

**Summary of responses to ERGEG Consultation Paper  
Cross border framework for transmission network infrastructure – An  
ERGEG Public Consultation Paper**

Ofgem, 8 January 2007

13 responses have been received, from :

- Austrian Power Grid (APG)  
Austrian TSO
- Centrica  
UK energy supplier
- Energibedriftenes landsforening (EBL)  
Norwegian Electricity Industry Association, representing members in  
transmission, distribution and generation
- European Transmission System Operators (ETSO)  
Association of EU TSOs
- Eurelectric  
Union of the electricity industry
- Groupement Européen des entreprises et Organismes de Distribution  
d'Énergie (GEODE)  
Association representing energy distributors in Europe
- Helsinki University
- Iberdrola  
Spanish vertically integrated gas and electricity utility
- International Federation of Industrial Energy Consumers (IFIIEC)  
Organisation representing energy intensive industry throughout the EU.
- MAVIR  
Hungarian TSO
- Scottish and Southern Energy (SSE)  
UK energy supplier
- Union Française de l'Électricité (UFE)  
Organisation representing French electricity industry
- Verband der Netzbetreiber (VDN)  
Organisation representing German TSOs

All responses are non-confidential.

<b>§</b>	<b>ISSUE</b>	<b>WHO</b>
	<b>General</b>	
	ERGEG Consultation paper is welcomed / is an accurate / useful description of issue of development / provision of cross-border network infrastructures	Centrica, eurelectric, MAVIR, SSE, VDN, Iberdrola, IFIEC
	Support regional or pan-EU approach to infrastructure planning and network investment	Centrica
	Much can be achieved by building on current ERI	Centrica
	Notes improvement of instructures, e.g. removing bottlenecks, crucial for internal market / further market integration/ calls for fulfilment of Barcelona 10% interconnection target	GEODE
10	Notes construction of substantial wind generation projects has also outstripped construction of lines	APG
15	A 'single European grid' already exists, i.e. the UCTE grid. Consumers need a single IEM.	VDN
	<b>Building and Construction Authorisations and Permissions (BCAPs)</b>	
	Issue well described / often difficult process / recognized as crucial issue	Eurelectric, EBL, SSE, ETSO, APG. Iberdrola, UFE
	Difference in timescales and uncertainties of lines versus gas fired power stations leads to highly uncertain returns and potential inefficiency	ETSO
54	The list of transmission investment case studies is by far not exhaustive	VDN
60	Recommend usage of undergrounding only very rarely / costly	VDN, APG
59, 60, 61	ERGEG's conclusion that "some projects increased the use of underground cables" is highly misleading, since none of the case studies uses any underground cable. Suggests that a recommendation to use underground cables instead of over head lines this would endanger most of the existing over head line projects and postpone the realisation of these lines, and not necessarily improve the environmental record of the projects	APG
63, 64, 65, 66	Agree on the whole with remarks – except in relation to para 66, see below	66
66	The 'Infrastrukturplanungsbeschleunigungsgesetz' is expected to come into force beginning 2007.	VDN
66	The 'Infrastrukturplanungsbeschleunigungsgesetz' is not expected to appreciably accelerate the licensing procedures in German / Progress in terms of the Italian law not yet sufficient	VDN, APG
68, 69	More needs to be done to facilitate BCAPs	Eurelectric, SSE, ETSO
	<b>Planning and operation standards</b>	
	Note that the synchronised electricity regions in EU have developed regional grid codes via their regional associations i.e. UCTE, NORDEL, UKTSOA, ATSOI, BALTIJA	ETSO
	<b>Regulatory Framework</b>	
	The 'wrong' pan-EU framework can have severe negative impacts, so need to be careful	EBL
	Agree there is currently no coherent legislative or regulatory framework to support investment in cross border infrastructure, e.g. 'regulatory gap'	ETSO

