

APG welcomes the opportunity to comment on ERGEG's consultation paper "Implementing the Third Energy Package". We wish to make the following comments on the paper:

- **The work of the Agency**

B. Could the Fora (i.e. Florence, Madrid, London) be further enhanced to allow stakeholders to make an effective contribution to the development of the single European energy market? How could this be done in a practical way?

APG thinks that the Fora could be an adequate instrument for the stakeholders to get influence on the development of the single European energy market. The establishment of e-discussion fora for all the stakeholders and for special topics would be a good possibility to realise this in a practical way.

C. Could focused "ad hoc panels" of interested expert stakeholders assist the Agency in the development of regulatory policies? Should they be linked (though without full representation) to the Florence, Madrid, and the new London Fora to avoid the proliferation of consultation structures, ensure the effective delivery of stakeholder views and proper representation? Or should the ad hoc panels be organized independently of the Fora in close cooperation with energy consumer and network user representatives?

The Florence, Madrid and the London Fora are important instruments for consultation and cooperation with the stakeholders. We think it will be a good idea to link the "ad hoc panels" to the Fora because it will be an adequate solution to avoid the proliferation of consultation structures.

D. Are proposed measures to ensure the proper public accountability of the Agency broadly adequate?

Yes, they are adequate and they are in line with common European reporting standards.

E. What do you consider to be the key elements for the successful establishment of the Agency? What are the most important issues relating to the NRAs and their role within the Agency?

The duties and responsibilities of the Agency will be essential for the successful establishment of the Agency. The work of the Agency will not be very efficient if it only has coordinating functions. Priority should be given to European interests and the Agency should have the power to enforce these interests. Another key element for a powerful Agency will be majority voting.

- **Framework Guidelines, Codes and Other Cross-Border regulatory issues**

A. Are the proposed priorities for the codes and technical areas the right ones? If not, what should the priorities be?

Yes, but Priority III (Balancing rules including reserve power rules, and data exchange and settlement rules) should be ranked before Priority II (Grid connection and access rules, capacity allocation and congestion management rules, and transparency rules).

B. Do you agree with our proposed approach grouping the technical areas into codes (see Appendix 2)? If so, what could the groupings be?

Yes, we agree but first priority shouldn't be given to trading but to well-functioning and secure electricity and gas supply. Trading is one of the instruments to achieve market-based prices but the overall goal should be the welfare of the European citizens.

C. Which aspects of market design or network operation should be fully harmonised across the Union through the first set of codes?

The rules of the UCTE Operation Handbook should be the basis of the network codes and harmonisation between the different synchronous areas as much as possible and needed. The methodology for transmission capacity, the allocation procedures and allocation rules, the revenue distribution in case of

congestion management, the cross-border balancing rules and the ITC Guidelines should be fully harmonised through the first set of codes.

- D. Annex 1 of Appendix 2 we describe the content of each area mentioned in the Commission's initial proposals. Do you think the description is complete? If not, what aspects should be elaborated within the areas?

Annex 1 of Appendix 2 describes that capacity allocation and congestion management rules are based on the following principles:

- 1) economic efficiency and promotion of competition**
- 2) maximization of capacity available and the use made of it**
- 3) transparency to network users on a non-discriminatory basis**
- 4) secure and safe network operation.**

We want to point out that point 4 (secure and safe network operation) should be the first point.

Concerning the balancing rules and the reserve power rules we want to advert that in our view such a balancing mechanism is an absolute must. In this context, the differentiation between automatically and manually activated reserves are important. And if TSOs are responsible for reserve capacities it has to be ensured that these reserve capacities are available at all times and can be used by the TSOs. The geographical distribution of the reserve capacities is also an important aspect. Distribution of reserve capacities is not only dependent on the costs; technical and geographical aspects also have to be considered. Minimum requirements regarding distribution of reserve capacities should be defined. Another issue concerning balancing power might be the problem of efficiency of transportation of BP over long distances or changing location of production of balancing power within larger control areas and should thus be investigated. The implementation of cross-border balancing markets needs to take into account the potentially congested borders. We still miss a clear advice from ERGEG or the Congestion Management Guidelines on how to treat this problem effectively. Should TSOs reserve some capacities for cross-border balancing on congested borders which are not offered to the market (e.g. by increasing the TRM) or should market players offering balancing power also be obliged to acquire capacities on congested borders? The latter alternative would perhaps result in big risks for providers of balancing power as they might not be able to get enough capacities at competitive prices.

- **The ENTSOs and European Energy Regulators**

- A. Are the mechanisms and observations outlined above – notably in relation to the interaction between the Agency and the ENTSOs (and CEER and GTEplus/ENTSO-E) adequate? Are there changes that should be considered for their improvement?

Yes, they are adequate, but ENTSO-E should only open their working groups to experts from the Commission and the Agency experts as observers if the Agency will also open their working groups to experts from the TSOs/ENTSO-E. And not only the Agency will intensify the coordination with stakeholders/market participants through establishing consultation practices, also ENTSO-E will do so.

- **Regional considerations in moving to a single European market**

- B. How do you envisage the Regional Initiatives operating after the entry into force of the 3rd package legislation? Will their role become less important, given the development of network codes at EU level?

The network codes are only one element which need to be harmonised between the different regional markets. Commonly agreed codes will make of course life easier in this respect. The main reason for having regional markets prior to the European electricity market is in our view that the implementation of workable solutions, for example for cross-border management, is very complicated, needs a lot of co-ordination between the TSOs involved and

depends on the regional market structure (e.g. existence of wholesale market, power exchanges). Due to these different conditions for market integration the regional solutions are at the moment at different stages (e.g. market splitting in the Northern Region, market coupling in CWE, explicit flow-based auctions in CEE ...). It does not seem likely that all those practical differences and problems can be solved by installing simply European codes (which could have been done already some years ago). APG thinks that at first the regional solutions have to be implemented properly and then harmonised step by step followed by a merging of several regions.