

The regulatory framework for electricity in the EU: Implementation to traction current for railways

Alberto Pototschnig

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"Electricity and Infrastructure Managers: Is there a need for Regulation?"

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and electricity consumption by Railway Undertakings

- Electricity supply is liberalised in the EU since 2007
 - All consumers shall be free to:
 - buy electricity from the supplier of their choice
 - have more than one electricity supply contract at the same time, provided that the required connection and metering points are established
- Article 4 of the
Electricity
Directive
(EU) 2019/944
- There is no reason why Railway Undertakings (RUs) should not be able to enjoy the same freedom to choose the suppliers
 - Any restriction to the possibility of RUs freely to choose their suppliers might be in breach of EU law

Are there barriers to Railway Undertaking freely choosing their suppliers? (1)

Legal/regulatory

- At present, the railway Infrastructure Managers (IMs) are allowed to provide traction current (in a non-discriminatory manner, as an additional service billed separately)
- If the railway IM is the only available provider of traction current, the price of traction current should be regulated in a cost-plus manner
- What is the status of the railway IMs' electricity network within the electricity regulatory framework?
- Could the railway IMs' electricity network be qualified as a 'closed distribution system'?
 - Doubtful, given the requirement of art. 38(1)(b) of the Electricity Directive that the system distributes electricity primarily to the owner or operator of the system or their related undertakings
 - In any case, this would not prevent it from being subject to TPA obligations.

Are there barriers to Railway Undertaking freely choosing their suppliers? (2)

Technical

- Lack of metering at the individual train level
 - But multiple trains already operate on the same network and therefore there must be ways of defining their individual consumption. This could be used in a transitory period until smart meters are installed on all trains

The role of the Railway Infrastructure Managers

with respect to the traction current consumed by Railway Undertakings

- Wheel on their electricity network the electric current that RUs buy from the suppliers of their choice
- Possibly compete with other suppliers in selling electric current to RUs
 - In this case, they would need to qualify as suppliers
 - To be considered if their role as operator of the electricity network used to deliver electricity to the trains could put them in a position to distort competition in the supply of electric current to RUs. If so, unbundling should be considered.

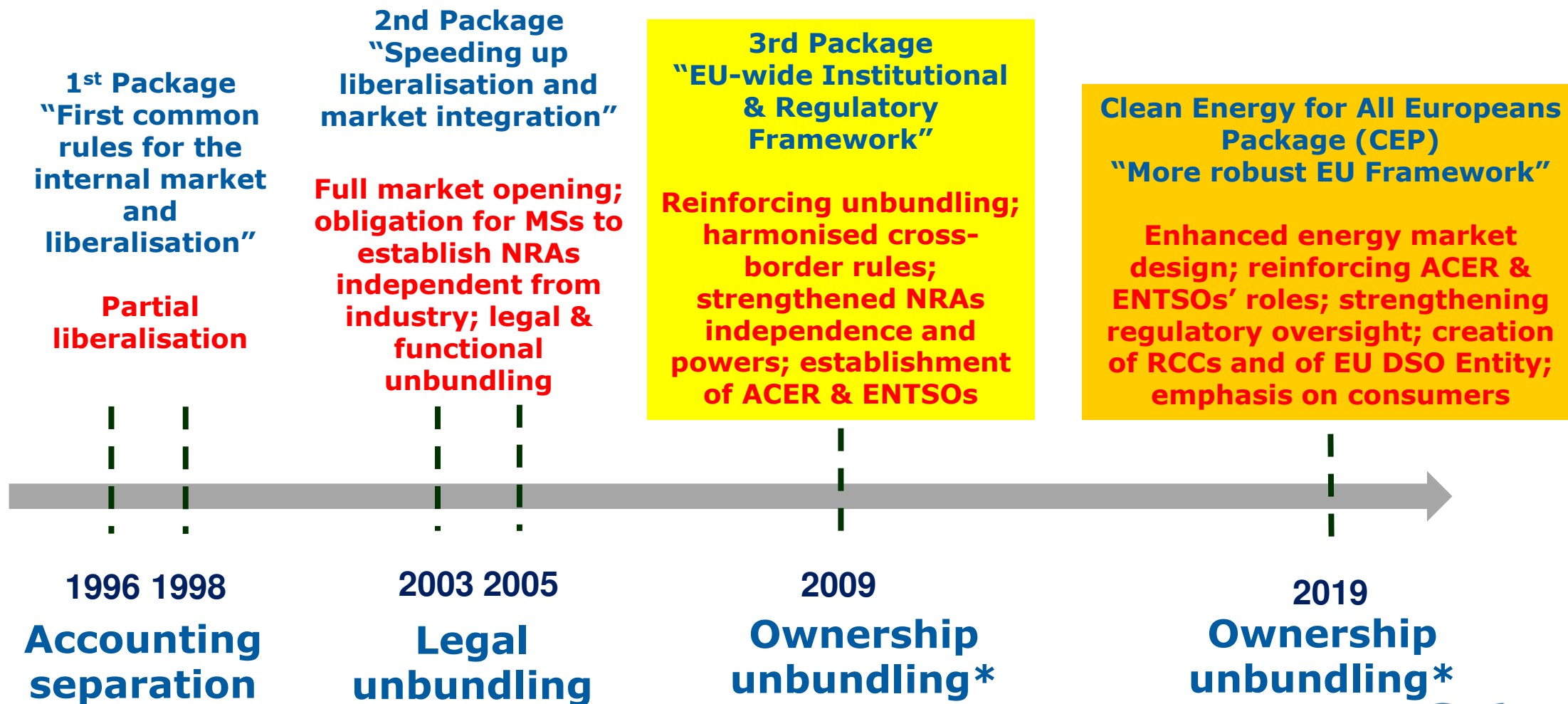
The liberalisation of the energy sector and the rationale for unbundling

- The liberalisation of the energy sector and the introduction of competition wherever possible, requires:
 - Unbundling between competitive and monopoly activities
 - to remove the conflict of interest between competitive and monopoly (network) activities:
 - Possible cross-subsidies in tariff setting
 - Possible discrimination in access conditions
 - Possible distortions in network development
 - Third-party access conditions to the networks

Different Forms of Unbundling for the Railway Infrastructure Managers based on the regulatory framework for the energy sector

- **Accounting**: would require the railway IMs to keep separate internal accounts for each of its activities, in particular separate accounts for its electricity network-related activities and for its other activities
- **Functional (management and decision-making)**: would requires the railway IMs to separate the management, including decision-making, of its different activities, in particular separate management and decision-making of its electricity network-related activities and of its other activities
- **Legal**: would require the railway IMs to operate its regulated and competitive activities, in particular its electricity network-related activities and its other activities, through separate legal entities
- **Ownership**: would requires the electricity network-related activities and the other activities of the railway IMs to be operated by undertakings with separate ownership

Unbundling of system operation activities in the EU energy sector



Thank you for your attention!