



Main outcomes of 20th ERG Plenary

Roberto Viola, ERG Chairman

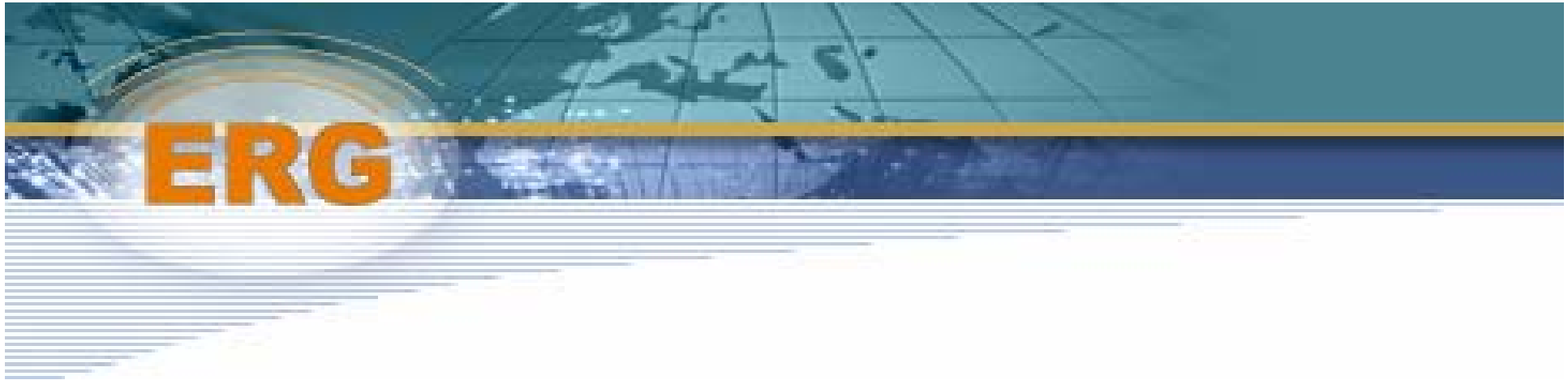
Brussels, 23 February 2007

The logo for the Environmental Risk Group (ERG) features the letters 'ERG' in a bold, orange, sans-serif font. The letters are set against a circular, metallic-looking background that resembles a globe or a lens. The background is dark blue and green, with a grid pattern. A horizontal yellow line runs across the middle of the logo, and a blue line runs below it. The logo is positioned in the upper left corner of the slide.

ERG

Agenda

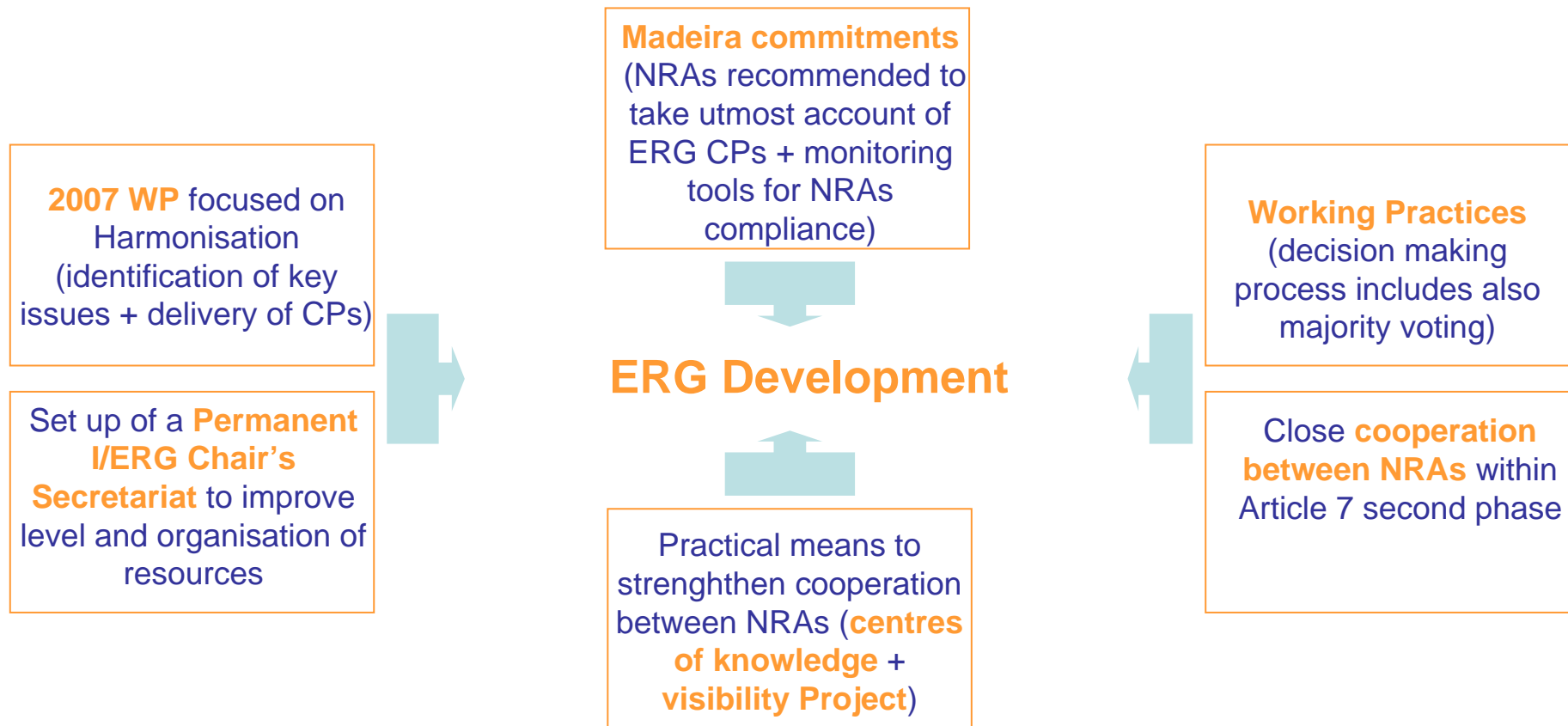
- **Evolution of ERG in the forthcoming institutional framework**
- **Establishment of a Permanent I/ERG Chair's Secretariat**
- **Major issues discussed and documents approved for publication**
- **2008 Chair appointment and new Membership**
- **Q&A**