	<b>Incentives for investment / on TSOs</b>	
	TSOs need incentives	Eurelectric
	Solutions should be developed to incentivize TSOs to work on solutions for not moving physical internal congestion in an artificial way to the borders*	Eurelectric
33	ERGEG's request for incentivisation is contrary to the statement (para 33) in the Consultation paper that regulation will generally include caps on the transmission revenue. Any pronounced cap on the investment costs / capital costs on new/additional infrastructure will endanger the ROI and therefore hinder TSO from such an investment	VDN
36	Cost allocation issue is well described.	VDN
	<b>Merchant lines</b>	
	Suggests that ideology of Regulation 1228/2003 is to favour regulated above merchant lines, as evidenced through "Risk criterion" in Article 7	Helsinki
	Insufficient level of EU interconnection could usefully be supplemented by more merchant lines	Helsinki
71	Notes PJM market in USA relies a good deal on merchant interconnectors	VDN
	<b>Role of TSOs</b>	
80,90	TSOs should develop regional planning processes	Eurelectric
106-109	Notes that article 6 of Security of Supply and Infrastructure Directive already regulate some of these TSO issues / Due note should be taken of this when developing proposals	EBL
	Agree that cooperation between TSOs on a European level would be of benefit, but expresses caution that the wider remit should be appropriate	ETSO
	Further cooperation could be enhanced through the more formal grouping of TSOs suggested in the Green Paper	ETSO
	<b>Role of Regulators</b>	
	<b>Cross border elements</b>	
87, 90	Pan EU obligations / principles required for co-operation of regulators and TSOs	Eurelectric
	There should be a careful monitoring at EU level of the network development*	Eurelectric
	Agree that lack of cross border elements – e.g. regulatory reward for cross border investment, no obligation on TSO to take account cross border issues – hinders development of cross border connection and access	Centrica
84-88	Find it strange that ERGEG accuses TSOs of not cooperating with each other concerning operational standards and investment planning. The UCTE OH and multilateral agreement for example means that TSOs are obliged to take into account overall grid security. Legislation is not necessarily necessary.	APG
	<b>Cost allocation</b>	
86	Crucial issue / solution should be found	Eurelectric
86	ITC mechanism is insufficient / must be developed to deal with this	Eurelectric, MAVIR, VDN
84	Current IMICA method is wrong / does not account properly for costs and benefits / transits / wrong incentives	EBL, MAVIR, VDN, ETSO
	<b>Other</b>	
	<b>Priority Interconnection Projects</b>	

	Regulators and governments should help with Cion's priority interconnection projects	Eurelectric
	<u>Congestion Management revenues</u>	
	CM revenues should as a priority be assigned to development of cross border infrastructure / using CM revenues to reduce tariffs will just be a 'tax' which does not overall improve the IEM / CM revenues could go into a regional funding system to relieve congestion or build new lines	Eurelectric, APG
	<u>Unbundling</u>	
	Proper and robust unbundling needed, for TSOs to have effective and non-discriminatory interest in network / hence unbundling (e.g. ringfencing) is a priority	Centrica, EBL, IFIEC
	Proper and effective unbundling of TSOs must also include a certain distance from national interests, otherwise there will obviously be a lack of European thinking when tackling new projects.	VDN
88	Suggests that, because there exist at the moment some unbundled TSOs and that coordination problems also exist, unbundling can't be the problem or the solution here	VDN
	<u>Roles and responsibilities</u>	
	Is necessary to be clear about roles and responsibilities of all parties, as follows : <ul style="list-style-type: none"> <li>• Member States and governments – create and maintain overarching policy framework</li> <li>• Regulatory authorities should cooperate with each other, to reach long term framework</li> <li>• TSOs continue to take responsibility for planning and development</li> </ul> Appropriate relationships between TSO and regulator should be maintained.	ETSO
	<u>Information transparency</u>	
	Notes importance of and supports further transparency. Suggests consideration should be given to existing publicly available data. Bear in mind some generation data currently needs permission of generators to be published.	ETSO
	<b>Concerning ERGEG recommendations</b>	
	<u>Building and construction authorisations and permissions</u>	
90, 93, 94	Agree BCAPs need to be easier / quicker / harmonized	Eurelectric, EBL, Helsinki, MAVIR, SSE, VDN, ETSO, Iberdrola
	Clear political commitment is needed to help overcome this problem / stronger role for EU Commission / rules or Guidelines should be established at EU level with deadlines and last resort procedures	Eurelectric, Iberdrola, UFE
94 second bullet	Support recommendation that BCAPs should include possibility of seeking independent views of national regulators and/or ERGEG	Centrica
94 second bullet	Not obvious that further input from (yet another) institution will help speed up BCAP / be careful here / this is more role of national regulators	EBL, SSE
94 third bullet	Agree that it will be ultimately necessary and helpful to recognize that wider economic and security of supply benefits at a national or EU level need to be reconciled in some manner	EBL, APG

