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## TRANSPARENCY OF CONSUMER ENERGY PRICES

Communication from the Commission

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Communication from the Commission to the Council

### 1. INTRODUCTION

#### 1.1 Origin of the proposal

In June 1980, the Energy Council approved a set of principles for Member States to put into practice regarding energy.

In this field, some action had nevertheless already been taken. Since 1953, in fact, the High Authority had, on the basis of Article 60 ECSC, regulated certain practices in relation to coal prices. From 1976, stemming from the oil crisis, Member States have regarded it necessary to adopt various measures with regard to oil and oil products.

For more than thirty years, the Community has therefore applied instruments covering two areas: coal<sup>1)</sup> and oil<sup>2)</sup>

The Council adopted, in 1981 and 1983, recommendations concerning pricing and tariffs in the electricity<sup>3)</sup> and gas sectors<sup>4)</sup>.

These two Recommendations invited Member States in identical terms to "ensure that prices are characterised by the greatest possible degree of transparency . . .".

In 1984, the Commission produced a report on the implementation of these Recommendations in the Member States<sup>5)</sup>. The Commission noted in particular the need to extend the use of tariff structures and to improve price transparency in industry in certain Member States. Several attempts to have adopted a Council Resolution on the implementation of these guidelines failed to secure the necessary Council approval.

1) Decision n°. 3053, 2nd May 1953. OJ n° 6 4.5.53 p. 109.

2) Council Directive, 4th May 1976. OJ L 140, 28.5.76 p. 4.

3) Council recommendation of 27 October 1981 on electricity tariff structures in the Community (81/924/EEC); OJ L 337, 24.11.1981.

4) Council recommendation of 21 April 1983 on the methods of forming natural gas prices and tariffs in the Community (83/230/EEC); OJ L 123, 11.05.1983.

5) COM(84)490 final, 18.09.1984.

## 1.2 The Internal Energy Market

Concern about energy price transparency is now expressed in a different context namely the Single Act, which contains new institutional provisions inspired by a more dynamic vision of European integration and which aims to create a single Community market by 1 January 1993. The aim of achieving an internal energy market is situated in this context.

In its document on the realization of the Internal Energy Market<sup>6)</sup> the Commission once again explicitly raises this important question (COM(88)238, § 76-79) and announces its intention to take action to improve energy price transparency.

In the perspective of the implementation of the Internal Market, these actions assume a priority character and become part of a strategy of change.

## 2. THE OBJECTIVE IN QUESTION

At this preliminary stage the Commission undertook to submit a document containing a "detailed comparative analysis of energy prices plus conclusions and proposals regarding transparency of prices, in particular for large industrial users." The analysis, which formed the basis of this document, is given in Annex A.

In a second stage, the Commission proposes to extend the desired field of price transparency. The text of the Internal Energy Market document (COM(88)238) is clear when it refers to (§77) "the lack of transparency in pricing (in particular in the case of large energy users)." It is also clear in proposing, as a consequence (§79), action in this sector, looking to a method capable of "combining a minimum of transparency . . . and a normal degree of confidentiality . . . while paying special attention to the economic importance of large energy consumers in the Community."

## 3. THE RESULTS OBTAINED

### 3.1 Regular publications

For some years the Commission has been endeavouring to improve price transparency on the energy market, and it publishes the information it receives regularly. However, there are gaps, which vary in importance from one energy source to another and between countries.

Among these periodic Commission publications, there is the "Bulletin of Energy Prices", the "Weekly Oil Bulletin", "Gas Prices", "Electricity Prices" and "Carnets de prix coal".

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6) COM(88)238 final.

### 3.2 Analysis of results by sector

A brief review of the methods implemented, sector by sector, to collect and process information published by the Commission on energy prices should allow some operational conclusions to be drawn. These would concern the manner in which one could better realise the improvement in energy price transparency sought in the Internal Energy Market document.

#### 3.2.1 Oil

There is a dual communication procedure for the average prices of crude oil and prices charged for oil products: every 3 months the Member States send information under Council Directive 76/491/EEC of 4 May 1976 but there is also a weekly bulletin which is tacitly agreed between the oil companies and the Member States.

Conclusion: acceptable transparency seems to be obtained; the Commission, is watching the situation closely and is prepared to make technical improvements where possible.

