

Comments of the Portuguese Competition Authority on the issues under review in the European Commission energy sector inquiry

The experience gained to date in constructing the internal energy market, as shown in the preliminary report of the Commission's sector inquiry, reveals the long term nature of this project.

Many outstanding issues have to be addressed in order to put in place a well functioning internal energy market. Among them are the regulatory and market designs, the levels of interconnection capacity between European states and the rules governing the use of such capacity.

However, the existing market structure, characterized by vertical integration of activities and concentration, places several constraints on the achievement of the level playing field necessary for competition to develop.

The Portuguese Competition Authority shares the assessment of the Commission on the several competition issues identified in the sector inquiry preliminary report. The quality and accuracy of the investigation presented in this report clearly poses a challenge to identify and implement the proper remedies to establish a well functioning internal energy market.

It is the view of the Portuguese Competition Authority that the proper unbundling of network activities, as well as non-discriminatory TPA regimes and pro-competitive market structures, constitute necessary requirements to overcome some of the competition problems identified.

The Portuguese Competition Authority recommends that the Commission sector inquiry, in its final report, should include an analysis of the following topics:

- the impact of stranded costs schemes on price formation in electricity wholesale markets;
- the impact that the trade of gas and carbon emission allowances can have on bidding practices in electricity wholesale markets and the possible distortions of competition that may result therefrom;
- an evaluation of the electricity and gas release programmes developed in the past in several countries, in order to provide insights on how these programmes may be generalised, namely, regarding the assessment of capacities to be released and the design of the release procedures.