	with costs at a local level / use EU structural policy so local communities have easier access to funding for projects which increase local employment or local infrastructure	
	Any new pan-EU arrangement must be fair, and truly contribute to a more competitive and efficient market	EBL
	Any new legislative developments for BCAP should be accompanied by consistent trade and other mechanisms	EBL
	<u>Planning and Operation Standards</u>	
96, 97, 98	Mandatory More common, or overarching Standards are needed / particularly where TSOs cannot agree	EBL, SSE, IFIEC
99	Pan EU Standards should be limited to the following items : (see VDN response)	VDN
	Key issue is information provision between TSOs, to enable relevant TSO to make right investment	SSE
96, 97, 98	Mandatory More common, or overarching Standards are not needed / existing arrangements for TSO cooperation (e.g. UCTE OH) are sufficient / TSOs can agree among themselves / could be counter productive or legally difficult (ETSO)	EBL, VDN, ETSO, APG
	Better to refer to present work between Commission and ETSO, concerning Operational Network Security	ETSO
	Recall that almost all of a TSOs duties exist on a national basis, therefore be careful	EBL
99	In seeking to establish pan-EU or overarching Standards, due consideration should be given to the physical differences in power system structures in the national markets / hence do it on regional basis	EBL
99 second bullet	Regional approach fruitful / best	EBL, Iberdrola
99 second bullet	Pan EU Standards on the level of synchronous zones are preferable, since TSOs belonging to several regions should not be exposed to varying investment and planning regimes within their grid	VDN
100	Such pan EU or regional Standards should have legal basis, e.g. Directive or Regulation, or via CENELEC and implemented by EU legislation	EBL, , IFIEC
100	Standards should be agreed by TSOs and confirmed by multilateral agreement between TSOs	VDN
	<u>Regulatory Framework</u>	
	Paper / recommendations should be more concrete and detailed concerning cooperation between TSOs and developing a consistent regulatory process at the EU level	Eurelectric
101, 102	Binding principles needed*	Eurelectric
	National regulators must provide adequate reward for TSOs where TSOs are obligated to take into account cross border issues / investment	Centrica, MAVIR, VDN
	For cross border lines, a higher return might be required	VDN
105 first bullet	Support modification of duties of regulators to take into account EU customers / cross border issues / note that for this to happen regulators' powers must be 'levelled up' (ETSO caveat)	Centrica, SSE, ETSO, UFE, IFIEC
	Support creation of European Regulator with powers in everything to do with cross border trade, including development of new interconnections, and the operation and capacity allocation of the existing interconnection infrastructure among Member States	Iberdrola, (IFIEC)
104, 105 first bullet	Modifying duties of regulators will require legislative change / not necessary because first priority is to establish well functioning economic incentives / would be further bureaucracy	EBL, VDN, ETSO

