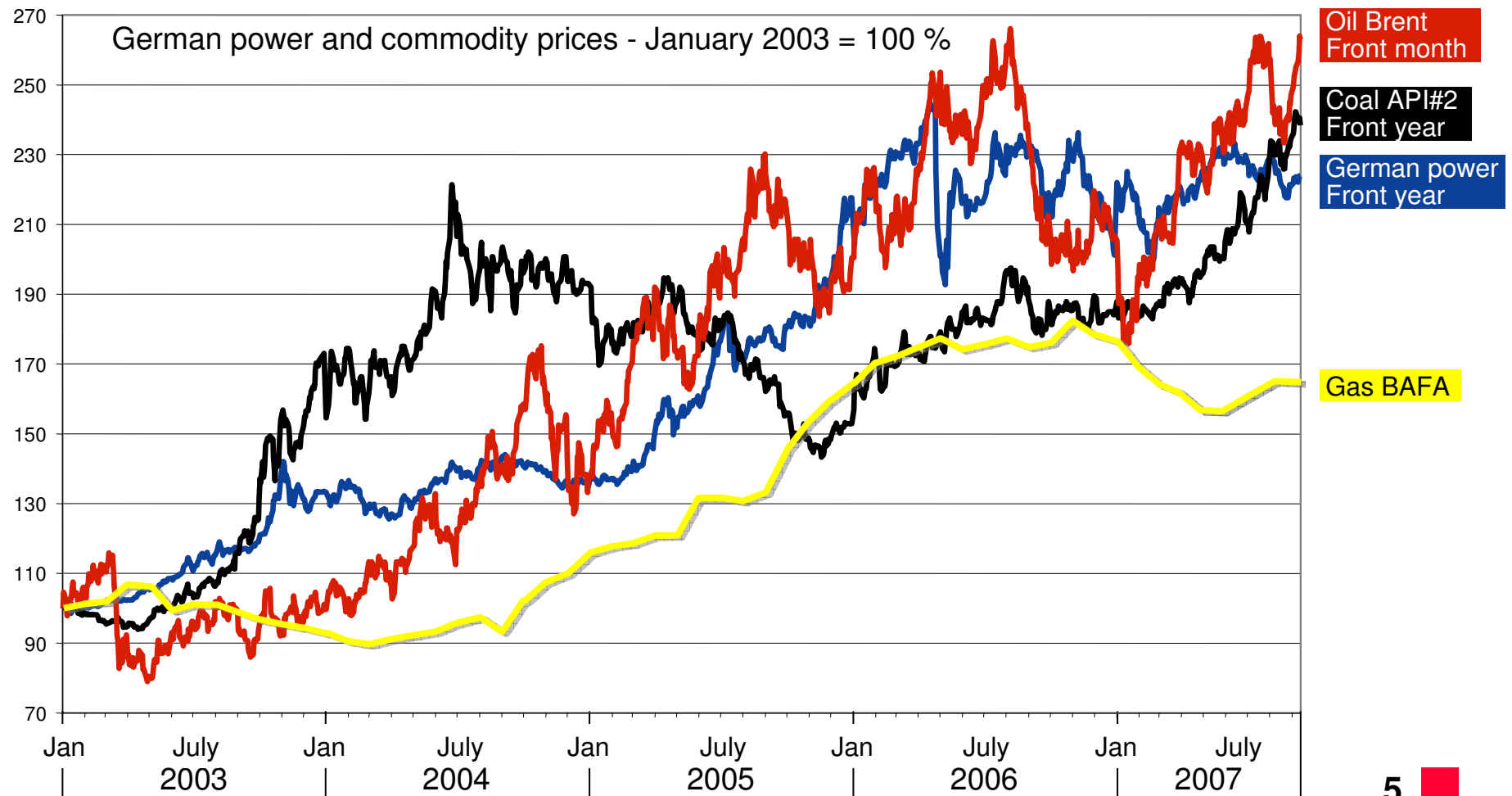
- serious congestion
- - - limited congestion

European wholesale forward prices converge – varying price levels have fundamental reasons



- Germany
- France
- Netherlands
- Belgium
- Scandinavia
- UK
- Spain

Comparison of wholesale electricity price and prices for coal, oil, and gas



Market and competition: Non-discriminatory grid access and efficient exchanges

"According to our information there are no significant cases of discrimination against competitors in Germany today"
(M. Kurth, German Regulator)

