



Press Release

Luxembourg, 31 January 2023

EU auditors: progress towards an internal electricity market is slow

- *The project to integrate all national electricity markets started back in 1996*
- *Complex EU rules and weaknesses in governance have delayed full integration*
- *The economic benefits of greater price convergence are still untapped*

Despite ambitious projections and a certain amount of effort, the EU has made slow progress towards its objective of connecting electricity markets to ensure access to cheap power for citizens and businesses, according to a report by the European Court of Auditors. Delays in coupling national power markets have piled up because of weaknesses in EU governance and a complex system of regulatory tools for enabling cross-border trade, which has held back the implementation of market rules. Nor has market monitoring by the European Commission and ACER, the EU's energy agency, brought sufficient improvement. Surveillance measures to restrict abuse and manipulation have not gone far enough, meaning that the main burden of risk on the EU electricity market has been passed on to final consumers.

In 1996, the EU embarked on a complex project to fully integrate national electricity markets. The goal was to deliver the cheapest possible electricity prices for consumers and make the EU's energy supply more secure. However, nearly ten years after the project's scheduled completion in 2014, the market is in practice still governed by 27 national regulatory frameworks. As the current energy crisis has emphasised, wholesale prices differ significantly between member states and retail prices remain heavily influenced by national taxation rates and network charges, rather than being open to competition.

"Despite the welcome and needed ambition by the EU, electricity markets in Europe could be much more integrated" said Mihails Kozlovs, the ECA member who led the audit. *"The current energy and cost-of-living crisis facing EU citizens has made it even more urgent for the EU to finalise its internal electricity market."*

Notwithstanding certain major achievements, progress towards the coupling of all national electricity markets was slow between 2015 and 2021, and uneven across EU regions and market segments. No EU guidelines, though binding, had been fully acted on in member states, and there had also been no substantial progress on increasing cross-border transmission capacity. The auditors attribute delays to the Commission's choice of network guidelines to be implemented through terms and conditions or methodologies, which made approval the responsibility of national regulatory authorities (NRAs) and ACER. This overly complicated and delayed the harmonisation of cross-border trade rules. The auditors stress that in its impact assessment, the Commission did not sufficiently analyse the impacts of its market design and governance decisions. Monitoring of the consistency of member states' enforcement of the rules was largely devolved to ACER. The auditors found,

The purpose of this press release is to convey the main messages of the European Court of Auditors' special report. The full report is available at eca.europa.eu.

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however, that ACER's monitoring and reporting were insufficient, particularly because of insufficient data, scarce resources and poor coordination with the Commission.

Market surveillance to detect and deter market abuse and manipulation was also incomplete. The auditors conclude that ACER's approach to data collection was not comprehensive, and its assessment of the data it did collect covered too narrow a range of abusive behaviour. ACER also allocated insufficient resources to data analysis and was unable to support investigations into the growing volume of suspected cross-border market abuse. The auditors warn that electricity producers, suppliers and brokers may all exploit loopholes or – worse – that member states may compete to provide the most permissive environment in terms of penalties and enforcement. At the same time, ACER does not have the power to ensure that member states enforce the rules consistently.

Background information

The EU shares responsibility for energy policy with member states. Cross-border electricity trading should allow businesses and citizens across the EU access to the cheapest available power. The auditors assessed how well the Commission's regulatory approach and ACER's market oversight contributed to the EU's objective of a properly functioning internal electricity market. They looked at the period from 2015 to the end of 2021, and mainly focused on wholesale electricity markets

ECA special report 03/2023 "Internal electricity market Integration: Complex legal architecture, delays, weaknesses in governance and incomplete market surveillance hamper full achievement of the ambitious objective" is available on the ECA website eca.europa.eu.

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