

„ERI Convergence and Coherence Report“

Comments by VERBUND-Austrian Power Grid

APG is involved in three ERI regions: Central East (CEE), Central South (CSE) and in Central West (CWE) as observer. Additionally APG is member of SETSO-TF and contributes actively to the development of the SEE market area (currently based on the SEE – Treaty). The following comments are based on the practical experience gained in these four processes, participating actively in 10 stakeholder meetings, more than 15 Implementation Groups, 12 highlevel meetings of TSOs, about 20 task force meetings and more than 80 working group sessions.

1. General remarks to the ERI concept and its potential problems

As the competences of Regulators greatly differ in the various countries we experienced some difficulties in the decision making process caused by lack of decision-making power or contradictory request of regulators. We would therefore strongly plead for a European harmonisation of competences of regulators.

- After the publication of the EU Regulation 1228/2003 TSOs installed on all congested borders in Europe bilateral explicit auctions where the congestions revenues of these auctions were divided equally between the two partners. In the meantime the EC published the Guidelines for Cross-Border Congestion Management which are asking for a coordinated flow-based approach. The distribution of congestion rents should give incentives to invest into new lines or to reduce temporary congestion by other means (e.g. counter trading, cross-border re-dispatch). TSOs are now evaluating different schemes for revenue distribution which could result in different solutions for different regions. APG would strongly plead for one European scheme for revenue distribution that equally applies to all ERI regions and the SEE area.
- The Regulation allows for three kinds of usage of the revenue income (investment, congestion relief or reduction of tariffs). As investment planning needs some time and all projects are confronted with lengthy authorisation processes, cross-border congestion management needs coordinated procedures which should be compatible with the final coordinated congestion management system. Most of the Regulators were tempted to use this income to reduce transmission tariffs which leads indirectly to an incentive for TSOs and Regulators to increase this income. APG proposes that these revenues should be set aside and reserved only for investment and congestion relief e.g. managed through a separate congestion fund.
- The Guidelines for Congestion Management are defining the overlapping regional markets for the ERI. Unfortunately the SEE area is not mentioned there and it would ease a harmonised approach if the SEE regional market could be included in these guidelines.
- The Guidelines left it open how to deal with Congestion Management in countries belonging to more than one regions. This lack of definition resulted in lengthy discussions in some regions, which border of a country (control zone) should be integrated in which regional allocation system. This sometimes also led to contradicting proposals, which could not be solved on bilateral or regional level. We propose to give a clear European guidance for this problem.
- Looking into the future we know that the preferred solution for cross-border congestion management should be implicit auctions (market splitting or market coupling) involving power exchanges. As it seems not very practical to split national

markets involving two or more power exchanges acting in different regional allocation systems APG would like to question the concept of overlapping regions at all. In the CWE region TSOs and Power Exchanges have developed a vision how to combine different regional solutions via a European “Dome coupler” which leads to a hierarchical Market Coupling in two steps all over Europe. This concept seems to be very promising but would imply in our view that all countries (control zones) belong only to one regional allocation system.

2. Intraday Market

- APG is missing in the document the discussion of the interaction between congested borders and intraday markets. It would not be feasible to install a coordinated and flow-based allocation system in a region involving all borders while at the same time organising bilateral intraday allocation based on, for example, NTC values.
- APG proposes that there is an obligation to integrate intraday market procedures into the coordinated flow-based allocation systems and link these procedures to the regional auction offices responsible for the regional allocation.

3. Balancing Market

- Also the implementation of cross-border balancing markets need to take into account the potentially congested borders. We miss a clear advice from ERGEG on how to treat this problem effectively. Should TSOs reserve some capacities for cross-border balancing on congested borders which are not offered to the market (e.g. by increasing the TRM) or should market players offering balancing power also be obliged to acquire capacities on congested borders? The latter alternative would perhaps result in big risks for providers of balancing power as they might not be able to get enough capacities at competitive price.
- Another issue concerning balancing power might be the problem of efficiency of transportation of BP over long distances or changing location of production of balancing power within larger control zones and should thus be investigated.