Evolution of ERG in the forthcoming institutional framework

The ERG evolutionary strategy

On 2006, ERG began to improve its effectiveness and it has been progressing with an evolutionary strategy:



The Commission initiative

On the 30th of November, in a letter to the ERG, Commissioner Reding:

1. identified problems of consistency in two major areas: SMP remedies (Article 7) and regulatory coordination (cross-border/pan-European services);
2. envisaged possible changes in the institutional set up aiming at solving problems of consistency in the period beyond 2010 (including, among them, a possible enhancement of ERG);
3. asked ERG to provide its views, in order to better assess the forthcoming legislative proposals (expected in mid-2007) to the European Parliament and the Council.

Soon after, ERG held informal meetings with the Commission, to better address the problems and possible solutions.

In parallel, ERG set up a drafting team, to prepare a draft response for the Plenary consideration.

What was agreed in Brussels

The ERG discussed the proposal of the drafting team and:

- agreed, unanimously, on the structure of the response on the key messages;
- immediately issued a press release in order to communicate key messages to the outside world;
- announced the intention to submit, by end February, a formal response to the Commission developing the key messages.

ERG key messages

- reaffirms ERG strong commitment to improving consistency in key markets and to supporting common regulatory approaches to cross-border markets;
- considers that the two problems of consistency (**Article 7** and **regulatory coordination**) should be looked at separately as they raise different challenges over different time-frames;
- Welcomes, in principle, any transfer of powers to an enhanced ERG (see following charts), if the Commission believes it is legally and practically feasible;
- recalls that it will be however a decision for EP and Council.

Consistency in SMP remedies (Article 7)

ERG believes that in the next 3-4 years:

- ERG initiatives to promote targeted harmonisation will have a significant impact on consistency in remedies;
- lack of consistency in remedies is quite overstated (as experience has shown that complete homogenisation is economically undesirable);
- Commission is invited to make full use of ERG within terms of existing Decision;
- no need for veto (or “veto plus”) in the forthcoming framework.

ERG believes that by 2010 onwards:

