



EREGG Public Hearing, 30 June 2005

Draft Congestion Management Guidelines

1. Clarifying how TSOs must maximize capacity availability

- **Mandate availability calculations based on co-operative, multilateral prediction of flows daily and hourly; rule out unilateral and bi-lateral estimates; challenge six-monthly NTC values**
- **Require justification of all national security factors as applied to international interconnections; start from optimal market allocation result rather than from sub-optimal “constant guaranteed secure operation” model**
- **Establish tests for whether congestion occurring inside a control area or national system is being attributed falsely or prejudicially to international borders; exclude any such attribution; consider market splitting within national borders in some regions**

2. A new market in transmission capacity rights

- **Even in regions which can move towards a day-ahead allocation by implicit auction, the wholesale power market will benefit from an underlying grant of capacity rights by TSOs, to hedge basis risk**
- **These capacity rights will be auctioned by TSOs for periods varying between several years and a few days; a secondary market in the rights substitutes for clumsy UIOLI mechanisms and timetables**
- **The rights will be physical, convertible to financial whenever day-ahead market coupling kicks in; in mature coupled markets they may even start off as financial**
- **TSOs are a natural counter-party in the original creation, and even the subsequent trading, of transmission capacity rights; so-called hedging contracts, or contracts for differences, offered by power exchanges and other wholesalers, relate to eventual commodity price spreads and are not an adequate substitute to hedge basis risk**
- ***The Congestion Management Guidelines need considerable amendments and extensions in sections 1 and 2 to take account of the interaction between real time, physical congestion management, market coupling through exchanges and the future functioning of primary and secondary capacity rights markets***