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for Electricity and Gas**  
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AMG/GG/sdk

Dear Madam, dear Sir

EURELECTRIC has been looking with interest at the ERGEG consultation paper on “Cross-border framework for transmission network infrastructure” and would now like to submit a number of comments.

We believe that the paper makes an accurate description of the current difficulties concerning the development of cross-border network infrastructures. In particular, the problems relating to the cumbersome and very lengthy procedures for authorisations and licenses from the regulatory authorities are well described and we share the view that “this issue demands immediate attention”.

However, we take the view that the paper should in addition be much more concrete and detailed on the issues of ensuring cooperation between TSOs and developing a consistent regulatory process at European level. These two issues are most relevant in the context of the consultation paper as cross-border networks are a vital pre-requisite to the development of regional markets. On these issues, it is clear that maintaining the current “status quo” is not an option and we would therefore like to propose more precise views to rapidly move to more cooperation:

- Clear and detailed binding principles at European level should be guiding the cooperation among Regulators and among TSOs in order to stimulate the development of cross-border networks;
- There is great urgency to establish regional planning processes everywhere in Europe. Cross-border network development needs to be decided not only from a purely national but from the perspective of regional markets and correspond to the needs of markets’ expansion (and takes security of supply concerns into account). This requires that assessment methodologies be developed (both on the quantitative and qualitative aspects) to find the correct priority ranking of this investment list at regional level;
- It is important to give support to all economically-sound projects for investment in the transmission infrastructure that can serve to eliminate structural cross-border bottlenecks but also internal bottlenecks that affect cross-border capacity. In this respect, Regulators and governments should notably play a role in ensuring the implementation of the Commission’s priority interconnection projects. A clear political commitment is needed to

overcome conflicts at local or regional levels, especially with regard to authorisation procedures and licensing that need to be facilitated;

- ERGEG's paper should propose very clear investment incentives for network infrastructure. Detailed solutions should be elaborated to guarantee a stable and consistent regulatory framework and provide TSOs with the appropriate financial resources for network development. In particular, a solution has to be found for cases where the investment does not benefit directly the domestic market (see the case presented in paragraph 86 of ERGEG's paper). Indeed, one of the key points is that there are few directly mandated compensation mechanisms of the type where (benefiting) customers in countries A and B compensate the TSO (for investments) in country C. We believe that the rules we suggest in our first bullet above should tackle this very important issue. EURELECTRIC is happy to participate in a debate on this theme and believes that the inter-TSO compensation mechanism, alluded to in the same paragraph, is not adequate for handling this investment issue.
- In particular, congestion revenues, which give an indication of the need to relieve specific congestion, should as a matter of priority be allocated to the development of network investments affecting cross-border capacities. As required by the congestion management guidelines (art. 6.6), they should also "preferably be assigned to specific predefined projects which contribute to relieving the existing associated congestion and which may also be implemented within a reasonable time, particularly as regards the authorisation process";
- In addition, there should be a careful monitoring at European level of the network development, in line with Directive 2003/301 concerning measures to safeguard security of electricity supply and infrastructure investment. This is to allow for regional markets to develop in a consistent manner that ensures the possibility to ultimately integrate them into a pan-European electricity market.

Finally, EURELECTRIC also takes the view that ERGEG's paper should propose ways to incentivise TSOs to work on solutions for not moving physical internal congestion in an artificial way to the borders. In the end, all bottlenecks must be addressed where they take place.

We would be happy to provide you with more details on all the points raised in this letter. EURELECTRIC is also open to discuss the need for structural and organisational solutions to improve regional TSOs' cooperation.

Yours sincerely,



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## EURELECTRIC comments

No	Chapter / Section	Comment		
1.	§87 & 90 + §§101-102	<u>Binding principles</u> should be adopted at European level to guide the cooperation of Regulators/ TSOs and stimulate the development of cross-border networks.		
2.	§80 & 90 + §§96-98	<u>Regional planning processes</u> should urgently be developed everywhere in Europe to develop networks from the perspective of regional markets. Assessment methods should be developed to decide of priority investment needs at regional level.		
3.	General  §§68-69 + §§93-94	Regulators and governments should play a role to ensure implementation of the Commission's <u>priority interconnection projects</u> .  Authorisation procedures and licensing also need to be facilitated.		
4.	General  §86 & 90 + to be added to the recommendations	Clear network investment incentives should be agreed.  Notably, a solution has to be found for investments that <u>do not</u> directly benefit the market where they take place. Binding principles should be adopted on this issue (and the ITC mechanism can not be an appropriate means to address this issue).		
5.	Section 4.4 + to be added to the recommendations	Congestion revenues should <u>as a matter of priority</u> be allocated to the development of network investments affecting cross-border capacities. As required by the congestion management guidelines (art. 6.6), they should also “preferably be assigned to specific predefined projects [...] and which may also be implemented within a reasonable		

		time, particularly as regards the authorisation process”.		
6.	Section 4.5 + to be added to the recommendations	There should be a careful <u>monitoring at European level</u> of the network development, in line with Directive 2003/301, to allow for regional markets to develop and ultimately allow for market integration at pan-European level.		
7.	Section 4.4 + to be added to the recommendations	Solutions should be developed to incentivise TSOs to work on solutions for <u>not moving physical internal congestion</u> in an artificial way to the borders.		