



The electricity regional initiatives: an interim step to creating a single electricity market in Europe

AFUR-CEER Roundtable

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Benefits of internal energy market

- The development of an internal energy market is an effective way to provide for:
 - **Environmental sustainability** through a better use of complementary resources
 - **Efficiency** through a balancing of demand variations of different countries
 - **Security of supply** through the pooling of reserves of capacities
- Nevertheless, this **target is not easy to reach**
- Therefore, the European Commission and European energy regulators launched **Regional initiatives** with the aim of speeding up market integration at a regional level so as to end up with a single European market



Main obstacles to regional integration (1/2)

- The electricity interconnections between the different European countries were **originally set up to enable TSOs mutual assistance**
- The creation of a single European electricity market has come up against a **major obstacle**: the **limited capacity of interconnections** between Member States
- This requires both the **development of new transmission infrastructure** and also **more efficient use of the existing cross-border capacity**



Main obstacles to regional integration (2/2)








- **Differences in designs**
- **Differences in regulators' powers**
- **Lack of a binding regulatory framework**
- **Lack of incentives for TSOs** to develop cross-border exchanges
- **Resources problems:** some regulators, TSOs or Power Exchanges are involved in several regional initiatives at the same time

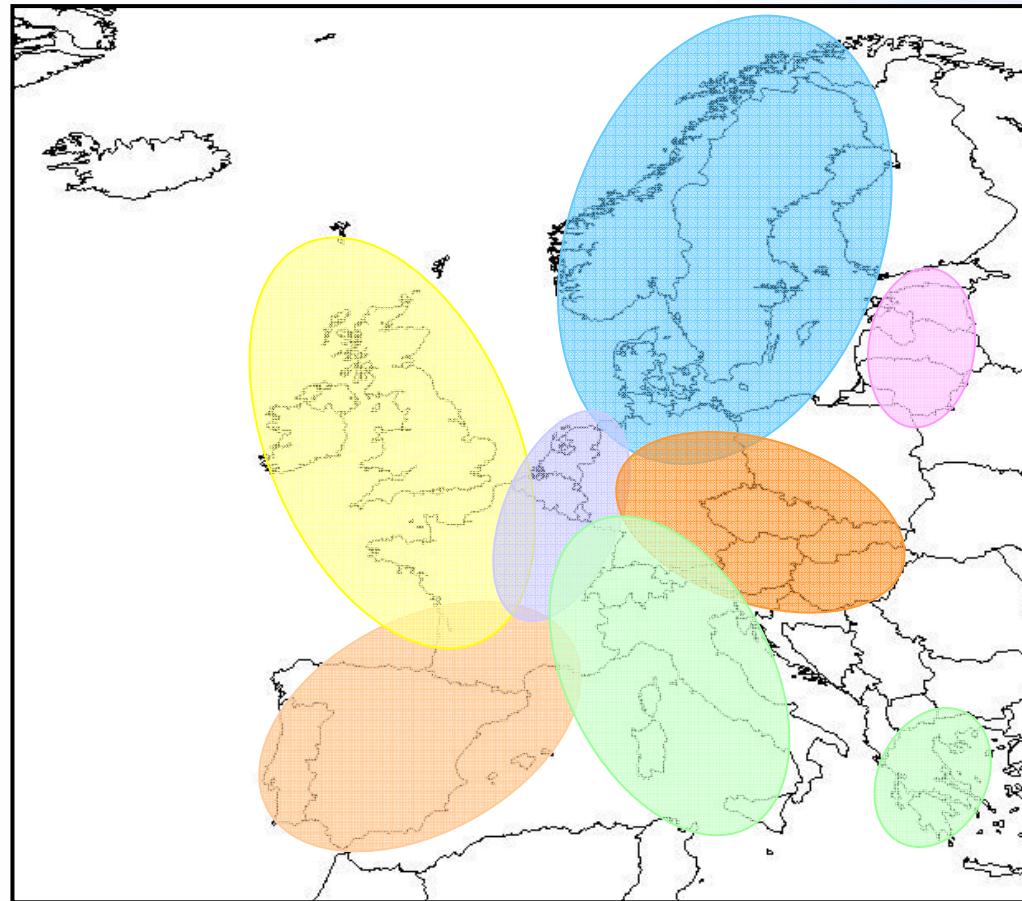
Current legal framework

- According to Community regulations, « **network congestion problems** shall be addressed with **non-discriminatory market based solutions which give efficient economic signals to the market** participants and transmission system operators involved ».
- Up to 2005, interconnection capacities were mainly managed using **administrative mechanisms** (priority access for long-term contracts and prorata or first-come-first-served mechanisms for the remaining capacities)
- The introduction, by 1 January 2006, of **auction mechanisms to allocate interconnection capacities** enabled to comply with 2003 Community requirements and with the 2005 Judgment of the European Court of Justice

The European Electricity Regional Initiatives

- 7 electricity regions defined by the European Commission were launched by ERGEG in Spring 2006

| | |
|----------------|---|
| CENTRAL WEST |  |
| NORTHERN |  |
| UK & IRELAND |  |
| SOUTH WEST |  |
| CENTRAL- SOUTH |  |
| CENTRAL EAST |  |
| BALTIC |  |



The European Electricity Regional Initiatives : Functioning

- Every region has its own priorities, action plan and agenda so as to tackle its specific barriers to trade and competition
- **Functioning:**
 - Identification of existing barriers to entry / obstacles to regional market integration
 - Proposition of concrete improvements, with detailed timetables, to remove those obstacles (Action Plan)
 - Effective implementation of those practical improvements at a regional level
- **EREG and the European Commission carefully monitor the coherence of rules specific to each region so as to ensure further convergence towards an integrated single market in Europe**



The Electricity Regional Initiatives : Organisation

- The **participation of all the actors** is required, particularly:
 - Support of the European Commission
 - Initiatives of the TSOs
 - Consultations are periodically organized allowing the stakeholders to identify priorities, to propose solutions and modes of implementation

| | Participants | Objectives |
|----|--|--|
| 1. | Regulators+CE | Set up the priorities of the region (“ Action Plan ”) and to approve progresses |
| 2. | Regulators+CE+TSOs +Power exchanges | Implement the Action Plan of the region |
| 3. | All stakeholders | Involve durably stakeholders, with the support of the European Commission and national governments |

The third EU legislative package will help to overcome the remaining obstacles and to foster market integration through:

- Transparency improvement
- Better coordination of TSOs through the mandatory establishment of a European Network of TSOs
- Harmonisation and strengthening of the competencies of national regulators
- Creation of the “Agency for the Cooperation of Energy Regulators” with individual decision powers as regards cross-border issues

Thank you for your attention!

www.energy-regulators.eu



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