

# Editorial



Dr Hans-Joachim Ziesing,  
Head of the Department of  
Energy, Raw Materials  
and Environment, states:

'Are new regulations in the  
liberalised electricity markets  
necessary?'

*Legislative changes on the rules governing the German energy sector, which came into force at the end of April 1998, have shaken up the country's electricity market. The long-established regional monopolies of the electricity supply companies have increasingly been exposed to competition within the industry, not only from established companies, but also from new actors on the electricity market. Increasingly electricity companies are attempting to attract customers from other supply areas, not least in view of the at best sluggish growth of the market, in order to improve their economic position. On the other hand, in their respective supply areas the electricity companies – not infrequently the same ones – are seeking to prevent competitors entering the market by blocking transmission via their grids (which they still own). In spite of the teething troubles experienced in the transition from monopolistic to competitive structures, market liberalisation has already benefited customers in the form of – in some cases substantial – price reductions. Although it has so far primarily been large-scale industrial and commercial customers that have benefited, there are now a number of actors on the electricity market who are seeking to pass on the benefits of greater competition to private households.*

*Falling electricity prices are rightly seen as a positive outcome of the liberalisation of the electricity market; also positive is the fact that liberalisation has lowered market entry barriers for new suppliers. This could improve the opportunities for owners of wind-energy and small combined heat-power plants. However, it is frequently overlooked that this development also has a negative impact on the realisation of other goals. For instance, there is the danger that climate-protection and environmental policy goals will become even more difficult to attain: to the extent that the hopes of a competition-induced reduction in electricity prices are lastingly fulfilled, the incentives to implement energy-saving and environmentally friendly measures, and to make greater use of renewable sources of energy are weakened. Indeed, lower prices pose a threat to the economic basis of many energy-saving investments that have already been made. Already there is considerable evidence that the highly energy-efficient combined heat-power plants, in particular, have great difficulty in holding their own in pure competition on price. Although the new legislation does contain references to protective measures for, among other things, combined heat-power plants and the use of renewable energy sources, appropriate binding regulations have yet to be introduced. Thus while competition-oriented deregulation has been largely successfully implemented, it remains incomplete in terms of climate-protection and environmental policy goals, and will do so until the necessary re-regulation is initiated.*