#### 3.2.2 Solid fuels:

In the solid fuels sector, there is precise information available on coal prices and domestic coal products. This is based on Decision n°. 3053, as amended on 2nd May 1953, which imposes an obligation to notify on producers and certain distributors. Statistics are available on coal for power stations and coking coal imported from third countries under the communication procedures based on Decision 77/707/ECSC as amended by Decision 85/161/ECSC and Commission Decisions 86/2465/ECSC and 86/2064/ECSC.

Conclusion : transparency in this sector may be considered as acceptable, although some improvement could be made by taking measures specific to the sector.

#### 3.2.3 Natural gas:

The gas prices resulting from the rates charged are known from the regular surveys carried out by COMETEC-GAZ<sup>7)</sup> and Eurostat. The overall transparency can be improved notably in two countries where supplies to industry fall outside tariffs and the prices are not transparent above a certain consumption threshold.

Conclusion: a threshold of 1163 Gwh/year should be reached in all in all countries: it would allow all final gas consumers to be covered.

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7) COMETEC-GAZ : Economic Research Committee of the Gas Industry.

### 3.2.4 Electricity

The rates charged are known as a result of the regular surveys carried out by the International Union of Producers and Distributors of Electrical Energy (UNIPED)<sup>8)</sup> and Eurostat.

The Commission also receives regular price information on consumption levels up to 175 GWh/year, i.e. 630 000 GJ/year. However, since it is difficult to define a representative 'standard consumer' of this size, the Commission is not allowed to publish such information. The highest annual consumption of electricity published by Eurostat is 24 GWh/year, which excludes most large consumers.

Conclusion: there is a price transparency problem for sales of electricity in excess of 24 GWh/year. This is unacceptable in view of the impending completion of the internal market.

## 4. ADVANTAGES OF A NEW COMMUNITY ACTION

### 4.1 Limits of the present system

Price transparency should enable consumers to check whether the prices charged reflect fair conditions of competition. Lack of transparency, in the gas sector and especially in the electricity sector, makes it impossible for them to make such an assessment and to choose accordingly.

More generally, this lack of transparency by its nature creates mistrust on the part of consumers which, in certain cases, is proved justified. When energy prices are not transparent, they are capable of containing elements of State Aid unauthorised by the Commission or covering up anti-competitive practices by undertakings in breach of Community rules on competition.

Besides knowing the prices one must also be in a position to assess how representative they are, i.e. to determine the number of consumers who are charged these prices and their share of total consumption. Given the amount of information currently available it is not always possible to determine, in particular, the number of consumers affected by lack of transparency and their share of the market.

The reasons given to explain the lack of transparency (terms of contracts, difficulties in compiling data, the different sources involved, etc.) are all technical and would not therefore seem to be insurmountable provided there is the political will to overcome them.

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8) UNIPED : International Union of Electricity Producers and Distributors.

#### 4.2 Necessary Improvements

Action should therefore be taken not only on prices which are not published but also to encourage as wide a publication as possible of information on energy prices.

The field of application should concentrate on prices charged to the final consumer on the gas and electricity markets for sales to industry. Concerning solid fuels and petroleum products, where transparency appears satisfactory at this stage, the Commission is presently examining the possibility of introducing additional improvements.

The contribution made by improved price transparency must therefore be seen in the overall context of the completion of a single unified energy market and the carrying out of the Community's structural policies bringing increased competitiveness and profitability. This cannot be achieved without ensuring adherence to Community competition rules; the existence of monopolies or quasi-monopolies in the gas and electricity sectors means that prices in these two sectors do not result entirely from the play of competition.

Moreover, a small number of very large consumers, supplied on the basis of individual contracts, will not be covered. Such contracts contain numerous clauses outside of price considerations (example: supply modulations, amortization of investments, the schedule of payments, etc.) which make them impossible to compare. The clauses contained in this type of contract, including those concerning prices, come under the competition rules of the EEC Treaty. The Commission already maintains strict surveillance of these types of contracts or transactions.

#### 4.3 Potential beneficiaries

Taking into account the above it is clear that improved price transparency will benefit energy consumers and operators in the sector who will have at their disposal better, objective information on which to base an assessment of the prices charged in other areas or in the other Member States. This transparency is even more necessary with the steady and irreversible development of the single market.

This improvement will equally benefit the Commission and the Member States, to help them in their task of analysing and understanding the energy market.

## 5. STEPS TAKEN TO DATE

### 5.1 First efforts to increase awareness

The approach adopted until now to tackle transparency problems is to make the gas and electricity producers aware of the need to improve transparency, so as to obtain their effective and willing cooperation.

