



**Executive Exchange on Coordinated Cross
Border Transmission of Electricity
An Examination of the European Union**

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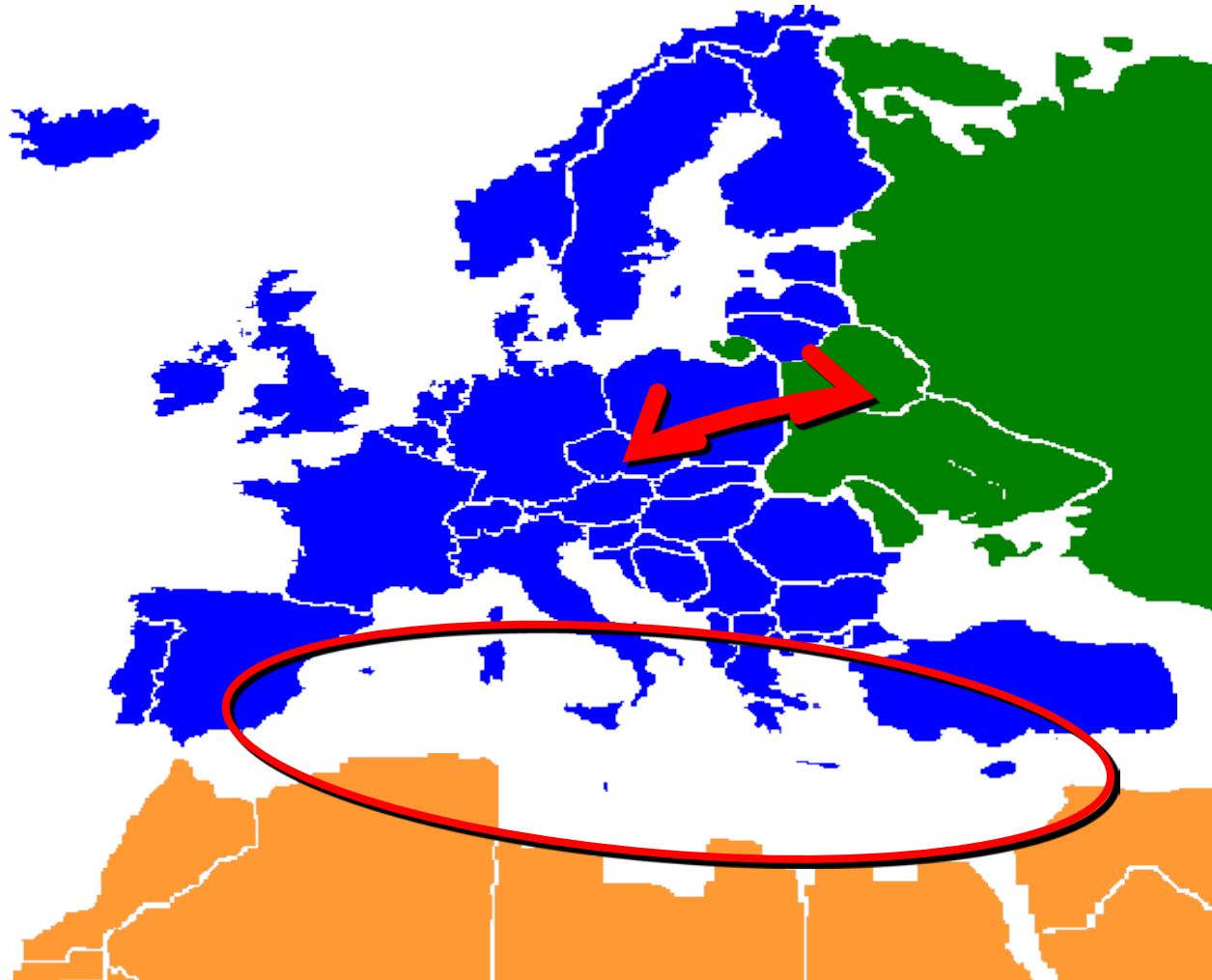
Meeting with South Asian Electricity Executives

