

# ACQUIRENTE UNICO

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*Small Consumers, Market Opening and Public Service*

6-7 March 2003 . Roma

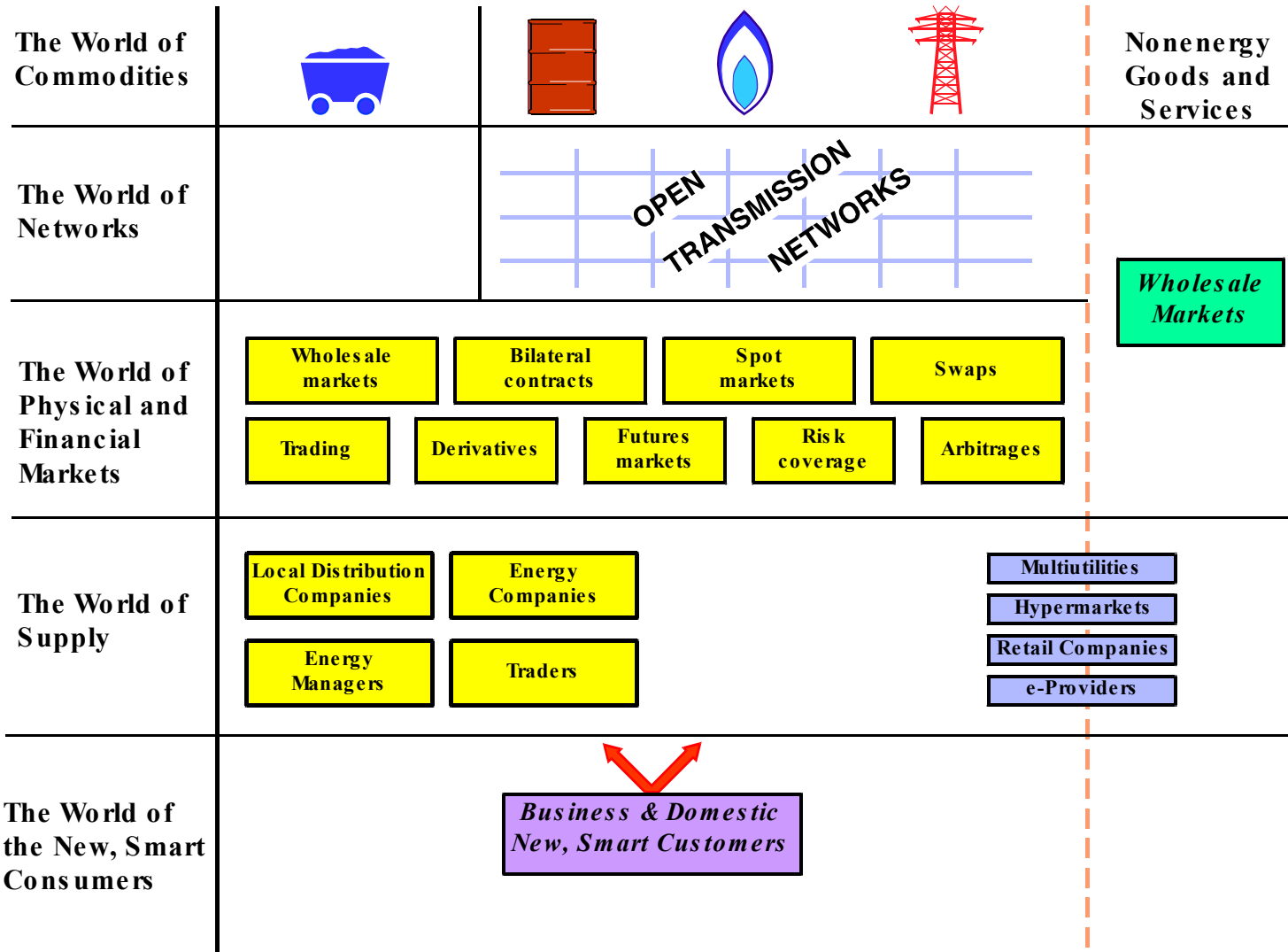
Prof. Jean-Marie Chevalier, CERA and University of  
Paris-Dauphine

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# Reconsidering the Value Chains: From Energy Retailing to General Retailing



