Press release

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<u>Florence Electricity Regulation Forum, 30-31 March – an advance for the development of wholesale</u> power markets in continental western Europe

EFET (the European Federation of Energy Traders) welcomes the outcome of the latest meeting in Florence of national electricity regulators, EU Member State government representatives and the European Commission, with delegates from a limited number of closely interested trade associations in attendance. EFET was among those trade associations, represented by Einar Westre and Peter Styles. The agenda dealt with cross border transmission of power and the allocation of interconnection capacity at national borders.

<u>With regard to tariffs for transmitting power across boundaries</u> between EU Member States, EFET has consistently advocated a non-discriminatory, transparent regime of charging, which does not require the individual identification of transactions, nor the assignment of notional transmission paths to those transactions. Although the proposals presented by ETSO (European Transmission System Operators' Association) at Florence stopped short of such requirements, they nonetheless entailed the payment of a supplementary tariff only by "exporting generators and traders", at the surprisingly high level of 2 Euros per MWh. The vast majority of the regulators and government representatives present, and all the other trade associations, objected to both the amount of the proposed fee and the incidence of its charging.

In EFET's view, as expressed at the Forum, it is clear that any compensation mechanisms established as between TSOs (transmission system operators), to recognise their disproportionate costs arising from "transit" of power across some national systems, must not be funded exclusively by users of the system engaging in cross border transactions. This principle is now embedded in the Conclusions of the Florence Forum, after a common understanding was reached of the potential for supplementary tariffs, payable only by exporters or importers, to inhibit trade in power inside the European Union and to distort competition. EFET looks forward to the implementation in October this year at the latest by regulators and Member State governments, working with TSOs, of any adjustments to their national transmission tariffs, to reflect agreed inter-TSO compensation within the UCTE area. It is especially important that, according to the Conclusions, any such adjustments must be made in consultation with the Commission, with a view to avoiding inhibition of trade or discrimination between system users.

With regard to the allocation of interconnection capacity at national borders, EFET is gratified to note that its own position paper on this subject, released just ten days ago, and distributed to all delegates on the second day of the Forum, comes at the precise moment where the Commission has invited comment on the principles which should govern both the identification of the availability of capacity for third parties and the mechanisms for its allocation. EFET has suggested the elaboration of mandatory EU guidelines on these matters, and indeed the Commission discussion paper presented at the Forum anticipates rapid progress towards a Community framework, to achieve more consistently non-discriminatory and transparent allocation procedures.

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