



KONKURENTSIAMET
Estonian Competition Authority

Energy sector regulation in Estonia

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Estonian Competition Authority

Director General

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Administrative reform – merger of competition authorities and regulators

- Merger of different authorities 2008
 - Competition Authority
 - Energy regulator: electricity, gas, district heating (Energy Market Inspectorate)
 - Communications regulator: electronic communication and postal services (part of the former Communications Board).
 - Railway regulator (functions of the Railway Department of the Ministry of Economic Affairs and Communications).
 - Water regulator (the former task of local municipalities) 2011
 - Regulation of airport tariffs (new task based on EU legislation) 2011



Administrative reform - merger of competition authorities and regulators (2)

- The new authority which combines the competition authority with sector regulators.

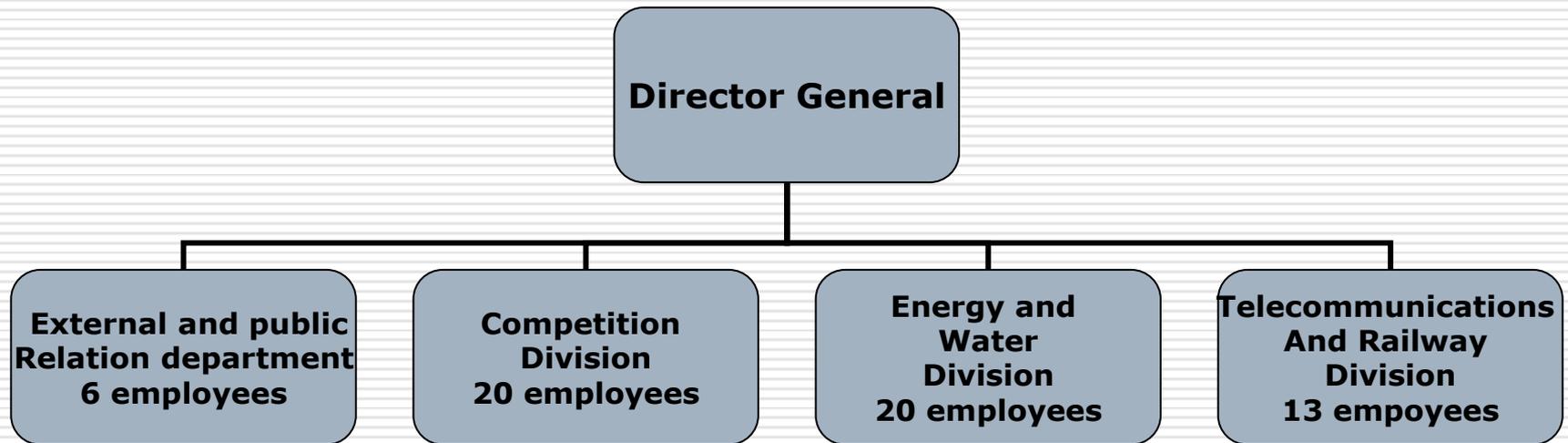


The goal of restructuring

- General policy to save costs and to rise the efficiency on state administration.
 - Reduction of administration costs.
 - Synergies on different regulators. Overlapping functions.
 - Additional tasks: regulation of water supply, airport services (EU directive), etc.
- Too small organisations – 10 to 20 employees. The critical size of an authority is not less than 50 employees.



Structure of the Competition Authority



60 employees



Independence

- **Independent in decision making process.**
- The decisions can be appealed by the administrative court, the next level are district and supreme court.
- The decisions can not be revoked or changed by the government, minister, etc.



Management

- Head of the agency: director general.
- Appointed and dismissed by the minister of economic affairs and communications.
- Fixed term max 2 times 5 years.
- The dismissal of the director general is possible by serious misuse only (criminal proceedings).
- The divisions are managed by heads. The head of the division is also deputy director general.
- The director general may take personal decisions, but according to the organisational structure the decisions need two signatures: the head of division and director general. The right to make personal decisions was never used.



Divisions

- **Competition.** Tasks of a typical competition agency. Anti-cartel activities, merger control, control of market domination, market analyses.
- **Energy and water.** Typical sector regulator. Electricity, natural gas, district heating and water.
- **Telecommunications and railway.** Typical sector regulator. Telecom, post, railway and airports.



Financing

- Financed from the state budget.
 - Annual budget 1,9 million EUR.
 - The budget is approved by the Ministry of Economic Affairs and Communications.
 - Independent in spending since the budget is approved by the parliament.
 - Rules for the next years budget are set by the Ministry of Finance. General rule, the same amount as previous year + additional tasks set by the law.



Institutional framework in EU member states

- **Competition** – according to the EU legislation there shall be a competition authority in each of the member state.
- There shall be independent **energy** and **telecommunication** regulatory authority.
- There shall be a regulatory body in **railway** and **airport** services.
- There are sectors where the member state can decide whether to have a regulator or not: **water, district heating, etc.**



Stronger powers and independence of national energy regulators

- **According to the 3-rd energy liberalisation package**
- NRA must be legally distinct and functionally independent from any private or public entity (i.e. not. part of a ministry)
- NRA must have a separate annual budget and adequate human and financial resources



Stronger powers and independence of national energy regulators

- NRA must have the power e.g.
 - to fix or approve the transmission and distribution tariffs or their methodology
 - to enforce the consumer protection provisions
 - to issue binding decisions on electricity and gas undertakings
 - to impose effective, proportionate and dissuasive penalties



US regulatory model

- Public utilities commissions since 1900.
- Decisions made collegially.
- Multisector regulator



EU

- ❑ Before 1980- state or municipal owned enterprises. No price regulation, the prices under governmental control.
- ❑ 1980-1990 start of privatisation of power utilities, UK the initiator.
- ❑ Since the government was unable to control the prices via ownership, there was a need for independent price regulator – independent from industries, government and customers.
- ❑ Both: administration and collegial (public utilities commission).
- ❑ Mostly sector regulators



Regulators in Europe

Administration

- Estonia
- Sweden
- Finland
- Germany
- Poland
- etc

Collegial (PUC)

- Latvia
- Lithuania
- Bulgaria
- Austria
- etc



Competition authorities in Europe

Administration

- Estonia
- Sweden
- Finland
- Germany
- Poland
- Latvia
- etc

Collegial

- Lithuania
- Bulgaria
- Belgium
- etc



Collegial versus administrative

□ Collegial

- + Decisions are more independent.
- + Less political influence? *The members of commission can be with political background.*
- + Difficulties by dismissing of members. *Depends on legislation and political culture.*
- Efficiency. *The decisions take more time.*



Collegial versus administrative

□ Administrative

+ More efficient. *Making of decisions takes less time.*

-+ More political influence. *Depends on legislation and political culture. In principle the director shall be independent as a civil servant. In Estonia the most of agencies directors are civil servant and very few with political background.*

- Dismissing of director is easier. *Depends on legislation, in Estonia only by serious misuse (crime).*



Regulators in Europe

Sectoral

- Lithuania +water
- Sweden
- Finland
- Poland
- UK
- France

Multisectoral

- Germany
- Latvia
- Estonia
- Holland



Competition + sector regulators or others

- ❑ Estonia competition + multisector 2008.
- ❑ Holland competition + multisector by 2013
- ❑ Denmark customer protection + water
- ❑ Poland customer protection
- ❑ Spain competition + multisector 2013.



Thank You for attention

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