Brussels, 26 September 2008



**Representing the European Electricity Industry
at Expert, Strategic and Policy-making Level**

MEMBERSHIP: A PAN-EUROPEAN AND MEDITERRANEAN VIEW



MEMBERSHIP OVERVIEW

- **33 FULL MEMBERS**
- **9 EUROPEAN AFFILIATE MEMBERS**
- **7 MEDITERRANEAN AFFILIATE MEMBERS**
- **8 INTERNATIONAL AFFILIATE MEMBERS**
- **9 EI ASSOCIATE MEMBERS**

KEY PRIORITIES

1. Liberalisation Process

Contribute to the creation of a pan-European energy market through harmonisation and industry action

2. Pan-European Context

Contribute to a good business environment and to the integration of the Electricity Industry at international level

3. Sustainable Development

Promote the role of electricity and electrotechnologies as “part of the solution” to the global environmental problem; systematically integrate sustainable development policies in key strategies and actions; promote market-oriented policies

BOARD

**BUDGET
COMMITTEE**

**COORDINATION
COMMITTEE**

**ENERGY POLICY
& GENERATION
COMMITTEE**

**MARKETS
COMMITTEE**

**NETWORKS
COMMITTEE**

**ENVIRONMENT
& SUSTAINABLE
DEV. COMMITTEE**

**MANAGEMENT
COMMITTEE**

WG Energy Policy
WG Security of
Electricity Supply
WG Prospective
WG Renewables & DG
WG Nuclear
WG Thermal
WG Hydro

**WG Wholesale Markets
& Trading**
WG Retail Markets
WG Gas*
WG External Trade

WG Systint
WG Systmed
WG Distribution

WG Env. Protection
NE Waste & Residues
WG Env. Management
& Economics
SG Sustainable Dev.
WG Climate Change
WG Energy Efficiency
WG Env. & Society

WG Legal Affairs
WG R&D
WG Social Affairs &
HR
NE Statistics &
Benchmarking
NE Information
Technologies
NE Finance &
Economics
NE Fiscal
NE Standardisation

Groups Managed by the Secretariat:

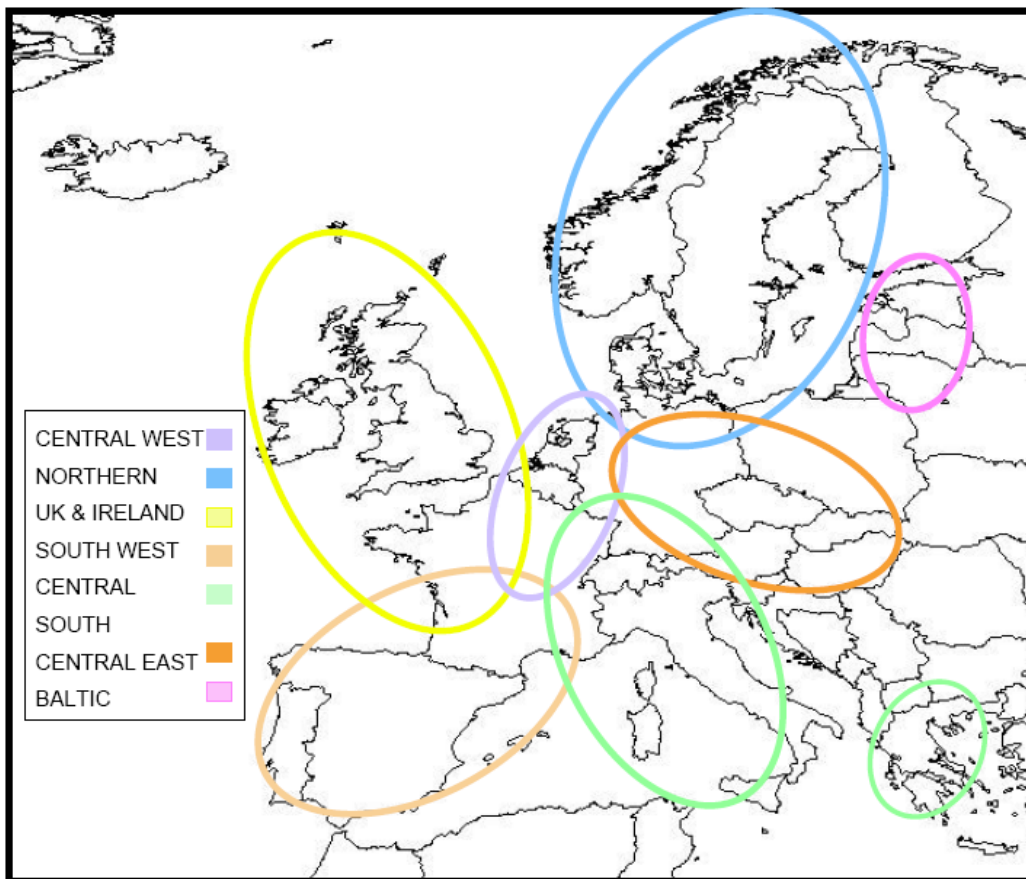
- *Network of Communications Managers*
- *Network of International Affairs Managers*
- *Network of Small Island System Managers*
- *Ad hoc group on South East Europe*