In the energy sector where few Member States collect consolidated pricing information, it is useful to operate with the support of the European professional federations, representatives of the sectors. It is important in terms of the collection and the homogeneity of data: it is essential from the point of view of the definition of a common methodology. An effort to compare prices has interest for the consumer only if the results obtained and published are uncontested both in terms of the reliability of the data gathered and the methodology used, in order to present them in a manner which makes them comparable. These results can then serve as a point of departure for a good evaluation of the conditions of competition and the verity of costs. Such an analysis will be undertaken from the time of the proposed measures below.

### 5.2 Determination of the results to be achieved

For this action to increase awareness, the Commission services have had in-depth discussions with the producers and distributors concerned and their representative associations in the gas and electricity sectors. These meetings have covered the methods and means of implementation to extend gas and electricity price transparency to the largest final energy consumers.

Following these discussions, the Commission services have been able to define more clearly the desired results in order to achieve the objective stated in the Internal Energy document. The technical description of the results to be achieved are detailed in Annex B.

In the natural gas sector, an agreement has been achieved between the Commission services and the industry concerned on the basis of the technical characteristics described in Annex B.

In the electricity sector, discussions have led to the outline of the method. They have not, however, led to an agreement on a system of applying price transparency to the largest consumers. Negotiations must continue to resolve this last outstanding point.

As an example, to give an idea of the order of magnitude of the progress anticipated, the highest consumption levels for which price transparency applies today are situated at 22 GWh/yr for electricity and the equivalent of 10,000 t of fuel/yr for gas. The proposed procedure would raise these thresholds to 657 GWh/yr for electricity (30 times higher than Eurostat's present system) and the equivalent of 100,000 t of fuel/yr for gas (equal to more than 1,100 GWh/yr).

These are substantial levels. For example, 100,000 t of fuel/yr represents an amount of energy equivalent to that consumed by the entire city of West Berlin over a 2 month period.

## 6. PROGRAMME OF ACTION FOR THE FUTURE

### 6.1 Current exercise

The discussions launched in recent months with COMETEC-GAZ and UNIPEDE should allow progress in the direction of transparency.

The results will be examined by a GROUP of EXPERTS to be established (see 6.3 below).

### 6.2 A new framework for action

The Commission services have prepared a proposal for a legal instrument<sup>9)</sup>. It should provide the legal basis to allow the Commission to obtain the necessary information on prices notably final gas and electricity consumer prices.

This information should allow the regular publication of data on energy prices in order to contribute to a better price transparency in the sectors in question.

Moreover, this instrument should equally anticipate means which would allow the Commission to have knowledge of and assess systematically energy price conditions contained in individual contracts or transactions which by their nature escape the transparency exercise (ref. the end of § 4.2 above).

### 6.3 Implementing the action

During the critical stage of defining the content of this legal instrument, the Commission will be assisted by a "Group of Experts" composed of representatives from the industries concerned; gas and electricity producers and distributors; and energy consumers.

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9) For the implementation of the Internal Market, and particularly the Internal Energy Market, Article 100A seems to be a suitable legal and political instrument to the extent that it concerns the approximation of the provisions laid down by law, regulation or administrative action in Member States with a view to eliminating obstacles to the free circulation of goods, the freedom to provide services or distortions of competition. Actions arising from competition policy always remain possible.



This Group of Experts, chaired by a Commission representative and existing for a limited duration, will advise the Commission services on the best way of acquiring, processing and publishing the necessary information to achieve the level of transparency sought. It will also ensure that disproportionate administrative costs are not imposed on undertakings.

The Group will also advise the Commission on the introduction of ways and means to obtain systematically information on energy price conditions contained in the large individual contracts which are situated on the margin of the transparency exercise.

#### 6.4 Proposed timetable

In July 1989, the Commission will make a proposal concerning the legal instrument, accompanied by the necessary technical annexes and the required proposals for their introduction. The Council will be invited to make a judgement within a short space of time and in accordance with the modalities foreseen in the EEC Treaty.

### 7. CONCLUSIONS

On the basis of the considerations above and in the light of the need for increased price transparency in the framework of the internal energy market, the Council is invited to

- take note of the Commission's analysis on energy price transparency to consumers;
- share the Commission's conclusion concerning the need to extend the field of application beyond present levels;
- note the Commission's intention to form a Group of experts composed of representatives from the interests directly concerned.
- take note that the Commission will in July 1989, send to the Council the proposal contained in point 6.2 of the present communication.