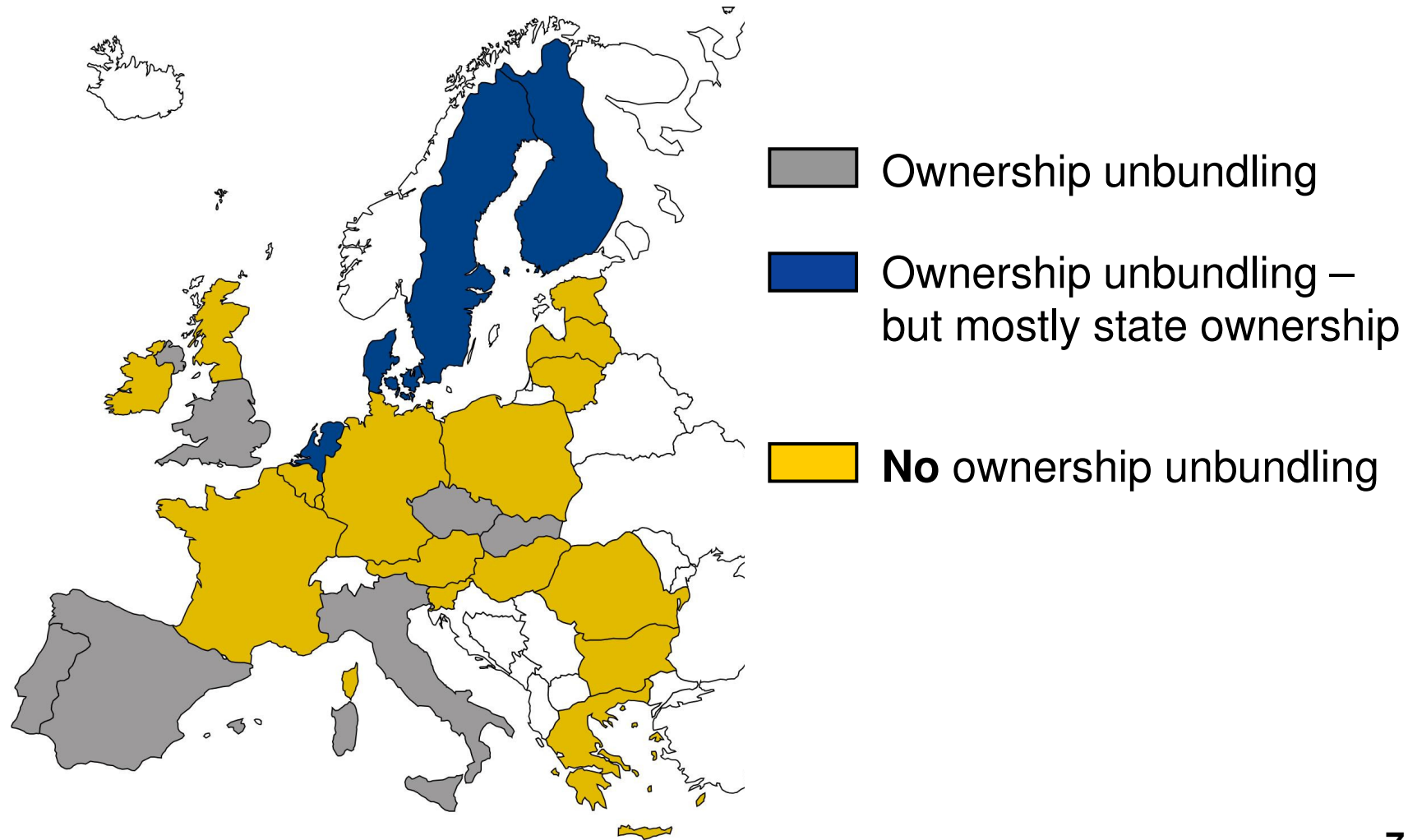
Necessary measures

- Equal access to information for all market participants
- Non-discriminatory grid connection
- Efficient and integrated energy exchanges