Joint EURELECTRIC Ad Hoc Groups

- *COMELEC-EURELECTRIC*
- *CIS EPC-EURELECTRIC, «Markets»*
- *CIS EPC-EURELECTRIC, «Environment »*

Regional TSO Cooperation: achievement and prospects

EURELECTRIC agenda of regional initiatives



- Harmonise market transparency and provision of data
- Congestion management
- Introduction of harmonised cross-border intra-day markets
- Harmonise balancing market rules, including settlement
- Address coordination of planning processes for new interconnectors and regional grid

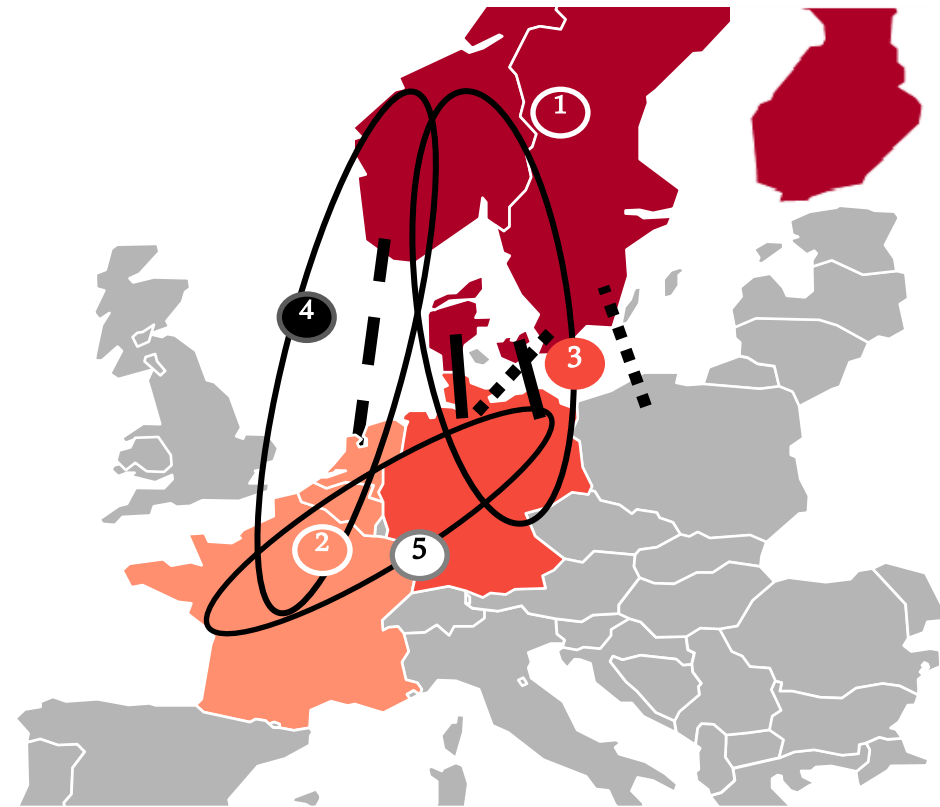
Regional TSO Cooperation: achievement and prospects

