

**18th EU ELECTRICITY  
REGULATORY FORUM  
– FLORENCE FORUM –**

***FINAL CONCLUSIONS***

***10 – 11 June 2010***

***FLORENCE***

Convitto della Calza

## **I. Regional Initiatives**

1. The Forum welcomed the European Commission's consultancy study on the regional initiatives. The Forum also welcomed ERGEG's presentation on the paper 'Strategy for delivering a more integrated European energy market: the role of the ERGEG Regional Initiatives' as well as Eurelectric's presentation on its regional development report.
2. The Forum stressed the importance of developing a coherent roadmap in line with the target model and timelines which should include a vision for the regional initiatives. The Forum noted in particular the idea to create for each region a structure where the European Commission, the Member States and the regulators/ACER are represented. The Forum welcomed the Commission's intention to adopt a Communication addressing these issues.

## **II. Internal Market: Codes, guidelines and implementation of the 3<sup>rd</sup> package**

3. The Forum welcomed the ERGEG work on the draft framework guidelines and the related impact assessments on grid connection - the pilot -, capacity allocation and congestion management and the initial preparatory work on system operation. The Commission had sent a letter at the end of March to invite ERGEG to work on the first two areas.
4. Additionally, ERGEG had been requested to undertake a scoping exercise in co-operation with ENTSO-E to prepare for the work on a framework guideline on system operation. The initial discussions between ERGEG and ENTSO-E have taken place and the results – in reply to the Commission request from April 2010 – were presented. The Forum welcomed that ERGEG and ENTSO-E will do further work to propose the final scope of framework guidelines and network codes in the system operation area in view of a possible Commission mandate to start the work on a framework guideline in September 2010
5. The Forum welcomed the work of ENTSO-E on the pilot code on generation connection which shall continue in close co-operation with the stakeholders.
6. The Forum welcomed the work of AHAG and its working groups. The Forum emphasized the need to continue the work and to reach the targets approved for each working group including the monitoring of the progress of existing implementation projects.
7. CEFIC stressed the specific role of industrial networks and asked for appropriate exemptions. CEFIC also underlined the need for improvements of PCG models concerning optimum market zone, long-term contracts and governance rules for power exchanges.
8. The Forum welcomed the activities aiming at market integration, needed in particular for the integration of wind and other renewable energy sources.

9. The Forum welcomed the Power Exchanges' initiative PCR and asked to ensure that it is in accordance with the emerging governance framework. The Forum stressed the need for co-operation between regulators, TSOs and Power Exchanges. The Forum also stressed the importance of ensuring that the input and requirements of TSOs and regulators are taken into account.
10. The Forum supported the idea of the Commission to draft a governance guideline for day-ahead and intra-day markets and asked to continue in parallel the work on operational arrangements for the day-ahead and intra-day markets. The Forum stressed that the ongoing projects on day-ahead and intra-day markets should not be stopped because of work on governance, but they should take due account of the common governance framework. The Forum welcomed the Commission's intention to present a first draft of a governance guideline at the next Forum.
11. The Forum welcomed the efforts being made to connect the Northern Europe and the CWE region with a tight volume coupling to coincide with the start of the CWE market coupling. The Pentalateral Forum countries stressed that their project should not suffer any delays and encouraged their partners to solve any outstanding issues. The Nordic countries underlined the importance of having a combined solution.
12. The Forum supported the work of the planning group on the 3-year plan for framework guidelines and codes and considered it of value in giving the stakeholders a better view on the future work program, in particular the timing when the stakeholders will be consulted on various guidelines and codes.

### **III. Market integrity framework and transparency**

13. ERGEG presented the status of its work on fundamental electricity data transparency. The Forum welcomed the update and the process established by ERGEG in cooperation with ENTSO-E and gave its support to the development of a legally binding guideline on the disclosure of a comprehensive set of fundamental data. The Forum welcomed the approach envisaging a wide range of data and asked ERGEG to present the result of its work to the next Forum.
14. This work on preparing a comitology guideline on fundamental data transparency was welcomed by the Forum. At the invitation of the Commission, the drafting of this guideline by ENTSO-E and ERGEG will include the wide consultation of all stakeholders. The final advice is foreseen by the end of 2010.
15. The Commission reported on the status of its initiative for the integrity and transparency of traded energy markets and welcomed the positive response it received for its discussion paper (presented at the last Forum). The Commission announced that a formal public consultation has been released on the initiative and invited the stakeholders to submit their views by 23 July 2010. The Forum welcomed the Commission's update and confirmed its support to a timely development of a sector specific legal proposal.