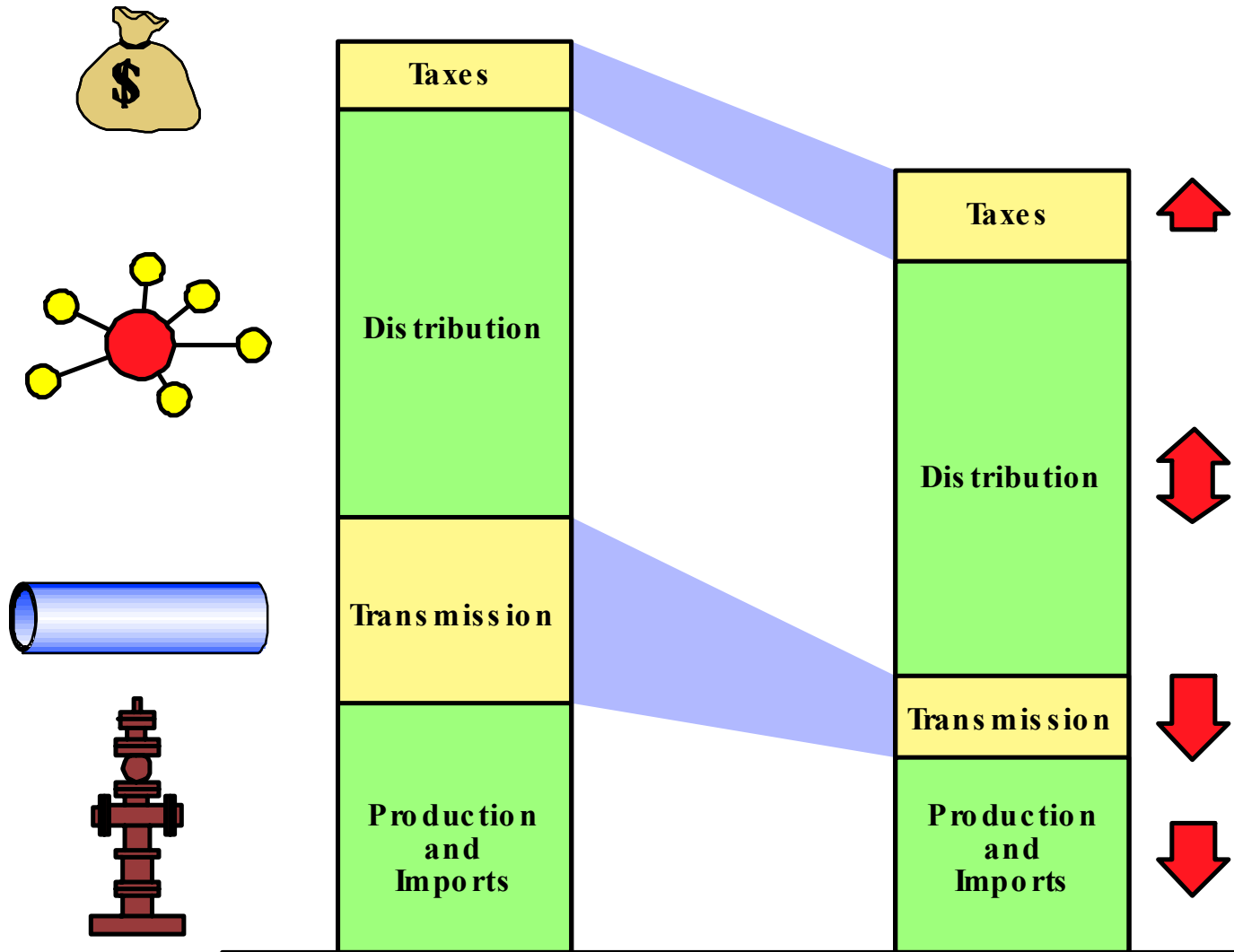
# Changing the European Gas Chain (I)

<b>ASSET</b>	<b>TRADITIONAL ROLE</b>	<b>LIBERALIZED ROLE</b>
<b>Gas Production</b>	<b>International and national companies</b>	<b>More competition</b>
	<b>Long-term TOP contracts</b>	<b>More flexibility</b>
		<b>Spot sales</b>
		<b>Non-dedicated assets</b>
<b>HP Transmission</b>	<b>Closed system</b>	<b>Regulated TPA</b>
	<b>Merchant Pipeline Co</b>	<b>Capacity auctions</b>
		<b>Gas releases</b>
<b>Gas Storage</b>	<b>Closed integrated system</b>	<b>Unbundled/Regulation</b>