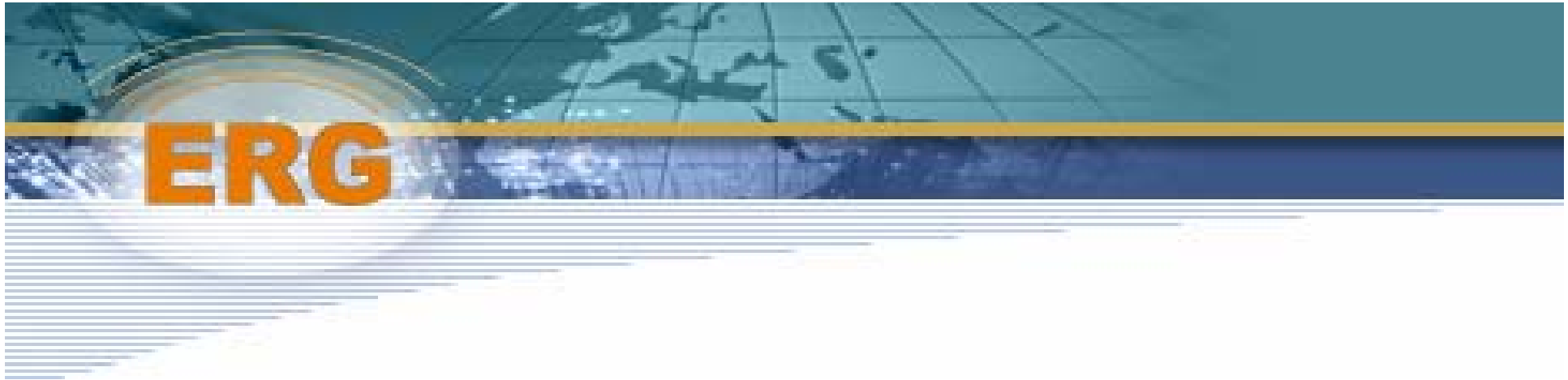
- given the anticipated impact of ERG initiatives, consistency in SMP remedies should not be the focus of present discussions on any new institutional set up;
- ERG could play a central role in assessing notifications, on a “by exception” basis, to address any residual issue of consistency in SMP remedies.

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Consistency through regulatory coordination

ERG believes that in the mid-long term:

- increase in services with pan-European potential and with significant cross-border dimension will increase the need for a common regulatory approach;
- potential candidates for coordination can already be envisaged (VOIP; MSS and related issues of spectrum and authorisation regime); others will surely emerge.
- ERG is the natural forum for regulatory coordination and could be the appropriate entity where centralised regulatory and implementation power is required;
- whatever institutional models are considered to improve European coordination of regulatory approaches, they should be based on a strengthened network of Independent National Regulators, respecting the subsidiarity principle and taking into account different remits of NRAs.



Establishment of a Permanent I/ERG Chair's Secretariat



ERG

ERG recognised the need to improve effectiveness, also by means of an improvement in the level and organisation of resources.

In Bratislava, the ERG agreed on general conditions to set up a I/ERG Chair's Secretariat:

- consisting of 2-4 NRA Secondees;
- located in Brussels (within Commission premises or elsewhere);
- answerable to ERG Chair.

In Brussels, the ERG agreed on the launch of a trial-phase and a timetable for the establishment of a Permanent I/ERG Chair's Secretariat:

- (by mid-2007): recruitment of 1 senior + 2 junior NRA secondees;
- (in parallel): budget and management control arrangements;
- (in parallel): set up a legal team to analyse conditions for the establishment of a legal entity in Belgium;
- (July 2007): start of 1 year trial phase hosted within Commission premises.



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Major issues discussed and
documents approved for publication



The ERG has approved for publication:

- Principles of Implementation and Best Practices on Weighted Average Cost of Capital (WACC);
- Update of Broadband Market Competition Report;
- IP Interconnection Report;
- Annual Report 2006

All contributions to consultations will be published on the ERG website together with the final documents and the consultation summaries.

The ERG has approved the Project Requirement Documents, detailing timing and deliverables of 2007 Work Programme.

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PIBs on WACC

ERG approved for publication:

- Summary of public consultation (ERG (07) 04)
- Principles of Implementation and best Practice on WACC (ERG (07) 05)

The document aims at sharing NRAs' experiences for estimating the cost of capital and at providing some guidance to NRAs to solve most common implementation issues for each single variable of WACC calculation.

Broadband market competition Report

ERG approved for publication:

- Summary of consultation (ERG (07) 08);
- Report on broadband market competition (+ Annex 15 Country cases) (ERG (05) 23rev2)

The Report updates data set and Country case studies (two new Countries analysed: Germany and Romania) and confirms that the “ladder of investment” is widely followed as regulatory model for wholesale BB access market.

The Plenary agreed also on continuing the data collection exercise and on updating the Report in two years time, in order to evaluate the trends in a more sound way.

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IP Interconnection Report

ERG approved for publication:

- Report on IP Interconnection (ERG (07) 09, including a summary of public consultation in Annex 2).

The Report describes the evolution of most of the European operators' networks towards IP technology and outlines the new regulatory challenges raised by IP interconnection.

Analysis will continue during 2007, within NGN PT activities (focusing on access issues).

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2008 Chair appointment and new Membership



The ERG welcomed ARNCTI (Romania) and CRC (Bulgaria) as new ERG Members.

The ERG welcomed AEC (FYROM) as Observer (pursuant to Art. 5.6 of Decision 2002/627/EC).

The Plenary appointed Daniel Pataki (NHH - Hungary) as 2008 Chairman.



Any questions?