## ANNEX A

### COMPARATIVE ANALYSIS OF ENERGY PRICES IN THE COMMUNITY

In accordance with the undertaking given in Section 79 of its document on the creation of the internal energy market, the Commission has prepared a detailed comparative analysis of energy prices in the Member States.<sup>1</sup>

The main conclusions are summarized below. The data used are expressed in ecu per specific unit. They are taken from the Commission's price publications referred to below.

The comparisons refer to seven energy products considered to be the most representative of the 16 covered by the study. In the case of gas and electricity, the figures relate as closely as possible to the characteristics of the average consumer.

#### (a) Petroleum products:

- |   |   |
|---|---|
| - Residual fuel oil (HS)<br>or 264 000 MWh/year | Price for delivery of less<br>than 2 000 t/month or<br>24 000 t/year. |
| - Heating oil<br>or 50.5 MWh/year               | Price for delivery of 2 000<br>to 5 000 l.                            |
| - Premium petrol                                | Pump price.   |

#### (b) Electricity:

- |   |   |
|---|---|
| - Domestic use,<br>3.5 MWh/year (Dc);     | Standard dwelling, 90 m <sup>2</sup> ,<br>4 rooms plus kitchen.<br>Subscribed demand: 4 to 9 kW<br>(without space heating). |
| - Industrial use,<br>24,000 MWh/year (Ig) | Maximum power requirement :<br>4 MW modulation: 6 000 h.  |

#### (c) Natural gas and works gas:<sup>2</sup>

- |   |   |
|---|---|
| - Domestic use,<br>125.6 GJ/year or 34.9 MWh/<br>year (D3b)       | Cooking, domestic hot water,<br>central heating.        |
| - Industrial use,<br>418600 GJ/year or<br>116,300 MWh/year (I4-2) | Corresponds to a modulation<br>of 330 days and 8 000 h. |

Two variants are examined:

prices before VAT and excise  
duties, and prices after tax.

1 This very detailed report, available in French, may be obtained on request from the Directorate-General for Energy.

2 The codes given in brackets refer to the standard consumers chosen by Eurostat.

The net calorific value (NCV) for the products referred to:

1000 l of premium petrol = 44 GJ

1 t of residual fuel oil = 40 GJ

1000 l of heating oil = 36.378 GJ

1 GJ GCV of gas = 0.9 GJ

100 kwh of electricity = 0.36 GJ.

The analysis of the situation at 1 January 1987<sup>3</sup> is only partial since, owing to lack of information, it does not cover the major users of gas and electricity. Much more is said about this information gap elsewhere in this Communication.

The following table summarizes the situation at 1 January 1987. Five sets of figures relating to the Community as a whole are given for each of the seven products:

the average price weighted according to consumption, in ecus per MWh (equivalent calorific value);

the average price weighted according to consumption in current ecus per unit of measurement;

the coefficient of variation (standard deviation divided by the arithmetic mean), which provides a measurement of the dispersion of prices around the Community average; the higher the figure, the greater the dispersion of the Member States' prices for the product in question around that average;

the maximum price;

the minimum price;

the ratio of the maximum price to the minimum price.

The maximum and minimum prices are followed by the initials of the Member States from which they were obtained.

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<sup>3</sup> Figures for 1988 are not yet published.

TABLE 1

Summary comparison of prices at 1/1/1987<sup>4</sup>

	Weighted average ECU/ MWh	Coefficient of variation (%) ECU/ unit	Minimum Price	Maximum Price	Ratio Min/Max	
<i>Residual Fuel Oil - ECU/tonne</i>						
Product						
Pre-tax	10,0	110.95	15.1%	77.84-GR	133.65-DE	1.72
After tax (*)	13,1	145.94	55.9%	98.33-LX	474.17-DK	4.82
<i>Heating oil - ECU/1 000 lt</i>						
Product						
Pre-tax	17,5	176.39	13.4%	122.15-GR	201.45-FR	1.65
After tax	26,9	273.83	36.1%	165.26-LX	520.36-DK	3.15
<i>Premium petrol - ECU/1 000 lt</i>						
Product						
Pre-tax	15,3	186.48	12.7%	146.12-GR	244.36-IR	1.67
After tax	50,8	621.04	20.8%	451.08-LX	885.08-IT	1.96
<i>Electricity for domestic use, 3 500 kWh/year, ECU/100 kWh</i>						
Product						
Pre-tax	95,9	9.59	22.7%	5.16-DK	12.59-IT	2.44
After tax	112,9	11.29	21.5%	7.38-GR	14.79-IT	2.00
<i>Electricity for industrial use, 24 GWh/year, ECU/100 kWh</i>						
Product						
Pre-tax	55,3	5.53	18.1%	2.78-DK	6.81-PO	2.45
After tax	64,5	6.45	15.2%	5.06-UK	8.44-DK	1.67
<i>Gas for domestic use, 125.6 GJ/year, ECU/GJ</i>						
Product						
Pre-tax	20,97	5.81	23.0%	4.22-LX	9.94-DK	2.36
After tax	23,50	6.51	25.9%	4.47-LX	12.13-DK	2.71
<i>Gas for industrial use, 418 600 GJ/year, ECU/GJ</i>						
Product						
Pre-tax	12,31	3.41	27.4%	2.25-NL	4.76-DE	2.12
After tax	14,33	3.97	26.8%	2.70-NL	5.43-DE	2.01

