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Date June 23, 2005 /003756745
Re
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Consultation "Guidelines on congestion management"

Dear Mr. Jose-Manuel Hernandez,

Thank you for giving us the opportunity to comment on the draft guidelines on congestion management. It is well known that Switzerland is in a process of creating two new legislative acts: One for regulating the cross-border electricity trade (called EleG) and the other (called StromVG) for opening the electricity markets, for establishing a high security of supply within Switzerland and for the regulation of renewable energies and energy efficiency. Both acts have now passed the first of two parliamentary commissions. Parliamentary discussions (plenum) are planned to begin in autumn of 2005. Both acts are well documented at <http://www.energie.schweiz.ch/internet/00061/index.html?lang=en>.

We have studied your paper having in mind the facts that Switzerland is not part of the European community, that we plan two new Swiss laws in the subject area and that the Swiss transmission network is important both for European electricity trade and European security of supply. In our report about the blackout in 2003 we have mentioned the discrepancy between physical flows and reference flows resulting from cross-border trade arrangements (NTC based). In the meantime, also other countries in the EU have observed critical "loop flows", i.e. physical power flows caused by electricity trade between A and B in a third country C. Loop flows have their reason in physical laws which cannot be changed. Switzerland has a very strong interest that these physical loop flows are fundamentally considered in any market based European electricity system and its legislation. Otherwise security of supply could be in danger.

We would like to make the following remarks to the "draft guidelines on congestion management":

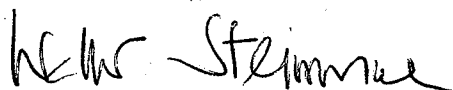
- Throughout the paper, wherever the subject deals with physical flow and security of supply, the term "Member state" should be replaced by the idea of "Member states and third countries connected to member states". Having rules only between "member states" could lead to an insecure electricity system both for the Member states and these third countries.
 - We would prefer, if the term "regulator" is replaced by "national regulatory authorities". This would on one side emphasize the concept of decentralized, but coordinated authorities. In addition, it would leave the concrete instance of the "regulator" more open.
 - We believe that throughout the paper the "coordination of TSOs" should be replaced by the idea of "coordination of TSOs and responsible national authorities". Although the individual tasks of TSOs and of regulatory authorities must be clearly defined, tasks related to "coordination" must be handled together by TSOs and responsible national authorities.
 - In our opinion, it is important to highlight the difference between commercial agreements / computed resulting reference power flows and real-world, measured physical power flows. We propose to replace throughout the paper the term "power flow" by "physical power flow". Doing so, will allow a clearer distinction between "power trade between parties" and "physical power flows in the network between parties". This is an important basis for further developments of traditional NTC-based concepts coupled with reference flows towards PTDF (Power transfer distribution factor) based concepts. Such a concept would allow the coupling of commercial electricity trade (location based agreements), market based transmission line capacity auctions and secure physical flows in any parts of the European transmission networks.
 - We would prefer if the principles of chapter 7 "Merchant investment" could be formulated more precisely. The text should clearly distinguish between:
 - the access to a merchant line (e.g. initial exemption from non-discriminatory access by allowing long-term contracts or other priority based access),
 - the cost basis of a merchant line (e.g. initial exemption from regulated cost principles, initial exemption from ITC mechanisms),
 - the income related to the use of a merchant line (e.g. initial exemption from non-discriminatory network capacity auctioning).
- I.e. it should be clear what concepts are valid in the initial time phase (say 10-15 years, criteria to be defined) and afterwards.

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- We would also propose to clearly state that the use of a merchant transmission line has an influence on the use of "regular" regulated network parts and vice-versa. As a consequence, from the security point of view, all transmission lines must be fully controllable by the transmission system operators independent from the fact if they are "merchant lines" or "regular regulated transmission lines".

For any questions about our remarks please don't hesitate to contact us.

Yours sincerely,



Dr. Walter Steinmann

Swiss Federal Office of Energy SFOE
Director

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