105 second bullet	Disagree with ERGEG : Instead Legislative harmonisation and define further rules and regulations that will facilitate cross border trade	EBL
105 third bullet	Prefer to concentrate on CM and tarification / reevaluate ITC	EBL
105 third bullet	Favour giving Regulators and TSOs the obligation to facilitate competition / Existing structures e.g. ERGEG could do the job, supplemented by harmonised decision making	EBL, ETSO
	Interested in seeing implementation in EU of a similar exercise to the multiannual French programming of investments	UFE
	Support overarching and pan-EU framework (ETSO put some caveats)	EBL, MAVIR, ETSO
103	TSOs and regulators should be mandated to a closer and specified cooperation	EBL, MAVIR
	<i>Incentives for investment / on TSOs</i>	
	Solutions should be developed to incentivize TSOs to work on solutions for not moving physical internal congestion in an artificial way to the borders*	Eurelectric
	TSOs need incentives / incorporating price signals / baseline incentives for the provision of quality standards / allows proper trade off between siting generation and building new lines	Centrica, MAVIR, IFIEC
	Creation of incentives in cross border transmission is still an open issue	VDN
	<i>Cost allocation</i>	
36, 86, 102	Better solution for cost allocation has to be found / cost allocation is root of the problem / prerequisite is sufficient return	Eurelectric, MAVIR, SSE, VDN, IFIEC
	Suggests TSOs presently get cross border capacity for free, via 'loop flows'	IFIEC
	ERGEG is natural focus for this work, building on Regulation 1228/2003	Centrica
38	Regional approach may not be sufficient, given meshedness of continental network	VDN
	<i>Congestion management</i>	
	Recommend that ERGEG recommends CM revenues should as a priority be assigned to development of cross border infrastructure	Eurelectric
95	There should be no financial disadvantage in relieving congestions, so reducing CM income and pushing up tariffs and ITC compensations	VDN
	<u>Role of Transmission System Operators</u>	
	ERGEG / national regulators should require TSOs to publish coherent and co-ordinated medium term plans for network expansion – cf. "regional 7 (or 10) year statement" proposed for NW GRI	Centrica
	Support more intensive cooperation between TSOs concerning energy planning, outages, and congestion management etc.	Centrica, EBL, SSE, VDN, ETSO, (Iberdrola), UFE
107	Increased TSO obligations for cooperation will not be effective unless the fundamental framework for their business activities are harmonised	EBL
110 first bullet	TSO cooperation already well organised through ETSO / no need for revised arrangements	EBL, VDN
	A formalisation of the role of TSOs towards the EU would be helpful	VDN

	May be difficult to meaningfully incorporate into TSO obligations a remit to take into account customers on a regional or pan EU basis, given that TSOs are governed by national laws	SSE
	Need to separate the obligations of infrastructure providers from the obligations of the system operator	SSE
	Propose setting up a service provider to guarantee the synchronous system level coordination, to ensure the secure and coordinated operation of the market and the transmission grid	MAVIR
	Further cooperation could be enhanced through the more formal grouping of TSOs suggested in the Green Paper	ETSO
	<u>Contract or 'Merchant' model</u>	
110	Agree with ERGEG that merchant lines can usefully supplement networks	EBL, SSE
111	Agree with ERGEG that further clarity on application of exemptions regime would be helpful / particularly concerning 'Risk' criterion / supervising in a stricter way the usage of merchant lines (UFE)	EBL, Helsinki, SSE, UFE
	Cion should make explicit its reasons for accepting an exemption, rather than letting its 2 month objection period lapse as an implicit endorsement of the exemption / suggest ERGEG raise with Cion	Helsinki
	Call for removal of 'Risk' criterion from Article 7 of Regulation 1228/2003 / suggest ERGEG raise with Cion	Helsinki
	Call for clarification of application of EC competition law to merchant interconnectors, particularly the product market definition and the application of Articles 81 and 82	Helsinki
	Exemptions should only be used as an ultimate exception, and then only under defined conditions.	IFIEC
	<u>Other</u>	
	There should be a careful monitoring at EU level of the network development, in line with Directive 2003/301*	Eurelectric