(\*) After tax = All taxes included

4 The data at 1/1/88 were not available when this table was compiled.

TABLE 2

Average weighted prices of principal energy sources  
In equivalent calorific values

	ECU/MWh		% Fiscality
	Pre-tax	After tax	
Fuel oil	10	13	31
Industrial gas	12	14	16
Premium petrol	15	51	232
Heating oil	18	27	54
Domestic gas	21	24	11
Industrial electricity	55	65	17
Domestic electricity	96	113	18

TABLE 3

DISPERSAL OF EX-TAX PRICES AT 1/1/1987

Community Average = 100

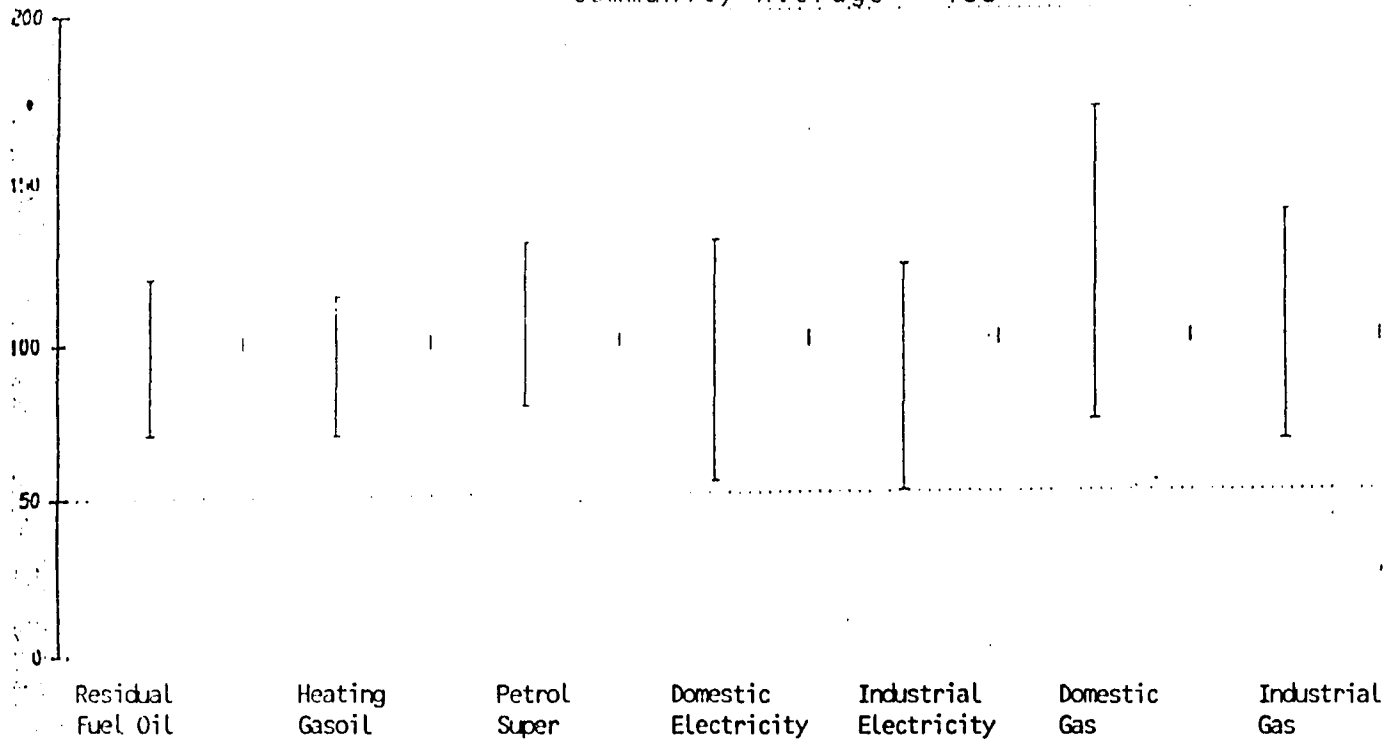
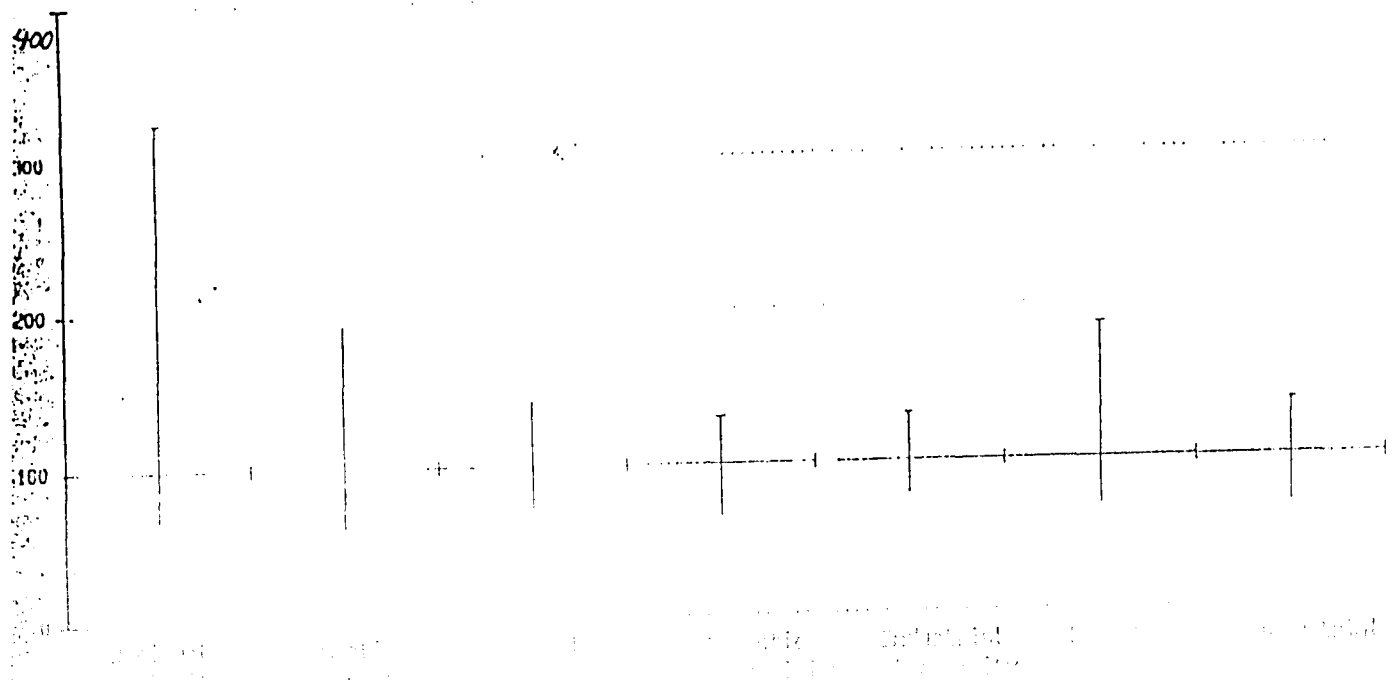


TABLE 4

DISPERSAL OF EX-TAX PRICES AT 1/1/1987

Community Average = 100



(a) Prices before duties and tax

Prices for petroleum products are relatively homogeneous in that they are confined within a fairly narrow range. The Member States' prices approximate to the average Community prices with very little difference between them, so that the coefficients of variation for these products are relatively low compared to those for other energy sources.

In the case of electricity, the pre-tax price range is, on the whole, proportionally roughly the same for domestic use (2.44) as for industrial use (2.45). There is considerable dispersion around the weighted Community averages, particularly in the case of domestic use, and this reflects the very diverse conditions under which electricity is used in the Community.

The price range for gas is similar to that for electricity but there is a greater dispersion. Industrial prices were supplied by only six Member States, which distorts comparison. In general, there is little difference between gas and electricity prices; on the other hand, these two sets of prices differ considerably from those for petroleum products.