Positive developments in regional markets

- **Trilateral Market Coupling** of BE-FR-NL (extension whole CWE beginning 2009)
- **Market coupling** between Nordic market and Central Western Europe on the Kontek cable
- **Co-ordination auctions offices** in place in CWE & CEE
- **FR-BE TSOs** have just launched a **project on common capacity calculation models** (with interest from a German TSO to join), **same for CH-DE** (EnBW)

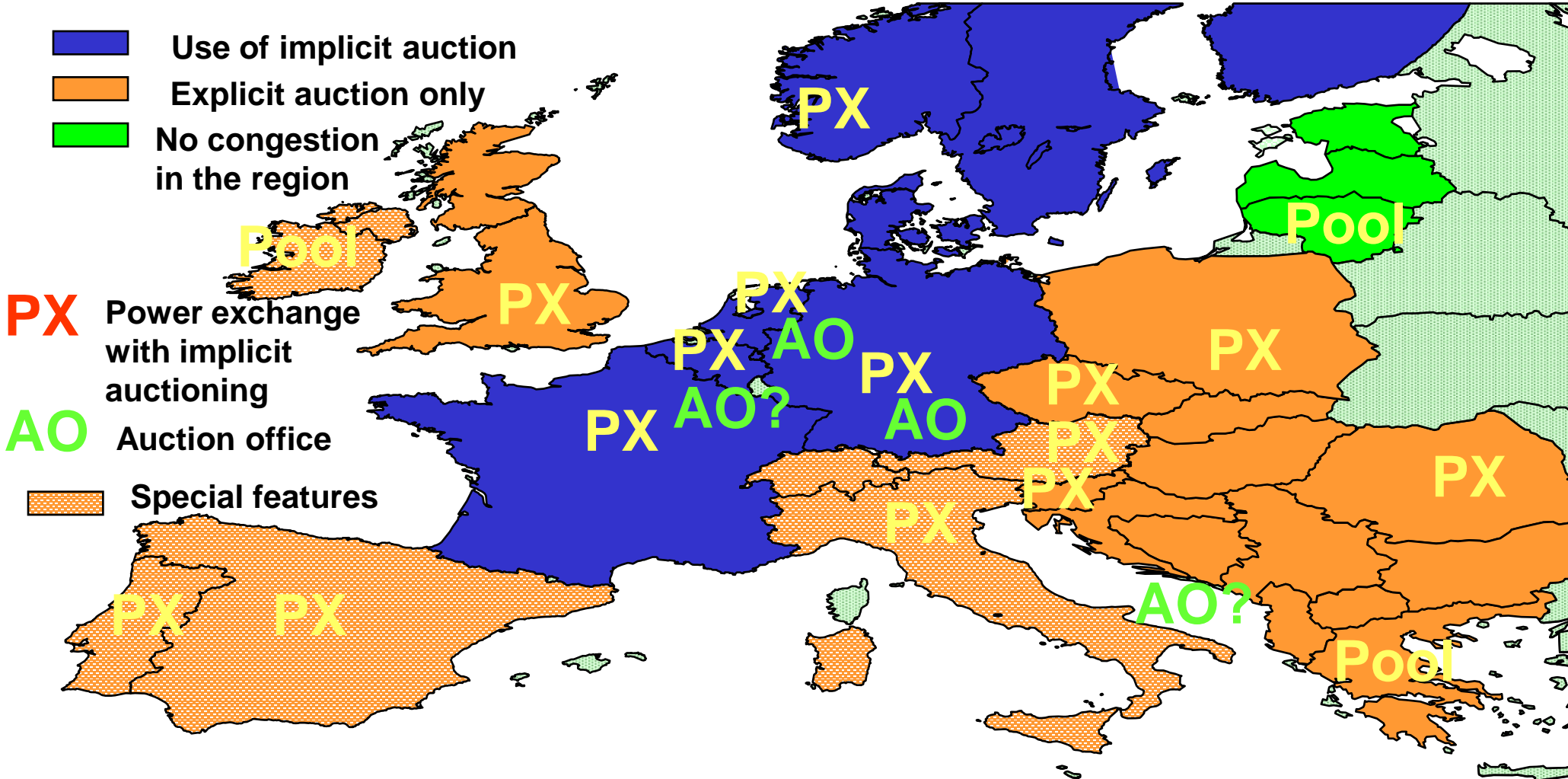
Market Coupling – Current Initiatives (I)

