

Chairman of the ERO board and ACER director discussed the actual problems in the EU and in the Czech Republic

The Energy regulatory office (ERO) team was proud to welcome the Director of ACER Mr. Christian Zinglensen to Prague today as part of his visit to energy regulators across the EU; a meeting long in planning. Following a discussion on European energy topics and long-term cooperation between the two organisations, Mr. Zinglensen sat down with Mr. Stanislav Trávníček, Chairman of the Board of ERO, to discuss the most recent developments in the Czech Republic.

“I am not aware of a regulator in Europe that oversees an individual supplier’s choice of business strategy and how that supplier optimises its risk exposure and market opportunities. This is not a core task for regulators. For sure, the current situation in Europe is fuelling debate amongst us regulators how supplier solidity is best addressed and how consumers are best protected if and when such solidity fails,” said ACER director Christian Zinglensen.

Mr. Trávníček brought to Mr. Zinglensen’s attention the recent failure of the largest Czech non-incumbent supplier and other smaller ones which forced some 900 thousand customers to seek supply of last resort. He suggested that this experience makes one think how the existing regulatory framework across Europe could be augmented so as to mitigate this risk going forward.

Mr. Zinglensen noted that similar developments, although not to such a severe extent, are being seen in several places across the EU.

Mr. Trávníček found the Czech situation exceptional as regards the impact of the failed suppliers’ business strategies, likely bordering on moral hazard. He stressed that the fact that those suppliers failed to meet their contractual obligations towards their customers and bailed out on them is most regrettable and should be taken up by the relevant authorities.

Mr. Zinglensen noted the unusual situation, regretting that ERÚ’s independence was being questioned in some quarters.

As regards possible lessons to be drawn from the current situation, Mr. Zinglensen pointed to ACER’s upcoming preliminary assessment of Europe’s high energy prices; this following a request to ACER by the European Commission. In particular, he pointed out that the recent wholesale price surges, which are at the core of the ongoing retail market issues, are unprecedented and a result primarily of global demand and supply dynamics. As such, they are largely beyond the EU’s, let alone any one Member State’s control.

Even more pertinent to the issue at hand are ACER’s considerations on how end-consumers could be appropriately protected against excessive wholesale price risks and shielded from suppliers failing to meet their contractual commitments. As the current EU legal framework stands, energy regulators across Europe are not in a position to monitor suppliers’ risk management and business strategies and even in cases where irregularities are spotted, regulators may well have no options for intervening. The recent experiences clearly merit reflections on what can be done to mitigate the risk of such situations arising again as they ultimately undermine end-consumers’ trust in the market.