

CONCLUSIONS

XXIV. FLORENCE FORUM

15-16 MAY 2013

1. Progress with EU internal market

1. The Forum emphasises the significant contribution that the completed Internal Energy Market (IEM) will make to achieve sustainable, competitive and secure energy supply. It notes in particular the importance of the IEM for the integration of increasing amounts of intermittent electricity in Europe.
2. The Forum calls upon the Commission to stand firm in its efforts to enforce the implementation of internal market rules vigorously and to adopt the necessary rules for the completion of the IEM in cooperation with stakeholders.

2. Harmonisation through Network Codes and Guidelines: Adoption phase

3. The Forum recalls that the project to harmonise the main rules relevant for electricity trading and grid operation through network codes and guidelines is a crucial element for the further success of the internal energy market. If successfully adopted, the network codes and guidelines will allow to find European-wide solutions for problems that can currently only be tackled on a national level. The Codes have the potential to significantly increase security of supply and competition in Europe. They will also allow to better cope with some of the main challenges for the internal energy market (e.g. increasing share of intermittent generation and guaranteeing generation adequacy).
4. The Forum acknowledges that stakeholders may be affected differently by the individual network codes and guidelines and calls upon the Commission and Member States to find balanced solutions which preserve the main benefits of each harmonisation proposal without putting disproportionate burdens on single stakeholders.
5. The Forum invites the Commission to keep the adoption process of the network codes and guidelines transparent and make the revised texts available to stakeholders before the comitology phase.
6. The Forum calls upon all stakeholders to take a constructive attitude in the comitology phase and to avoid deadlock situations which might put at risk the success of the harmonisation project through network codes and guidelines by the end of 2014.

3. Code on Capacity Allocation and Congestion Management and Governance Guideline

7. The Forum urges all involved parties to contribute to a successful finalisation of the Capacity allocation and congestion management network code and the Governance Guideline in the upcoming comitology process, since this legislative project is of key importance for the implementation of the European Electricity Target Model by 2014.

4. Network Codes on Grid Connection

8. The Forum welcomes the progress with the finalisation of the Grid Connection Codes and invites the Commission to preserve the main benefits of the current proposals. It stresses that the Grid Connection and other Network Codes should recognise the potential contribution of demand response to system integrity and adequacy.

5. Network Codes on System Operation

9. The Forum emphasises the importance of harmonised and co-ordinated grid operation rules and invites ENTSO-E, ACER and the Commission finalise the development of a comprehensive set of legislation on system operation without delay. The Forum welcomes ENTSO-E's efforts to deliver the network codes on operational security, operational planning and scheduling and Load Frequency Control in time. The Forum takes note of ACER's reasoned opinion on the operational security network code. It invites all involved parties to collaborate closely during the finalisation phase and to agree on the necessary changes without undue delay in order to allow the Commission to start the preparation of a comitology text as soon as possible.

6. Network Code on Balancing

10. The Forum urges ENTSO-E and ACER to develop and recommend an ambitious network code to achieve more integrated balancing markets, while taking into account national specificities where necessary.

7. Network Code on Forward Capacity Allocation

11. The Forum welcomes the progress in the development of a Code on Forward Capacity Allocation, but stresses at the same time the importance to agree on balanced and ambitious solutions in line with the Framework Guidelines and to implement them without undue delay.

8. Regional Initiatives: Progress with intraday market coupling

12. The Forum stresses the importance of EU-wide intraday market coupling to better cope with the problems resulting from an increasing share of electricity from intermittent generation.
13. The Forum regrets that the involved power exchanges have still not been able to agree on an IT-Platform for intraday market coupling. The Forum takes note that ACER was not in a position to provide an informal opinion before the May Florence Forum and supports ACER in its efforts to come to a conclusion as soon as possible. It urges the involved parties to provide clarifications required by ACER in time in order to allow ACER to provide its opinion before the end of June to avoid further delays.
14. The Forum recalls its conclusions from November 2012 and urges the Commission to intervene – if need be with legislation – if no compromise on a platform has been found by the end of June.
15. The Forum reminds the involved power exchanges and NRAs of their commitment to implement the informal opinion provided by ACER as agreed. It emphasises the need

to continue with the intraday market coupling project with full commitment of all involved stakeholders once the decision on the appropriate platform is taken.