(b) Prices after tax

Petroleum products show the largest gaps between maximum and minimum prices. These gaps do not change appreciably after deduction of VAT where industrial use is concerned, because of the high rate of excise and other duties. The price extremes are not found in the same countries as for pre-tax prices, and there is a much greater dispersion around Community average prices.

In the case of electricity, there is a smaller range of prices after tax, particularly for industrial use, and dispersion around the Community average tends to be smaller than for pre-tax prices.

For gas, the price gap widens in the case of domestic use and narrows in the case of industrial use. This also applies to the dispersion around the weighted Community average: the coefficient of variation for domestic use is greater while for industrial use it is smaller.

- 15 -

**(c) Initial conclusions**

The first conclusion to be drawn from these facts is that the differences between the Member States' consumer prices arise sometimes from differences in the levels of indirect taxation applied to these products.

A second conclusion is that price levels are directly affected by the competition between different suppliers of the same product: where there is competition pre-tax prices are generally more homogeneous throughout the Community. The analysis from which this summary is drawn included a study of inter-fuel competition but yielded no conclusions suitable for use in this Communication.

Price levels are undeniably influenced by technical factors such as the size of the undertakings concerned, the density of the supply network, how near or how far the user is situated with respect to sources of supply and, in the case of electricity, the range of fuels used.

It is likely that other factors - chiefly political, fiscal or economic action taken by the Member States - also affect price formation and prevent some of the comparative advantages of a particular product from being reflected in its final price, thus upsetting the energy balance.

In spite of the price differences observed from one country to another, the development of both the domestic and industrial markets is greatly influenced by the price of imported products.



## ANNEX B

### 1. Transparency of natural gas prices for industrial consumers

#### A. Introduction

1. Transparency of natural gas prices is not a problem in the residential sector because the tariffs for this category of consumers are published in all the Member States.
2. On the other hand, natural gas prices for industrial consumers in the two Member States where sales are made on a non-tariff basis via individually negotiated contracts, namely the United Kingdom and Germany, have, until now, in the Commission's opinion, been insufficiently transparent. Sales of natural gas to major industrial consumers in the other Member States take place on the basis of tariffs.
3. However, even in Member States where there are industrial tariffs, special prices may be agreed for certain groups of companies in a specific sector such as electricity producers or companies using natural gas as a raw material, e.g. producers of ammoniac or methanol.
4. It is worth noting here that the diversity in methods of forming natural gas prices for major industrial consumers (different types of tariff or individual contracts) is not incompatible per se with the unity of the common market, provided that these practices comply with the general competition rules in the Treaties and with the principles of the energy price policy adopted by the Council, in particular those laid down in the Council recommendation of 21 April 1983 on methods of forming natural gas prices and tariffs in the Community.<sup>1</sup> This recommendation lays down the three general principles for the pricing of natural gas, namely:
  - the principle of competitiveness: Natural gas is a possible substitute for other forms of energy, such as diesel, fuel oil, coal and electricity, in almost all its uses and therefore in direct competition with other energies. It is normal that the price of natural gas is determined largely by this competitive situation.

<sup>1</sup> OJ L 123, 11.5.83.

the principle of coverage of costs: This principle means the overall coverage of all costs.

the principle of the transparency of prices: Natural gas prices should be as transparent as possible and should be published as far as is practicable.

- 5. In order to achieve the aim of price transparency for natural gas, the Commission has held bilateral discussions with representatives from the gas industries of the United Kingdom and Germany. As a result of these endeavours, an agreement was reached on 9 December 1988.

B. The United Kingdom

- 6. British Gas was the subject of a critical report by the Monopolies and Mergers Commission (MMC) following complaints from certain major industrial consumers claiming abuse of a monopoly position.

This report was accepted by the British Government and therefore its recommendations must be applied. One of these is concerned with the transparency of prices. British Gas, which until now has sold gas on a tariff basis only for quantities below 25 000 therm/year or 0.73 GWh/year, will be obliged to publish tariffs for all sales to industry, except sales for the production of fertilizer, from the beginning of the next financial year (1 April 1989). As regards tariffs, British Gas will not be able to operate discriminatory practices with respect to prices or supplies as between comparable consumers.

- 7. The SOEC and British Gas have consulted together in order to fill the present gaps in the Eurostat brochure on gas prices. Since the privatization of British Gas in 1986, the SOEC has experienced difficulty in obtaining from British Gas price information for the various categories of standard industrial consumers. There are seven of these, code-numbered I<sub>1</sub> to I<sub>5</sub>.