16. ERGEG underlined that the regime should cover all short and long-term, physical as well as financial trading and should be supplemented by appropriate transaction reporting requirements.
17. ERGEG presented the provisional recommendations on harmonised licensing conditions for wholesale market participants. The objective is to define an appropriate and proportionate approach regarding licensing and market entry by avoiding unnecessary barriers. The Forum welcomed the initiative and requested ERGEG to discuss the study's findings with stakeholders in depth and develop its advice to the Commission based on the outcome of this discussion.

#### **IV. Infrastructure development**

18. The Forum welcomed the first ENTSO-E 10-year network development plan and its delivery already this year. The Forum stressed that the plan needs further development and should be based on proper scenarios and market- and network modeling and in particular reflect the National Renewables Action Plans. The Forum invited ENTSO-E to report to the next Forum.
19. The Forum welcomed the outcome of the public consultation of the ERGEG advice on the 10-Year Network Development Plan. The Forum regards the finalized ERGEG Advice as an important step for the evaluation of the ENTSO-E 10-Year Network Development Plans. The Forum welcomed ERGEG's announcement to produce an opinion on ENTSO-E's finalised pilot 10-Year Network Development Plan.
20. Given the magnitude of the new transmission infrastructure identified in the TYNDP, in particular in view of achieving the 20% renewables target, ENTSO-E and Eurelectric stressed the urgency for Member States to accelerate the permitting procedures so as to meet the 2020 targets. Also, given the depth and width of the financial and economic crisis, also at Member State level, ENTSO-E expressed the need for clear and stable regulation, including a competitive return on equity with respect to other industries having a similar risk profile, so as to remain attractive for investors and taking into account the 23 to 28 billion Euros investments only for the next five years.
21. The Forum welcomed ERGEG's Conclusions paper on smart grids containing regulatory recommendations for treatment and incentivising of smart grids as a means to have cost-efficient investments to the electricity networks in order to contribute to the achievement of the EU climate and energy policy targets. The conclusions and recommendations drawn from this experience will be helpful for ERGEG to advise the Commission effectively on the development of a future European policy framework for smart grids, as envisaged in the Task Force for Smart Grids.
22. The Forum welcomed the Commission's intention to report on the Task Force's results and recommendations to the next Forum. These will in particular deal with the definition of functionalities, protection of data, further standardisation, and development of criteria for support incentives for Smart Grids deployment in Europe.

23. The Forum welcomed ENTSO-E's R&D plan, its commitment for increased R&D efforts and for the dissemination of results.

## **V. International Issues**

24. The Forum welcomed the presentation by ERGEG on the activities of the International Confederation of Energy Regulators (ICER). ERGEG explained that ICER operated through four virtual working groups which are progressing well. Contacts have been established with other international organizations such as the IEA, ECRB and World Bank. A paper on energy efficiency will be presented to the coming G-8 meeting. The work programme for ICER has been published on the ICER website.

## **VI. Influence of renewables on electricity market**

25. The Florence Forum welcomed the ongoing work on the influence of renewables on electricity markets which was presented by ERGEG, ENTSO-E (European Wind Integration Study), and Eurelectric. The Forum recognised that addressing the issues resulting from increased renewables in the market will require close cooperation between Member States, regulators and stakeholders.
26. The Forum welcomed the report on the workshop held by the Commission on 21 May 2010, recognising the importance of bringing Member States, regulators, stakeholders and academics together to address this important issue.
27. The Forum took note of the Commission's intention to carry out a study next year on the impact of increased renewables on the internal energy market, focusing on how to ensure a consistent regulatory regime for cross border transmission projects, including the role of merchant lines as well as on the impact on price formation in the internal energy market, including the potential effect of negative prices and the need for new price areas.
28. The Forum welcomed the Commission's intention to organise a follow-up workshop to the one held on 21 May which will facilitate input from Member States, regulators, stakeholders and academics together to this study.