European Parliament
ITRE Mini-Hearing

Will the proposed 3rd energy package establish a real integrated and functioning IEM?

Brussels, 31 January 2008

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Views of wholesale market participants

Content

- Internal Electricity Market shortcomings
- Electricity market timeline diagram – practical operation and EFET vision
- EFET proposed amendments to the Draft Electricity Regulation
- EFET paper on the 3rd Energy Package
Internal Electricity Market shortcomings

- TSOs allocate *non-firm* cross-border transmission capacity (no promise of compensation if cut)
- TSOs allocate *insufficient* cross-border capacity
- TSOs and Regulators do not facilitate a liquid secondary market in cross-border transmission capacity rights
- TSOs inhibit intra-day trading on cross-border profiles
- MS governments still regulate power prices for industry
- Most generators do not publish detailed production data
Cross-border wholesale power market timeline

- Yearly explicit auction
- Monthly explicit auction
- Daily implicit auction (deadline for exchange and clearing)
- D-1 deadline for internal nominations (TSO gateclosure)
- Hourly H-1 intra-day deadline

Secondary Capacity Rights Market

- Deadline for title transfer of right (closure of SCRM)
- Deadline D-1 for use of the rights (UIOSI)

Continuous Cross Border intra-day

M-n M-1 D-2 D-1 D
Electricity Regulation: a hospital case?

Some *substantive* amendments to the Commission draft are necessary because:

- TSOs are hindering cross-border transmission access and failing to collaborate
- Regulators are failing to force, or incentivise, TSOs to make improvements
Electricity Regulation: remedial treatment! (1)

EFET proposes amendments to oblige TSOs to:

- Cooperate and collaborate across borders
- Exchange detailed information about production, demand, flows
- Allocate **financially firm** cross border transmission capacity rights
- **Maximise** allocations of cross border capacity
- Eliminate **discrimination** in favour of internal or national transmission access by pushing congestion to the borders
- Facilitate **secondary markets in transmission rights**
- Spend their **cross border auction revenues** on cross border access improvements (commercial and operational, not just new investment)
Electricity Regulation: remedial treatment! (2)

EFET proposes amendments to mandate Regulators to:

- Give financial incentives to TSOs to make cross border access easier and improve regional harmonisation

EFET proposes amendments to oblige generators to:

- Create greater market transparency by publishing:
  
  - ex ante: production capacity availability aggregated by fuel type over the area of a normal wholesale market price zone
  
  - ex post: actual production: on a plant by plant basis promptly (as soon after real time as technically practicable)
  
  - immediately known: individual plant outages
EFET Paper on the 3rd Energy Package (1)

Unbundling

- We do need stronger separation measures at EU level
- Unbundling of both government owned and of privately owned TSO businesses must be effective
- But is the ownership of grid assets the only decisive factor?

ENTSO

- To be balanced by a clear role for network users at the wholesale level in the formulation of technical guidelines, rules or standards
- Strengthening of the role of ACER, to take the lead on market rules
- ENTSO must take responsibility for cross border TSO collaboration
Regulators at national and EU level

- Greater independence and more consistent powers for Regulators are needed, as well as competence to act at EU-wide level

Transparency

- Publication of information about the use of electricity infrastructure for the benefit of market participants is crucial

Price control

- Controls on retail prices for industrial customers should be prohibited under the Electricity Directive except in emergencies
- Governments should not interfere in wholesale prices except in manifest cases of market abuse
Our paper on the 3rd package is in the Parliament
Our proposed amendments are available on request

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