# The Changing European Gas Chain (II)

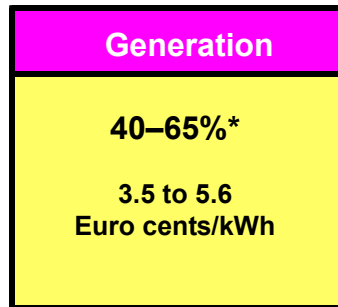
<b>ASSET</b>	<b>TRADITIONAL ROLE</b>	<b>LIBERALIZED ROLE</b>
<b>LNG</b>	<b>Integrated with transmission</b>	<b>Unbundled/Regulated</b>
<b>Supply</b>	<b>Integrated with transmission</b>	<b>Unbundled Competitive</b>
<b>LP Distribution</b>	<b>Local, municipal or integrated with transmission</b>	<b>Unbundled/Regulated</b>
<b>Retailing</b>	<b>Integrated with distribution</b>	<b>Competitive</b>
<b>Metering</b>	<b>Integrated with distribution</b>	<b>Unbundled</b>

# Shifting Revenues in the Natural Gas Value Chain



# Restructuring the Power Market: Reconstructing the Value Chain

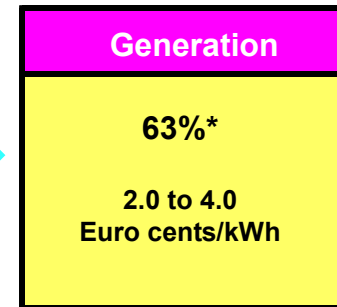
1997 Power Value Chain



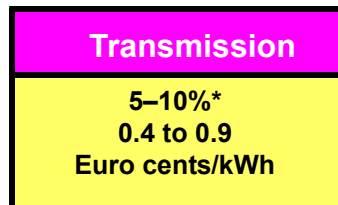
Competitive Pressures

- Over capacity
- Lower fuel supply costs
- Life extension and repowering
- Higher utilization and efficiencies
- New capacity will fire gas
- Capacity creep

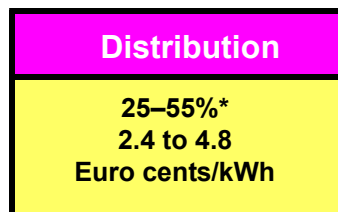
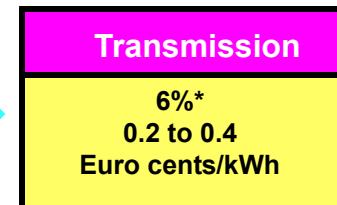
2005 Power Value Chain