1	Nordic	Since 1996
2	TLC	Since Nov. 2006
3	Germany-Nordic	29.09.2008
4	TLC-Nordic	planned Q1/2009
5	CWE-(FB)MC	MoU target date Jan 2009



Regional TSO Cooperation: achievement and prospects

Congestion management methods in 2007



Regional TSO Cooperation: achievement and prospects

ERGEG Second Compliance Report (September 2008)

ERGEG report shows some degree of compliance with the cross-border Regulation but overall progress in regional coordination of congestion management has been limited:

Market-based mechanisms on all interconnectors but explicit and implicit auctioning are not equal

No common regional allocation procedure except for the Nordic market

No common regional coordination auctioning except for the Nordic market

Very limited progress on the establishment of cross-border intra-day on interconnectors (46% of compliance but a number of them are non-market-based)

The governance and the role of ENTSO under the 3rd Energy Package

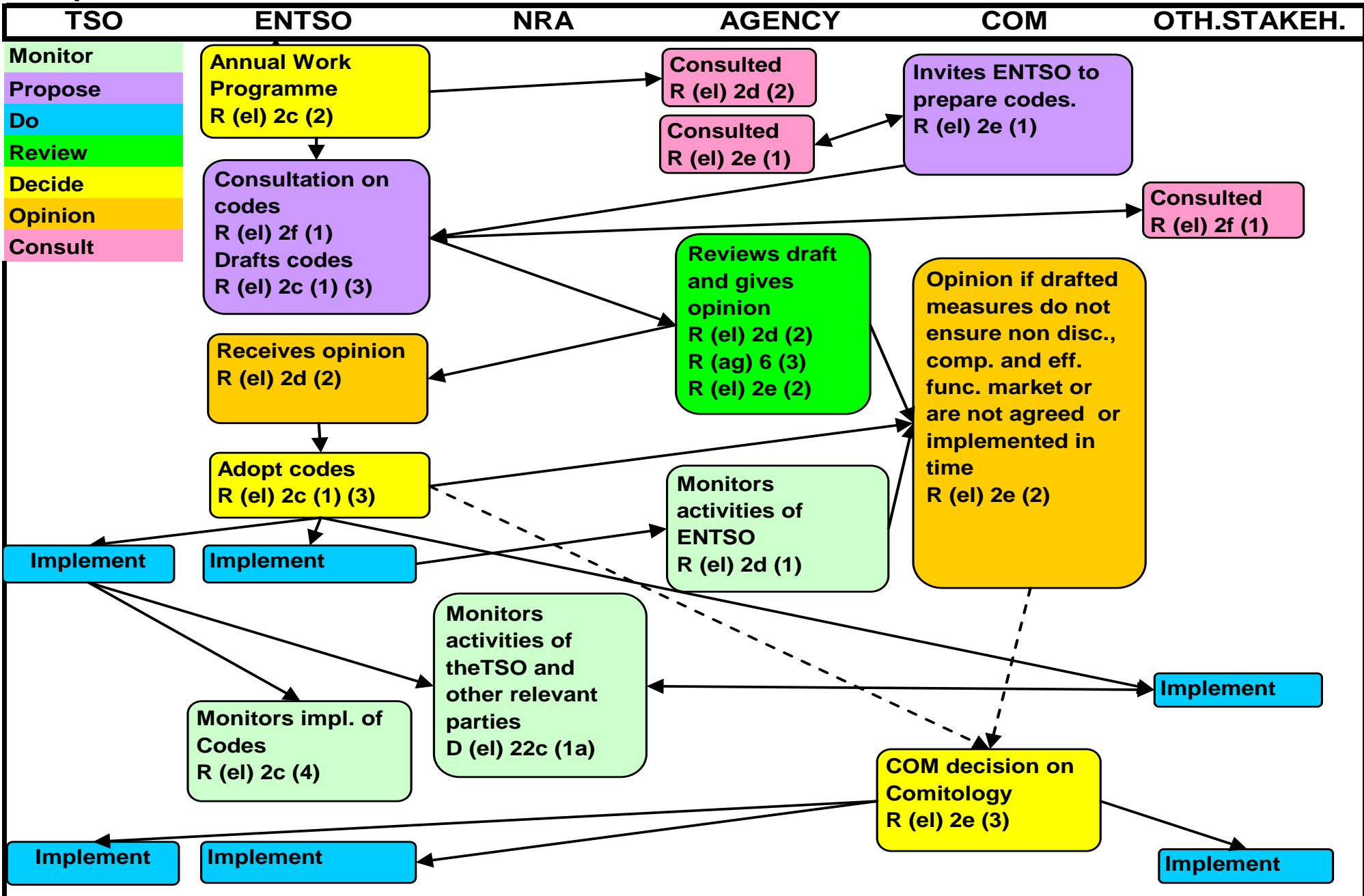
- **Energy Package:**
 - **Electricity Directive and related Cross-Border Regulation**
 - **Gas Directive and related Cross-Border Regulation**
 - **Agency for the Co-operation of Energy Regulators**
- **Timetable:**
 - **Issued by Commission on 19 September**
 - **1st reading by the European Parliament completed in June-July 2008**
 - **Political agreement from the Council due for October 10**
 - **2nd reading scheduled for Q1 2009**

