

Press Release

10th November 1999

Successful "Energy Trading 99" Conference in Brussels co-sponsored by EFET.

Over 200 European gas and electricity traders and delegates interested in energy trading from 17 countries met in Brussels. This conference, co-sponsored by EFET, created an interesting forum and exchange of opinions. EFET noted with interest that the general mood at the conference was that as France is the main problem in electricity trading, Gasunie is today's most urging problem for the gas industry.

At the conference several initiatives were presented:

-1- EFET Position Paper: European Electricity Trading and a single Market in Electricity

The latest EFET position paper (following that dealing with gas market questions, which was released in late September this year) relates to the critical issues remaining to be resolved for the completion of the European single market in electricity. The issues were comprehensively identified in the EU Commission's Second Harmonisation report under the Electricity Directive, published in March this year, and will be addressed again at the next European Electricity Regulators' Forum, to be held in Florence on 25 and 26 November.

Two major hurdles to completion of the single market remain the structuring of pan European power transmission tariffs and the elaboration of fair rules for the allocation of potentially congested interconnection capacity. Both these hurdles impinge chiefly on cross border transactions. Such transactions, especially at the wholesale market level, are key to the continental development of competition. Market participants engaging in the transactions will not be able to contribute to the liquidity and transparency, essential to allow the cross border wholesale market to flourish, without the development of new modes of cooperation between transmission system operators and agreement on harmonised tariffs and rules for cross border transmission access.

The paper makes it clear that EFET supports a non-transaction based transmission tariff scheme for cross border flows, together with new mechanisms, compatible with more flexible commodity markets, to determine allocation of transmission capacity, especially at national borders, in a non-discriminatory manner.

In his opening address Mr. Paul van Son, Chairman of EFET stressed that EFET works forward to comprehensive consultation on the questions on the part of ETSO (representing transmission system operators) and the Commission.

-2- Gas liberalisation

At the conference the European Commission announced proposals for several reports. The report on 'security of supply' and 'gas tariffication' was especially welcomed by the EFET members.

The European Commission should not allow spurious obstacles to competition to be introduced by member States. In particular EFET considers that some Member States are promoting security of supply as a reason to slow down competition. EFET believes that a competitive market structure will in fact enhance security of supply. EFET looks to the European Commission to continue giving guidance to Member States.

The effects of competition in the energy sector are already evident from falling electricity prices in Europe. Gas customers are entitled to the same benefits. EFET urges member states to allow gas competition as early, and as fully, as possible. EFET also welcomes the creation of the gas regulators forum. The meeting of the natural gas forum, held in Madrid last month, was an important contribution to introducing competition in the gas market

-3- EFET Standard contract for physical delivery of Electricity

The standardisation Committee of EFET has submitted a final draft of a Standard physical power delivery contract to the entire membership and the Board of EFET.

A committee chaired by Kevin Casey (PreussenElektra) with participants of Bayernwerk, Enron, ENECO Shell Energy, HEW, Morgan Stanley, RWE Energy Trading, Statkraft and TXU Europe Energy Trading prepared the draft.

The form of contract addresses netting, business day, confirmations, delivery, taxes, non-performance, suspension of supply, payment, guarantees, termination, credit and governing law. The members of EFET agreed that a physical delivery standardised contract is essential for the maturing marketplace A final fully approved version of the Standard Contract is expected in January.

After the approval of the Standard physical contract the Working Group will work on a Standard Financial Energy Master Agreement

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