

Energy Regulatory Office

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URE's Anniversary: Kurtyka, Gawin, Bando, Swora and Juchniewicz on the history and future of sectoral regulation

During a meet the author event dedicated to a publication summarising 25 years of the Energy Regulatory Office, experts discussed the need for and significance of measures implemented by the sector regulator in the energy market.

This year the Energy Regulatory Office celebrates its quadranscentennial anniversary. April marked the 25th anniversary of passing the Energy Law, which instituted the President of the Energy Regulatory Office as a governmental administration authority.

The anniversary is also the principal theme of the URE's communication activities in 2022. Among the multitude of projects related to the 25th anniversary, the publication entitled *W drodze do bezpiecznej i czystej energii. Czyli jak napisać rynek na nowo? 25 lat regulacji rynków energii w Polsce (Towards Secure and Clean Energy: How to Redesign the Market? 25 Years of Energy Market Regulation in Poland)* crowns many months' efforts involving more than 20 experts representing various market areas. The common denominator is, of course, the energy sector.

The publication aspires to be a kind of monograph on the market, revolving around the Police developments in the Polish energy sector over the last 25 years. That is why the President of the Energy Regulatory Office invited those who have shaped the energy market in Poland in its present form, to contribute, among them high-level decision-makers who set the economic policy, former URE presidents, experts, but also representatives of customers and consumers, journalists and the generation that will create the energy sector of the future.

- This is not only a description of a quarter of a century of history, but also an attempt to look into the future, as the entire energy sector, at the European, regional and national level, faces many challenges regarding energy transformation, implementation of further EU regulations and the European Green Deal strategy, and the role of the regulator in these activities is and will remain to be significant - noted Rafał Gawin, President

of URE.

The event organised on 28 April was attended by the authors of the book and potential readers - among them journalists, representatives of the government and legislators as well as industry representatives. The authors of the publication, edited by Rafał Gawin, include: Jerzy Buzek, Janusz Steinhoff, Michał Kurtyka, Małgorzata Krasnodębska-Tomkiel, Adam Grzeszak, Joanna Maćkowiak-Pandera, Barbara Adamska.

-I am strongly convinced that thanks to the knowledge, experience and commitment of the authors, it will be a unique compendium of knowledge on a quarter of a century of the sector's regulation and challenges facing the Polish energy market - said the head of URE when opening the meeting.

A message to the participants of the meeting was forwarded by former Prime Minister Jerzy Buzek, MEP, member of the Committee on Industry, Research and Energy (ITRE), initiator of the creation of the Fair Transformation Fund and rapporteur of the regulation on this matter, co-author of the publication.

- The 25th anniversary of the Energy Regulatory Office coincides with the 18th anniversary of Poland's accession to the European Union. At the same time, 2022 will mark one year since the President of URE was appointed Vice-Chairman of the Board of Regulators of the EU Agency for the Cooperation of Energy Regulators (ACER). And yet, in the spring of 1997, when the Energy Regulatory Office was created pursuant to the Energy Law Act, ACER itself did not yet exist, and it was probably even difficult to imagine that it would ever come into existence. It will not be established until April 2009, as part of the so-called Third Energy Package, which is considered the cornerstone of the EU

internal energy market. Why are we mentioning all this? For it is worth recognising how much can sometimes happen or change dramatically in 25 years; and how many things, which once were either inconceivable or impossible to dream of, after a quarter of a century suddenly turn out to be part of everyday, obvious, tangible reality. It is worth remembering this and even taking it as a reference point of sorts.

The highlight of the event was a debate with the participation of the current and former presidents of URE, i.e. Rafał Gawin, Maciej Bando, Mariusz Swora and Leszek Juchniewicz, which was moderated by Michał Kurtyka, Minister for the Environment and Climate 2019-2021, chairman of the COP24 Climate Summit in Katowice in 2018. The discussion was centred around the question that forms the main thrust of the publication: is regulation needed in an age of competition? Does market liberalisation entail the demise of the regulator?

Leszek Juchniewicz, the first and longest-serving President of the Energy Regulatory Office (URE) (1997-2007), recalled the early days of the market and sector regulation:

*- As the President of URE, from the beginning I used to quote the words of the American economist and advisor to President Clinton - Robert Reich, who in his book *The Work of Nations* defined the market as follows: <<the market is not a divine creation, (...) it is people who have agreed what they will trade, on what terms, on what principles>>. What is traded is a choice for the consumer on the one hand, but also for the supply side. However, the price of a product or service is determined by the market itself. From the beginning of energy industry in the world, the market was not there, only natural monopolies existed. That seemed to be the right way of doing things at the time. Mankind realised at the beginning of the 1970s that monopolies do not serve economic growth and increased prosperity, that energy must be subjected to the market mechanism. Experience had shown that this would be the most appropriate way of allocating resources" concluded Juchniewicz, adding that "25 years ago in Poland, the*

beginnings of regulation were very modest. Granting licences to power operators was the key question at that time, while the market was still a distant issue.

