

EFET press statement on cross border power transmission tariffs

February 2003

EFET studied and debated during January the ETSO statement about cross border transmission tariffs for 2003, dated 20 December 2002. The statement merely confirmed the plans of certain national transmission system operators, announced at the 9th Florence Forum meeting in October, to carry on levying export and import related charges. These plans fly in the face of the understanding in the previous meeting of the Forum that all such charges should be abolished by 1 January 2003. We are highly dissatisfied that there are only minimal changes from the unsatisfactory arrangements put in place for 2002. As long as transaction related fees, at whatever level, for cross border transmission persist, it will remain impossible to speak of a properly functioning single European market in electricity.

Background

The Conclusions of the 8th Florence Forum meeting in February 2002 recognized the establishment of a preliminary inter TSO compensation scheme to cover disproportionate national costs of transit, export and import flows. The Conclusions also called for implementation by 1 January 2003 of a tariffication mechanism reflecting the resulting compensation, which would dispense with all transaction related tariffs and rely instead entirely on charges/credits to system users at points of generation (G) and consumption (L). "Adequate locational signals" were intended to be in place as part of a new arrangement, and the desirability of harmonization of the level of G charges was recognized. (However, in some countries there is as yet no G element in national arrangements for system access charging.) Wholesale market parties continued during 2002 to experience impediments to trade, as a result of the levying of export and import related transmission tariffs in certain continental European countries.

Outcome for 2003

There was no excuse at the end of 2002 for delaying the abolition of transaction related transmission tariffs throughout the UCTE area. The proviso to the Conclusions of the 8th Florence Forum that "adequate locational signals be in place"

was already satisfied, by a combination of differentials in price of power across national borders and congestion management arrangements. *All export and import related transmission tariffs currently levied in UCTE countries could have been abolished in practice from January 2003, whether or not a locational mechanism of the type favoured by CEER had been introduced, without any detriment to the visibility of short term (congestion related) cross border market signals, nor to relevant TSO income streams.*

Future charging basis for cross border transmission

ETSO and CEER continued work from February 2002 to fine-tune the inter-TSO compensation mechanism. Results were presented at length in the 9th Forum meeting in October. But this fine-tuning brings no tangible benefits to the internal market. EFET is most disappointed at the lack of attention paid to the necessary components of a permanent transmission tariffication system. We conclude that ETSO, CEER and national governments, which still sanction the levying of export or import related fees should redouble their effort to achieve consensus about:

- (a) an appropriate methodology for calculating G transmission charges (recognizing that at some individual locations a charge may equal zero or constitute a credit) in all UCTE countries,
- (b) harmonization of the average national level of G charges across that area, and
- (c) a sound basis for any desired long term investment locational signals, operating across national borders, probably independent of any inter-TSO compensation mechanism relating to the cost of hosting transits and/or exports and imports.

EFET has engaged actively in these three debates and is available for further consultation. **But whatever the outcome, European authorities must not tolerate a further continuation of transaction based charging beyond the end of 2003.**