

CONCLUSIONS

XXVI. ELECTRICITY REGULATORY FORUM

FLORENCE, 20-21 May 2014

2030 Framework:

- (1) The Forum welcomes the Commission's progress on the 2030 framework for climate and energy. The Forum invites Member States and Commission to develop a European governance framework that ensures that Member States' plans regarding the promotion of renewable electricity generation are compatible with the Union's climate and energy targets, the March Council's request to improve the EU's competitiveness and make full use of the potential of the internal energy market.

Electricity market design work:

- (2) The Forum welcomes the ongoing ACER and ENTSO-E work on electricity market design and invites all stakeholders to contribute to these processes and develop ideas on how to improve the functioning of IEM in the future.
- (3) The Forum stresses that European energy policy is currently at a critical turning point where important political choices have to be made which will determine whether energy policy will have a national or more European focus and whether it will be driven by markets or regulatory interventions in future. The Forum stands firm behind a European and market-based approach.
- (4) The Forum urges policy makers to remove the numerous existing obstacles which currently impede the development of a truly integrated electricity market.

Balancing regulation and early implementation:

- (5) The Forum reiterates its call for more ambition in the proposed balancing network code and invites Commission, ACER and ENTSO-E to work with all stakeholders on text proposals to increase the level of cross-border cooperation and integration in balancing markets and to harmonise existing rules to the extent realistically possible under the current legislative framework.
- (6) The Forum stresses the importance of pilot projects for the early implementation to achieve progress at least on the regional level and to gather experience about appropriate solutions for cross-border balancing. The Forum invites stakeholders to contribute to ENTSO-E's Balancing working group in this context.

The role of flexibility:

- (7) The Forum stresses the key importance of close-to real time markets for market compatible integration of RES. The Forum invites the Commission to ensure that Network Codes and Guidelines take into account the dynamic development of close-to-

real-time markets and do not prematurely determine future solutions to promote market based flexibility.

- (8) The Forum asks the Commission, ACER and ENTSO-E to ensure that solutions in the balancing network code keep strict neutrality with respect to demand side solutions and the participation of aggregators and consumers and the role of DSOs in balancing markets.
- (9) The Forum encourages all parties to contribute to concrete actions to facilitate demand side participation prior to the entry into force of the balancing network code.

Capacity mechanisms

- (10) The Forum recalls that the implementation of capacity mechanisms should not undermine the effective and efficient implementation and operation of market coupling, investments in cross-border infrastructure and the development of cross border balancing markets.
- (11) The Forum reiterates the importance that any decision to implement a capacity mechanism be based on an appropriate generation adequacy assessment, and supports the intention of the Commission and ENTSO-E to accelerate the development of a European assessment methodology.
- (12) The Forum welcomes the intention of the Commission to support the identification and implementation of practical cross border participation, in conjunction with regional fora and the Electricity Coordination Group.

More coordinated system operation:

- (13) The Forum invites ENTSO-E, ACER and the Commission to verify whether the system operation network codes proposed by ENTSO-E can be modified in a manner that would allow an adoption as network codes. The revision should also be used to reinforce TSO cooperation elements in the proposed system operation network codes.
- (14) The Forum in particular calls on TSOs to propose steps for a further convergence process of their regional security coordination initiatives.

Adoption of a Regulation on CACM:

- (15) The Forum urges the Commission to submit the Regulation on CACM into the Comitology procedure as soon as possible and takes note that the Commission will propose to adopt the CACM Regulation as binding Guidelines in the Comitology procedure. It welcomes the involvement of stakeholders in the implementation process and invites the Commission to involve stakeholders also in future amendments of the Regulation.

Day-ahead market coupling:

- (16) The Forum congratulates for the significant progress made regarding the implementation of day-ahead market coupling in the NWE and SWE regions. The Forum now encourages project parties to make further progress regarding the inclusion of

other countries. It calls for maximisation of transparency of the market coupling results and an early implementation of the stakeholder committee provided for in the upcoming CACM Guideline.

Flow-based capacity allocation:

(17) The Forum welcomes the recent progress with the CWE Flow Based Market Coupling pilot project and invites project parties and involved regulators to work towards a “go live” date of the project, ensuring the necessary transparency and robustness, still in 2014.

Single allocation platform and harmonised auction rules:

(18) The Forum welcomes the recent ENTSO-E commitment to move towards harmonised auction rules. It calls for swift and transparent development of a single forward transmission capacity allocation platform.

Intraday market coupling:

(19) The Forum welcomes the recent collaboration agreement between the involved power exchanges on a detailed implementation plan for the Intraday Pilot Project.

(20) It urges the project parties to maximise their efforts towards a timely implementation of the complex Intraday Pilot Project and to reflect upon solutions to streamline it so as to preserve the main advantages while ensuring a more timely implementation.

(21) The Forum invites the Commission to analyse options for interim solutions which allow for short-term improvements to the status quo, notably at borders where intraday trade is currently underdeveloped, provided it does not jeopardise or slow down the Intraday Pilot Project.

Bidding zones:

(22) The Forum notes the importance of congestion-based bidding zones to allow prices to reveal the value of generation, based on demand and supply. For these reasons, the correct design of bidding zones is important to provide investment signals, both for generation and networks.

(23) The Forum recalls the impact of an appropriate design of bidding zones on other structural problems of the Internal Electricity Market.

(24) Advantages and disadvantages of bidding zone reconfigurations should be carefully weighed before any intervention. Other possible solutions should not be excluded. The Forum welcomes the reports by ACER and ENTSO-E on bidding zones as useful input for the process to ensure an adequate bidding zone structure in Europe.

Regulatory incentives:

(25) The Forum welcomes the ongoing work on risk-related incentives for projects of common interest (PCI) currently carried out by the Commission, ACER and ENTSO-E. It

underlines the importance to come up with an ambitious approach sustaining the necessary investments in electricity infrastructure.

Cost benefit analysis methodology:

(26) The Forum welcomes the ACER opinion on the ENTSO-E Cost-Benefit Analysis (CBA) methodology and invites ACER to cooperate with ENTSO-E in 2014 on more concrete guidance, based on the experience gained and the feedback received. The Forum questions the inclusion of storage in the CBA for the Ten Year Network Development Plan (TYNDP), taking note at the same time that storage projects are eligible to become PCI and hence must be properly addressed in the TYNDP.

Cross-border cost allocation:

(27) The Forum calls upon NRAs to handle investment requests in a manner that a cross-border cost allocation decision is available in time for a participation of project promoters in the first call for proposal under the Connecting Europe Facility in order to effectively speed up the implementation of projects of common interest.