9. Regional Initiatives: Progress with day-ahead market coupling

16. The Forum stresses the importance of European-wide day ahead market coupling and calls upon all involved stakeholders to find the necessary compromises to keep the planned implementation process on track, with a view to merging the main regions into one market coupling area by the end of 2014. It calls upon TSOs and regulators in the CEE region to agree on a solution to proceed with the market coupling initiative, if necessary based on NTC-based capacity calculation arrangements as an interim step towards the target of flow-based capacity allocation.

10. Regional Initiatives: Long-term auction rules

17. The Forum invites ENTSO-E to report on behalf of the concerned TSOs at the next Florence Forum on progress made towards a single EU allocation platform and a single EU set of long-term auction rules.

11. Redispatching / Loop flows problems / Bidding zones

18. The Forum recalls the need to coordinate redispatch measures with cross-border effects between Member States and reminds TSO and NRAs to be aware of the potential harm of uncoordinated redispatching measures for the internal market. It welcomes agreement between the German TSO (50Hertz) and the Polish TSO (PSE Operator) to increase cross-border capacities through co-ordinated redispatch measures and emphasises the need to come to an agreement between 50Hertz and the Czech TSO (CEPS) as soon as possible. The Forum welcomes the ongoing studies on issues related to cross-border redispatch, loop-flows and bidding zones and invites ENTSO-E and ACER to develop an action plan on concrete solutions for cross-border redispatch addressing also loop-flow issues to be presented at the next Florence Forum.

12. Capacity Markets

19. The Forum stresses that an effectively functioning Internal Energy Market is absolutely critical to ensuring generation adequacy and security of supply for all Member States. Particular attention should be paid to the potentially important negative consequences poorly designed capacity mechanisms can have on the further integration of EU energy markets.
20. The development of a comprehensive and better coordinated generation adequacy assessment at EU level, building inter alia on the regular ENTSO-E analysis, is critical to giving policy makers the information needed to assess generation adequacy and security of supply at national and regional level.
21. The Forum welcomes the clarifications provided by ACER in its opinion on capacity markets provided on request of the European Parliament and welcomes the intention of the Commission to publish a Communication on the framework for effective and efficient State intervention in the internal electricity market in July, with clear guidance on how capacity mechanisms and renewables support schemes should be

designed, based on the principles of necessity and proportionality and being of a transitional character in order to minimise the negative impact on the internal market.

13. Ten Years Network Development Plan

22. The Forum agrees on the need to quickly implement the Regulation on Guidelines on trans-European energy infrastructures and welcomes the progress in the work to prepare the list of EU-wide projects of common interest. The Forum appreciates the efforts undertaken by all parties to quickly reach an agreement on the list. In this spirit, the Forum supports the adoption of the draft regional PCI lists presented, without prejudice to the opinions still to be delivered as part of the procedure.
23. The Forum will pursue the discussions on the regulatory aspects and calls on ENTSO-E to rapidly finalise the methodology for cost-benefit analysis as set out by the Regulation. The Forum calls on Regulators and ACER to be ambitious in identifying appropriate investment incentives, which should correspond to the specific risks incurred.

14. REMIT Implementation

24. The Forum supports the Commission's plan for the adoption of further implementing legislation on REMIT. The Forum emphasises the important role ACER plays in the process of implementing and enforcing REMIT and welcomes the efforts by ACER to provide further guidance on questions on the implementation of REMIT, notably through the next edition of Guidance on REMIT definitions, the second set of recommendations on the records of wholesale energy market transactions and the development of a timeline for the implementation of necessary IT systems. The Forum urges Member States to actively enforce in particular the rules on market abuses and to equip regulators with appropriate penalty powers to deal with market abuses in a timely manner, as required by REMIT. The Forum underlines the importance of ensuring consistency between financial sector and energy regulation, in the imminent consideration of the MIFID II proposal.