Another aspect of the regulator's role was highlighted by Maciej Bando, President of URE from 2014 to 2019.

- The regulator must keep it in mind that every word used has an impact on the citizen. This is one of the few functions in Poland where one official has a direct influence on every citizen. Hence the various temptations to weaken this institution. I am in favour of its strengthening, because a role of the regulator reduced to that of a mere administrator is not enough. The regulator is supposed to be the one who, if the law doesn't keep up - and it's often the case - steps in as a 'feedback loop'. In Poland, the regulator has the status of a government administration authority, which means that it should actually implement the government's policy. And what happens when the government's policy is not quite compatible with market principles, with competition principles? These are sensitive issues. You absolutely have to support the government, but you also have Gresham an eye on them when there are attempts to concentrate or break out of the market.

Michał Kurtyka's question on the importance and value of the free market for the energy sector was answered by Mariusz Swora, President of the Energy Regulatory Office in 2007-2010.

- There is a dichotomy in the energy sector: on the one hand, there is a free market and, on the other, it is regulated. It will be difficult to liberalise the market completely, because regulation is needed. The question

is which direction this regulation will take. I agree with previous speakers that the market should not be over-regulated. The regulation should be smart, it should address those issues which are crucial from the economy and technology perspective. Swora also stressed: "The regulator should be tough. They should keep both the politicians and the energy companies at arm's length. The regulator with its independent political position has a special place within the public administration system. The model of multi-level governance in the EU puts the regulator in a special position: on the one hand as a national authority, but also as part of the European network. I am glad that Rafał Gawin is very active in this structure as Vice-President of ACER, because this allows us to influence decision-making at European level

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- Today perhaps the biggest challenge is to predict

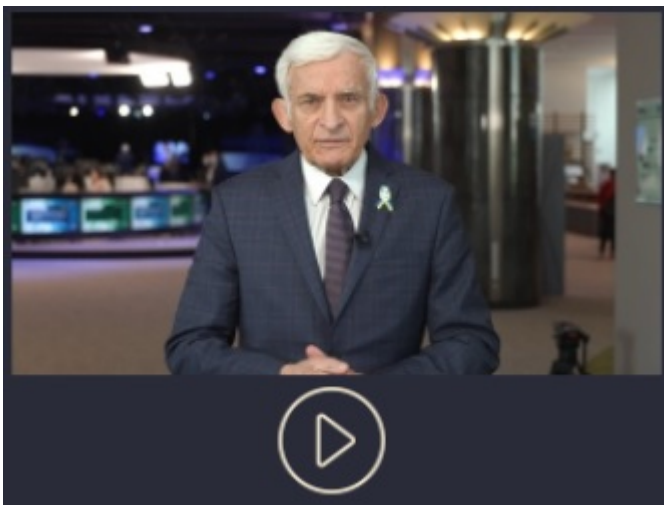
how the regulation will fit into the market, or how the market will fit into the regulation. In the first years of URE, there were definitely more factors that were fixed and therefore certain. They were more predictable because they were not subject to the laws of the market. The regulator was thus operating under conditions of greater certainty as to the effects of its actions and its impact on the market. On the other hand, technology development, innovation and the increasingly dynamic changes observed over the years translate into the need for 'flexible' regulation. So the overriding question facing the regulator today is how to match the dynamics of regulation with that of the market? Where should the boundary of the market and its liberalisation be drawn so that the overriding objective of sectoral regulation is still fulfilled? - pointed out Rafał Gawin.

- What are feasible interim solutions between regulation and no regulation?" In response to the above question asked by the moderator, President of URE said "Today's markets are no longer so stable and predictable - the market is becoming increasingly free, characterised by a huge dynamics of change. Technological progress, increasing share of RES in the energy mix - all make it difficult to predict the overall effect of regulatory measures on the market. New actors are emerging including civic communities, aggregators of services. All these changes certainly require the design and implementation of a new regulatory policy.

- We encourage you to follow and read further information published on a sub-site

dedicated to our anniversary, where we share news on a quarter of a century of sectoral regulation in Poland.

- The section “25 years of URE – pages of the calendar” is devoted to the history of the Office. This is where, every Monday, we summarise each of the successive years of the regulator’s activities in the fuels and energy market. In this way, a calendar is created presenting the most important information concerning both key decisions made by the President of URE and events related to the general situation on energy markets in a given year.
- Information on activities carried out this year in connection with the anniversary of URE is also provided on our official profile [@UREgovPL](#) on Twitter and [LinkedIn](#).



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