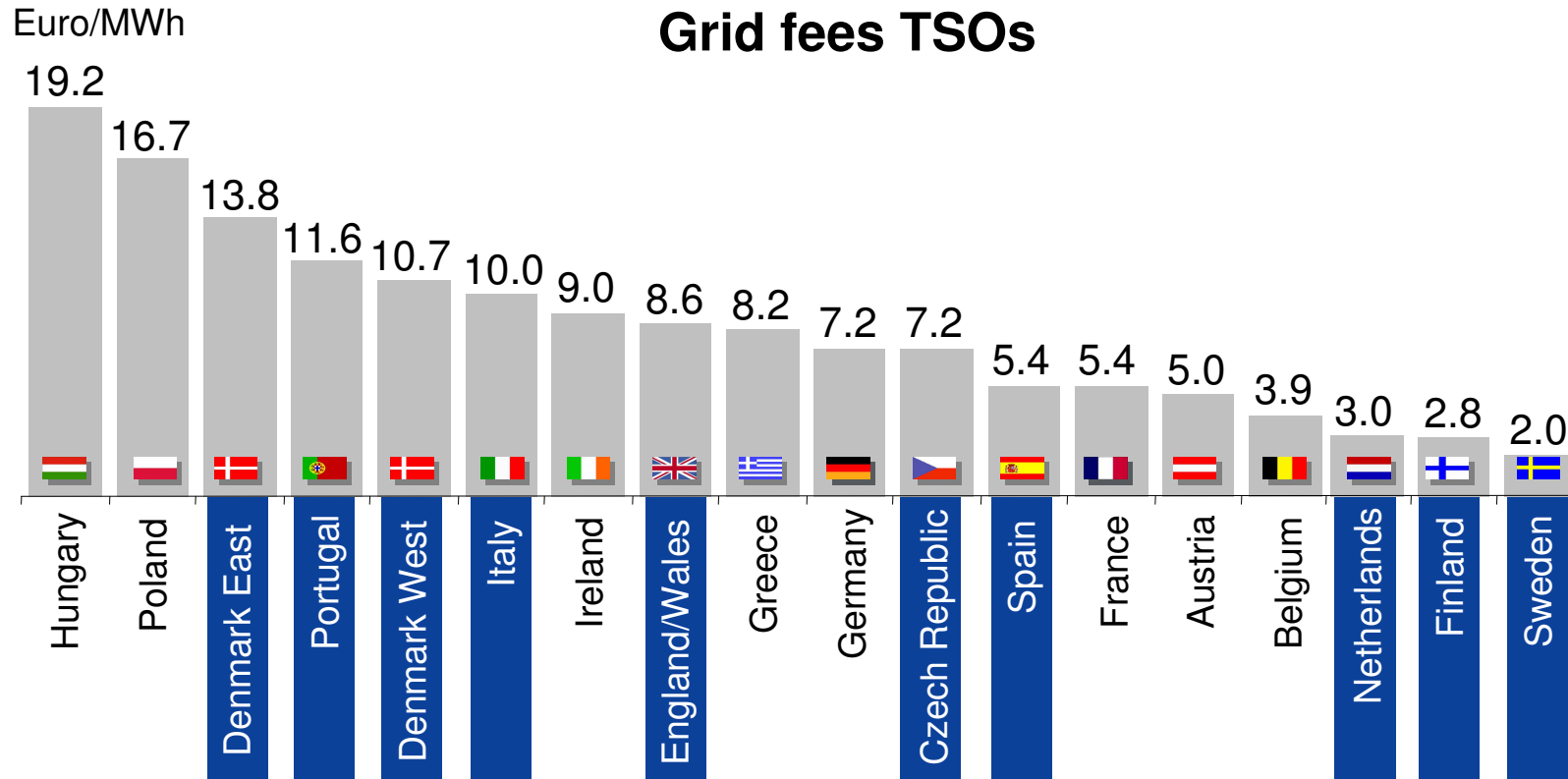
How to be reached

- Clear legal framework for regulation and effective supervision
- Consolidate market places enforce level playing field without interference