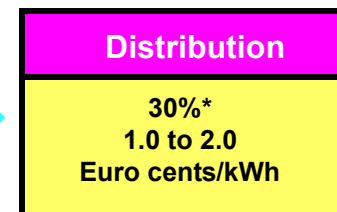
- Trading and arbitrage



- Lower operation costs
- Consolidation
- Competitive prices



- Labor
- Consolidation
- Information technology

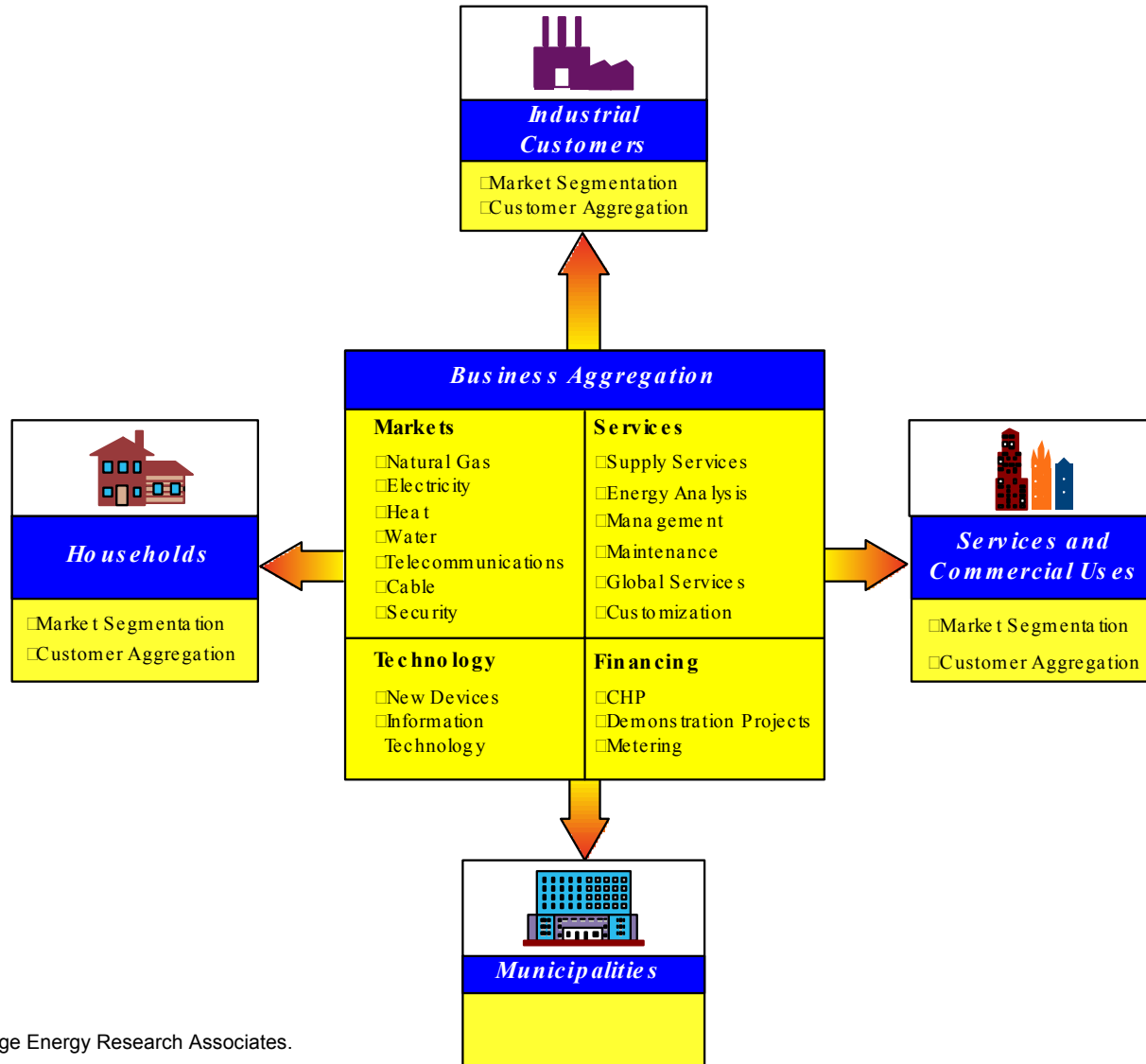


Average delivered price:  
8.7 Euro cents/kWh

- Demand-side management
- Profit squeeze

Average delivered price:  
3.2 to 6.4 Euro cents/kWh

# The Strategic Answer for Market Segmentation and Customer Aggregation: Business Aggregation



# **The Concept of « Service Public »**

- **In the French Electricity Law (Feb 2000)**
- **To guarantee the supply of electricity in any place in line with the respect of general interest. Within the framework of energy policy, the SP must contribute to: energy independence, security of supply, quality of the environment, development of domestic resources, demand side management, competitiveness of the economy, technological choices of the future and energy efficiency**
- **Such a broad definition protects government's prerogative. More specifically long range planning of generation investments (nuclear)**

# The Cost of « Service Public »

- CRE (Commission de Régulation de l'Energie) in its 2002 Annual Report :
- Non interconnected areas (tariffs) 376 M €
- Cogeneration (buy back tariffs) 740 M €
- Small Hydro 100 M €
- Dispatchable units 18 M €
- Other purchasing obligations 72 M €
- TOTAL : 1 306 M € in 2002 (3€/MWh)  
Expected increase: 3.3€/MWh in 2003
- Plus specific charges directly incurred by EDF (uniform domestic tariffs, charges related to fuel poverty)- Not yet evaluated.

**If you have any questions about this presentation or  
CERA in general, please feel free to contact**

**Jean-Marie CHEVALIER**

00 33 1 42 44 12 83

Jmchevalier@cera.com



55 Cambridge Parkway  
Cambridge, Massachusetts 02142, USA  
[www.cera.com](http://www.cera.com)