

European Parliament  
ITRE Mini-Hearing

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

Brussels, 31 January 2008

**Peter R. STYLES**

EFET Board member

Electricity Committee Chairman

[Peter.Styles@efet.org](mailto:Peter.Styles@efet.org)



European Federation of Energy Traders



## Content

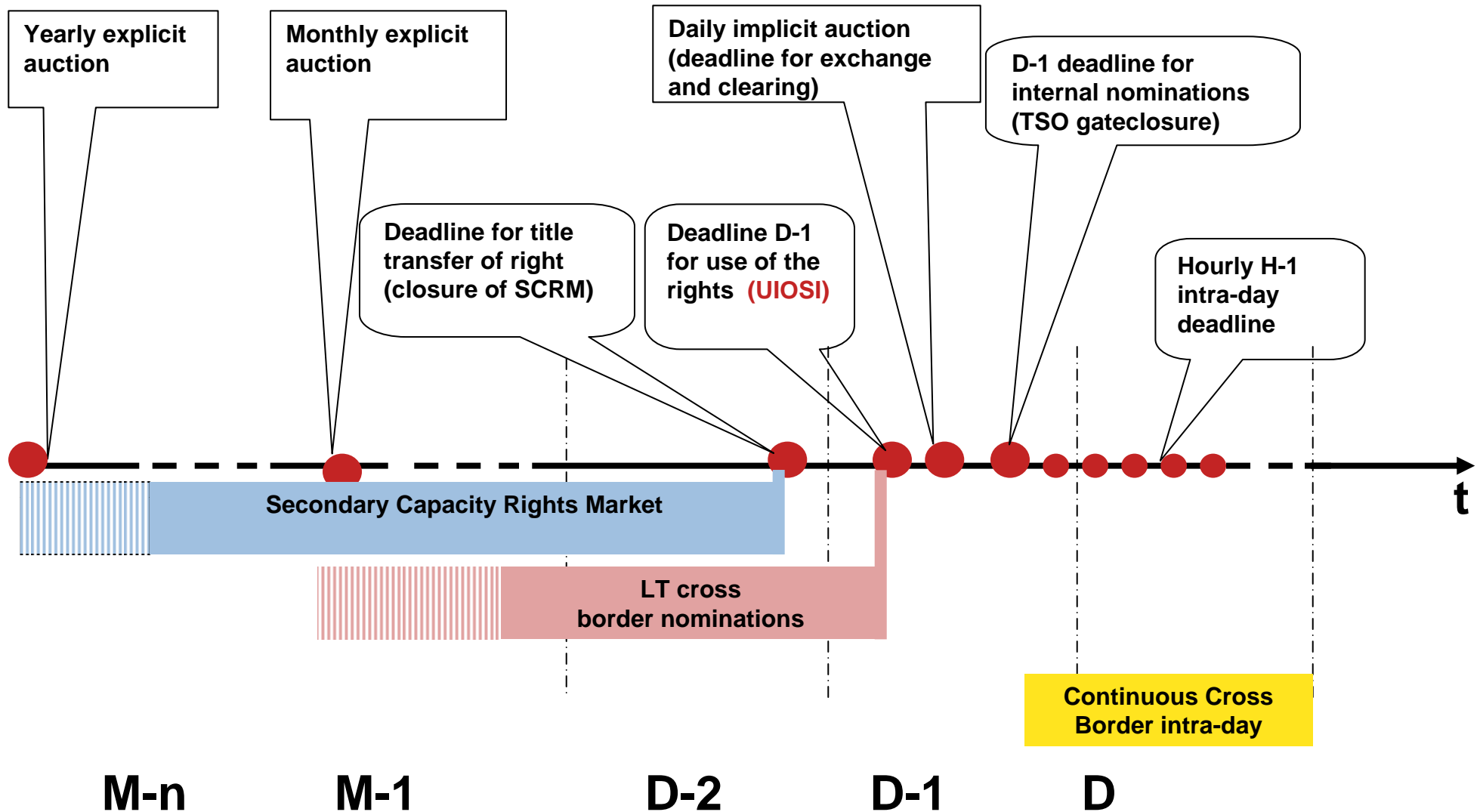
- **Internal Electricity Market shortcomings**
- **Electricity market timeline diagram – practical operation and EFET vision**
- **EFET proposed amendments to the Draft Electricity Regulation**
- **EFET paper on the 3rd Energy Package**

# 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- **Most generators do not publish detailed production data**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



## 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



# EFET Paper on the 3rd Energy Package (2)

---

## 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**

---



**European Federation of Energy Traders**

**Amstelveenseweg 998  
1081 JS Amsterdam**

**Tel: +31 (0)20 5207970  
Email: [secretariat@efet.org](mailto:secretariat@efet.org)**

**[peter.styles@efet.org](mailto:peter.styles@efet.org)**

**[www.efet.org](http://www.efet.org)**