Ownership unbundling (TSO) in the EU in the power sector



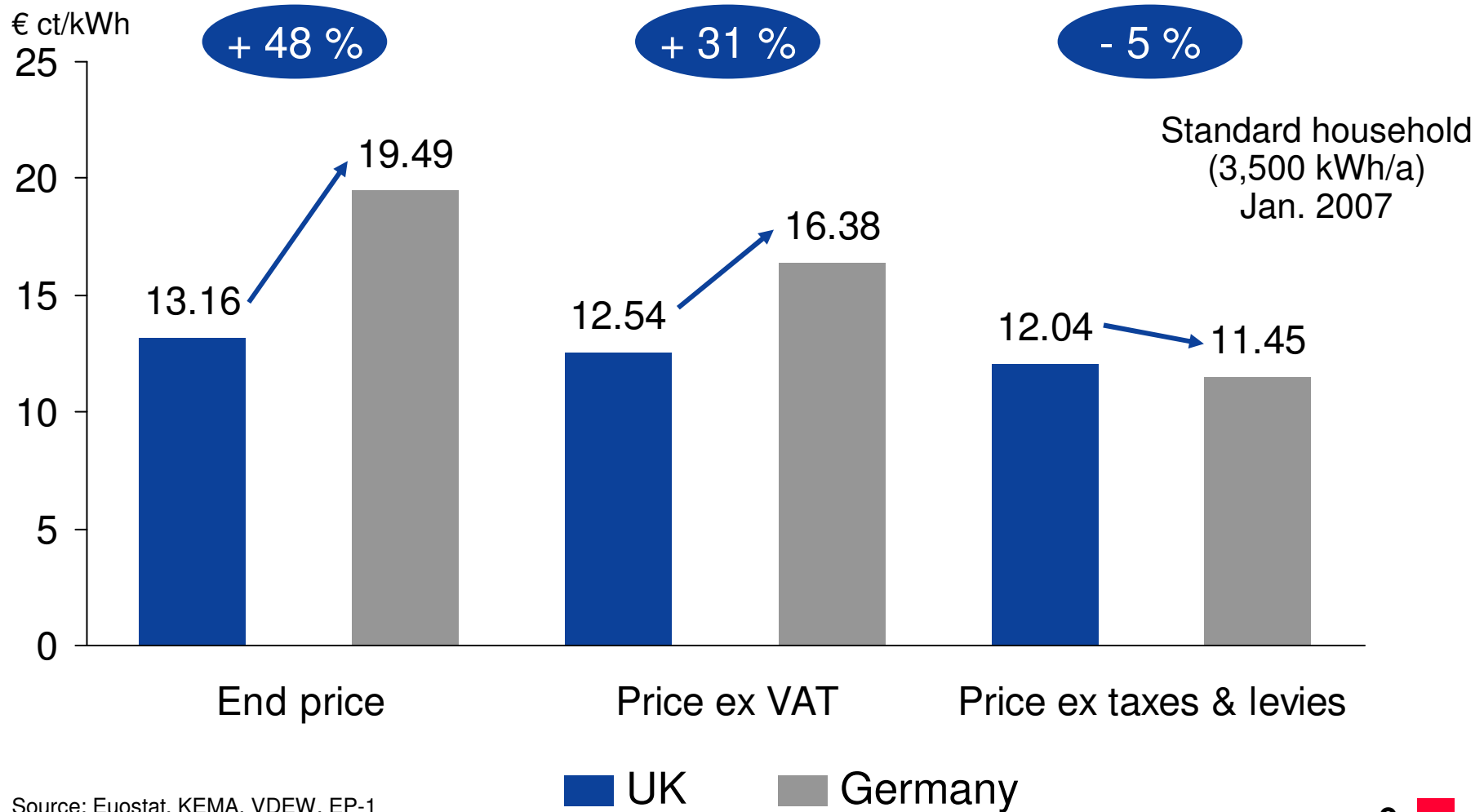
Does ownership unbundling lead to lower transmission grid fees?



■ Ownership unbundling

Source: ETSO Synthesis Report 2006; Impact Assessment (SEC(2007))

Market and competition: ownership unbundling and electricity prices



Source: Euostat, KEMA, VDEW, EP-1

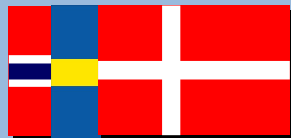
Countries with ownership unbundling do not have more grid investments



At 16 %, Germany's share of cross-border transmission capacity in installed generation capacity by far exceeds the EU objective of 10 % as stipulated in Barcelona.



There are no examples in the EU showing that full unbundling results in more investments. There is no empirical evidence to suggest that countries that have implemented ownership unbundling have more interconnectors than those that have not.