	Annual consumption	Modulation
	<u>up to</u>	
I <sub>1</sub>	418.60 GJ (or 116 300 KWh)	No modulation specified (1)
I <sub>2</sub>	4 186 GJ (or 1 163 000 KWh)	200 days
I <sub>3-1</sub>	41 860 GJ (or 11.63 GWh)	200 days 1 600 h
I <sub>3-2</sub>	41 860 GJ (or 11.63 GWh)	250 days 4 000 h
I <sub>4-1</sub>	418 600 GJ (or 116.30 GWh)	250 days 4 000 h
I <sub>4-2</sub>	418 600 GJ (or 116.30 GWh)	330 days 8 000 h
I <sub>5-1</sub>	186 000 GJ (or 1163.00 GWh)	330 days 8 000 h

(1) Possibly <= 200 days but >= 115 days.

In 1987, for the United Kingdom, the SOEC was able to publish only the price information relating to category 1<sub>1</sub>. In 1988 British Gas agreed to supply also the information for categories 1<sub>2</sub>, 1<sub>3-1</sub> and 1<sub>3-2</sub>. Information is therefore missing for categories 1<sub>4-1</sub>, 1<sub>4-2</sub> and 1<sub>5</sub> and it is these categories of standard consumers which will be the subject of the technical discussions now being held between the SOEC and British Gas.

8. Under the agreement of 9 December 1988, the next Eurostat brochure on gas prices, which will appear about April 1989, will contain the information which is currently missing for the United Kingdom. On a provisional basis, the information for the United Kingdom will refer to prices in force on 1 April 1989 instead of 1 January 1989, the date which applies to the other Member States. A text drawn up jointly by the SOEC and British Gas should allow the comparability of the data published.

C. Federal Republic of Germany

9. Price information published by the SOEC (Eurostat) for Germany is at present incomplete in two respects.

First, the prices paid by category 1<sub>5</sub> consumers (4 186 000 GJ/year) are missing for two regions of Germany (Hamburg and Munich) out of the eight regions covered by the SOEC survey.<sup>1</sup>

Secondly, the data do not cover direct sales by the large regional transmission companies in the eight regions covered by the SOEC survey.

10. In order to improve the transparency of natural gas prices for major consumers in Germany, the association of the German gas industry has proposed on a voluntary basis to:
  - (I) fill in the gaps in the Eurostat brochure with respect to consumers in the category 1<sub>5</sub> (4 186 000 GJ/year).
  - (II) supply information concerning direct sales by large regional transmission companies in the eight regions covered by the Eurostat survey.
  - (III) show the price differentiation for firm and interruptible supplies.
  - (IV) include in the introduction to the Eurostat brochure an explanation of the German system for forming gas prices ("Anlegbare Preise") and an indication of prices depending on whether the alternative energy source is heavy fuel oil or gasoil.

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<sup>1</sup> Hamburg, Hannover, Düsseldorf, Frankfurt, Stuttgart, Munich, Dortmund, Weser-Ems.

11. These proposals follow the guidelines suggested by the Commission for solving the problem of transparency of natural gas prices for major consumers in Germany.

Technical discussions with the SOEC are currently under way. They should enable the desired changes to be included in the Eurostat brochure on gas prices which is due to be published about April 1989.

## II. Transparency of electricity prices for industrial consumers

### A. Introduction

The Statistical Office of the European Communities (SOEC) and the International Union of Producers and Distributors of Electrical Energy (UNIPEDE) carry out annual surveys on electricity prices paid for end use in the residential and industrial sectors. The surveys are based on close cooperation between the two organizations and use the same system of reference consumers (standard consumers).

A group of UNIPEDE experts is in the process of refining methods for calculating prices for reference consumers and adapting for this purpose some of the auxiliary tables used.

### B. Definition of reference consumers

Reference consumers, for whom average prices per kWh used would be given, are defined in terms of the general supply characteristics.

Compared to the existing system, the scope is extended in that reference consumers with a maximum power requirement greater than 25 MW are taken into account.

In addition, the prices shown for the higher categories of consumers are differentiated as additional parameters are taken into consideration, such as:

- maximum period of use (8 760 h/year);
- variation in the load curve at the consumer's initiative; in this case, a greater proportion of annual consumption is shifted to off-peak hours, the maximum power requirement remaining unchanged;
- interruption of power supply at peak hours on the initiative of the public utility with two variations.

As in the past, the survey would not include consumers who rely partly on private generating plants and thus obtain individual terms of supply, making a valid comparison of prices impossible.