The governance and the role of ENTSO under the 3rd Energy Package

TSO co-operation

- **Common tasks:**
 - Draft technical and market codes
 - Operate the network
 - Prepare 10-year investment plan
 - Co-ordinate research
- **Organisation:**
 - ENTSO

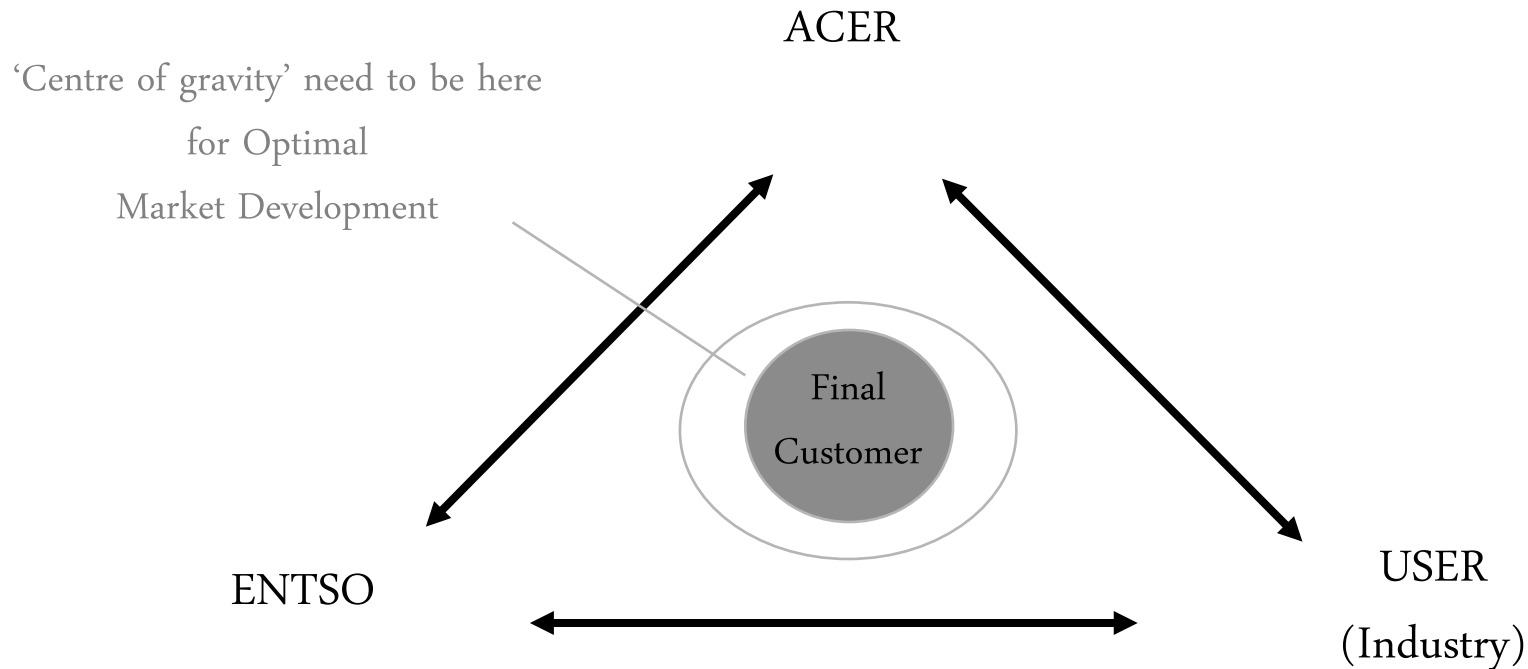
European Technical and Market Codes



The governance and the role of ENTSO under the 3rd Energy Package

EURELECTRIC View

Guiding Principle: Good Governance is about Checks & Balances



The governance and the role of ENTSO under the 3rd Energy Package

Rationale for proposing a RIO

- **Need to speed up market integration**
 - To alleviate concerns of market concentration thereby increasing the number of market participants
 - To enhance price convergence
 - To reinforce trust in price formation and markets' abilities to deliver
 - Etc.
 - **Close TSO cooperation needed for development towards an internal electricity market**
- **RIO-model will drive market integration + solve the issue of fair access to networks**

Strength and merits of regional independent operators

Tasks of a RIO – I

Clear separation of the responsibilities of the RIO and the TSOs needed

Access to the networks

Day-ahead scheduling activities

- Calculation of grid capacity
- Procurement of balancing services
- Capacity allocation
- Secondary capacity markets
- Nomination of capacities
- Cross-border intra-day
- Invoicing for network usage

Strength and merits of regional independent operators

Tasks of a RIO – II

Real-time operations

- Real-time system management
- Counter trading and redispatching
- Balancing of the grid

System planning

- System adequacy report
- Investment plan

Execution of investments

= RIO to make a binding decision on the needs for additional capacity + set a timeframe for fulfilment by TSOs

- TSOs obliged to fulfil capacity needs
- Competent regulatory authority to approve decision