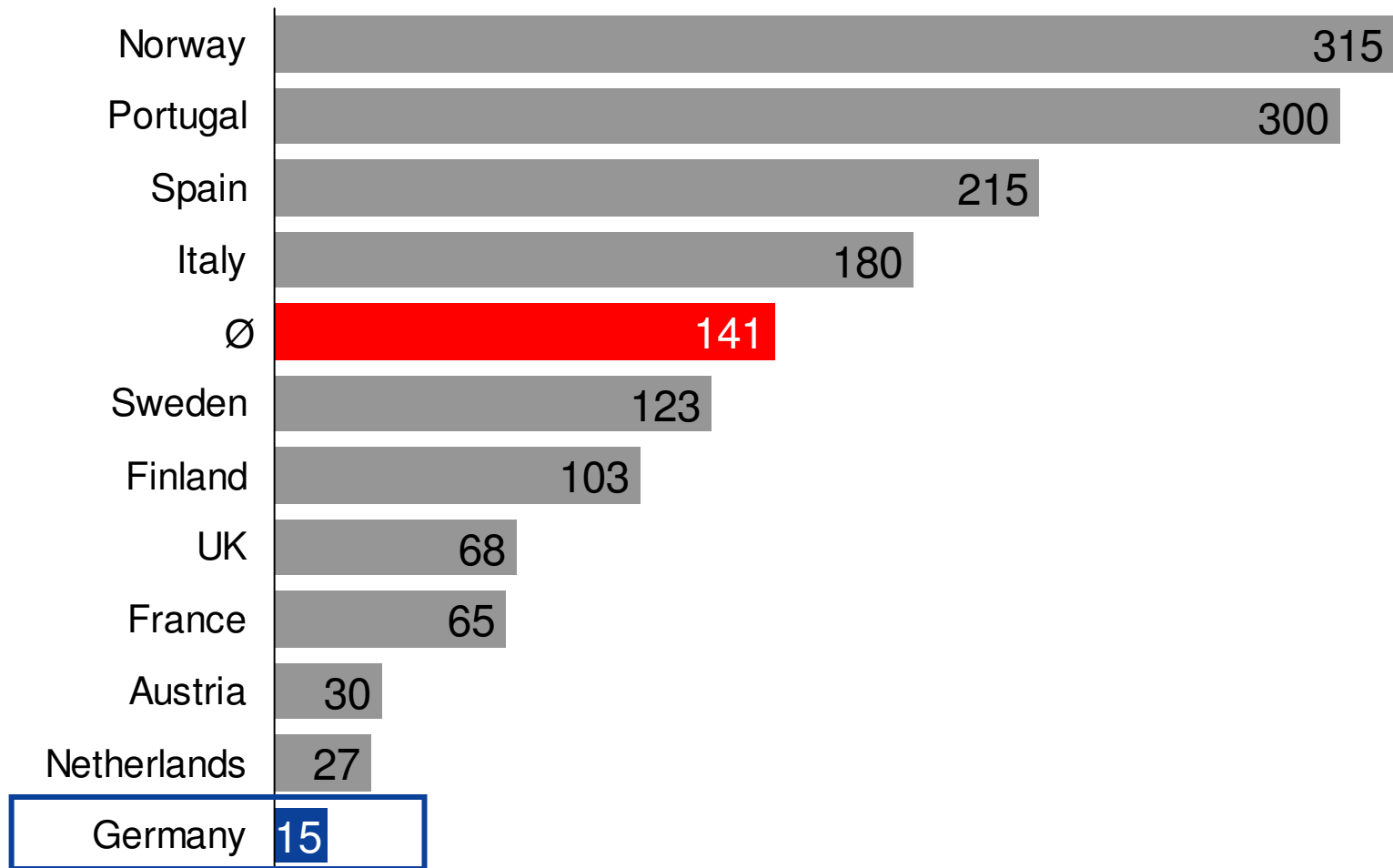
In Scandinavia, the ownership of transmission systems has been unbundled, but the transmission grid in and between the various Scandinavian countries is insufficiently developed.



Netherlands-based TenneT is refusing to connect a new power plant to the grid saying that its grid capacity is insufficient and that the development would take at least 12 years (although simpler solutions would be possible).

Grid reliability: Grid security in Europe

Power outage times in min./a



Conclusion



- In Europe, power producers and traders are part of a competitive market.
- The market position of individual power producers is effectively restricted by the fact that they are part of a network in the single European energy market.
- Ownership unbundling neither leads to lower electricity prices nor greater grid investments nor increased security of supply.
- RWE's extensive investments in the development and renewal of grids contribute to market integration.