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A-PRIORITY

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Also per e-mail:

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EREGG Consultation E09-PC-47
Call for evidence on incentives to promote cross-border trade in electricity
(Ref: E08-ENM-07-04, 10 December 2009)

Dear Mrs. Geitona,

Switzerland has constantly been supporting cross-border trade and in this respect we are glad to comment on some issues addressed in the above consultation document.

Suitability of regulatory frameworks and of incentive schemes

We believe that a single EU wide incentive scheme and indicator to promote cross-border trade would not be appropriate considering the complexity of congestions issues. We are of the opinion that creating market opportunities coupled with investment incentives at regional level are more promising to reduce congestion.

As we see it, promoting cross-border trade is directly linked to network investments. Discussing “short term” incentives only would jeopardize the future network planning process and may lead to congesting the existing infrastructure even more or to insufficient future investments. The actual high value of available network transfer capacities at the Swiss borders has shown that the incentives given by the Swiss framework conditions have performed well.

We therefore see short term incentives (improving capacity calculation and allocation methods) and long term incentives (private and TSO investments in network infrastructure and interconnections) as complementary.

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Indicators of performance

Evaluating congestion costs is important to decide whether, and how, to address cross-border congestions and we should always remember that relieving any congestion only increases capacity up to the point of the next constraint. In some cases, there may therefore be no good alternatives to congestions, e.g. when congestions are simply shifted to another part of the network, or when the value of reducing congestions exceeds the cost of conceivable grid investments or of non-transmission strategies (such as generation capacity increases closer to the load or demand-side management).

As a consequence, diminishing congestion to maximize social benefit is appropriate only if it is combined with the objective of lowering consumer costs in all the countries concerned. A common set of indicators (at bilateral, regional or European level) makes sense only if an equitable and reliable compensation mechanism is put into place to share the costs and benefits of congestion reductions fairly, and if the cases where congestions are to be addressed on a purely national or bilateral level are clearly delimited.

Promoting only one incentive scheme is not appropriate and the parallel indicators approach of the Nordic market is in our opinion preferable. A common set of indicators should be limited to a couple of key indicators (around 3 or 5), not only price related indicators should be used, but also operational indicators such as "forced outages", "grid reliability" or "handling imbalances". The features of the ideal incentive scheme as mentioned in chapter 1.1.6 of the consultation paper appear to be adequate but indicators should be measured against these as well as easily manageable and verifiable.

Kind Regards

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