Strength and merits of regional independent operators

Investments – Decision-making process

- RIO, with input of amongst others asset owners, carries out **multi-annual regional adequacy analysis = basis for investment decisions**
 - Optimisation of the **regional** grid
- **RIO defines capacity needs** which have to be fulfilled by the TSOs within a clear timeframe set by the RIO →
 - **Approval by competent regulatory authority on regional level**
- Leads to a **concrete (technical) investment project** decided by the asset owner (in close cooperation with RIO)
 - **Obligation of the TSO to carry out investments** which meet the capacity needs identified by the RIO (i.e. for TSO to decide how to practically meet the capacity needs)
 - **Approval by competent regulatory authority on regional level**

Strength and merits of regional independent operators

Investments – Who pays for investments?

- **Financing in general via network tariffs**
- **2 ways to distribute the costs for investments:**
 - New investment paid for by the customers benefiting from the investmentOR
 - Socialisation of new investments to all customers of the region covered by the RIO
- **Further discussion needed**

Strength and merits of regional independent operators

Regulatory oversight

- **Regional and ultimately European regulatory function to supervise RIO**
- **European mindset and mandate of (national) regulators needed as precondition**
- **Regional/European regulatory function to carry out the following tasks:**
 - Approve the statutes of the RIO
 - Supervise network access to guarantee non-discriminatory access
 - Approve decisions on capacity needs and for the concrete investments
 - Approve the operational costs of the RIO
 - Ensure inter-regional cooperation of regulators responsible for different RIOs
 - Etc.
- **A way to do it: create regional sub-committees within an ERGEG+ with active role of the Commission and clear fall-back powers**