

VDN-statement



Cross border framework for transmission network infrastructure – An ERGEG Public Consultation Paper

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Position of the German TSOs

The paper is welcomed. Indeed it tackles an important issue that becomes more and more evident. Once there are sound mechanisms for the topics covered in Regulation 1228, there is a need to improve the framework for cross border investment.

General Remarks / prerequisites

- (a) Whatever the investment framework and scheme may be, the framework must be designed so that TSOs get at least a Return on Invest as for any internal line. Taken into account the framework of the directive 2005/89/EC the extension and the renewal of the transmission network should be promoted by member states. Consequently and as an incentive to build new lines, also a higher ROI might be envisaged. The Italian regulation system e.g. foresees a supplement to the investment costs.
- (b) It is considered that the creation of new bureaucracy would not help in improving the framework for cross-border investment. The current Organisations and Associations, when properly cooperating, are sufficiently settled and dispose of in-depth know how that should be used. In the case of TSOs, a formalisation of the role of the existing associations towards the EU would be helpful.
- (c) Besides financing, co-ordinated planning is the key issue.
- (d) Any new investment in cross-border lines must go in parallel with the according internal investment necessary to carry increased cross-border flows.
- (e) The creation of incentives for investments of the TSO in cross-border transmission network infrastructure is still an open issue

Detailed remarks

Chapter 1.

(15) 'A single European grid ' is already existing, i.e. the UCTE-grid. Consumers need a single IEM.

Chapter 2.

(33) The request for incentivation is contrary to the statement 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.

(36) This issue is well described. Besides investment, also open questions about ITC and about CM revenues are linked to this point. There must be a sound answer to all questions, not leaving contradictions or financial disadvantages.

To be clear: The prerequisite of every investment is a sufficient return. If a TSO invest in a new interconnector – and assuming that the regulator concerned allows a sufficient return – the revenues from CM will decrease and grid charges will increase due to cost of capital of the investment and the lower compensation effects of CM revenues. This overall effect could be partly balanced by a theoretically perfect ITC mechanism since the new interconnector line makes higher import, export and transit flows possible. If regulators agree on a project they have also to consider the described effects.

(37) Ad ITC: the fact that a country C might get its only compensation through the ITC-mechanism since it is not part of the relevant congestion management scheme or region makes it obvious that ITC should cover real regulated costs without artificial capping. Each kind of capping will distort incentives to invest and to make higher import, export and transit flows possible as described under (36)

(38) A regional solution seems often not to be sufficient. At least a Central European solution covering CEE, CWE and CSE would be necessary in order to deal with the manifold flows in the tightly meshed network of central Europe.

Chapter 3

Remark: the list is by far not exhaustive, more examples could easily added.

Chapter 4

(60) The question of using cables instead of overhead transmission lines usually leads to substantial delays in the discussions with local authorities. We recommend to describe the usage of cables in the EHV grid only in extreme rare situations.

(66) The text has to be updated since the “Infrastrukturplanungsbeschleunigungsgesetz” since it is expected that the act will come into force with the beginning of the new year 2007.

It is questionable whether the legal provisions of the “Infrastrukturplanungsbeschleunigungsgesetz” are sufficient for an appreciable acceleration of the licensing procedures for new transmission network infrastructure since the inclusion of the possibility of cabling or cabling of parts of new transmission lines may cause additional licensing procedure obstructions.

(71) It should be stressed that the American PJM market relies also on a good deal of merchant investments.

(79) It is questionable whether a TSO should be obliged to take into account the need to optimise transmission capacity in neighboring systems. Co-ordinated planning to the benefit of all involved TSOs and markets is the key issue, therefore it was initiated by UCTE TSOs:

Within UCTE as well as in regional groups like the group of 8 TSOs in SEE or the four german TSOs have already established common working groups which meet on a regular basis and which are among others responsible for exchange of information and share of experience re-

lating to planning of network system development, analyzing and discussing of system developments while taking into consideration multilateral effects of new transmission facilities investments and for preparing common planning data sets.

(83) 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. There are sufficient examples in the current process.

(84) The fact that transmission system costs caused by transits are in fact not sufficiently covered by the existing ITC mechanism (i.e. national usage is disadvantaged compared to international use) does clearly disincentivise delivering capacity in an international context (see 36 and 37).

(85) cf. ETSO's paper on data exchange of December, 2005.

(87) It is recalled that mandating European Organisations with investment risks should be linked to taking over also investment risks. See comments relating to item 79

(88) The arguing should be the opposite: the fact that today also in the case of the participation of ownership unbundled TSOs there is a lack in co-ordination and data exchange shows that unbundling is not the main driver in this issue. See comments relating to item 79

(90) Additionally the process and timing for obtaining authorisations for the construction of new or expanded transmission infrastructures should be an uniform and standardized process across the borders.

See comments relating to item 79.

Chapter 5

(93) Approval

(95) With all the mentioned necessary steps it must be ensured that

- Ø there is always a proper ROI for TSOs when building cross-border lines
- Ø there is no financial disadvantage when relieving congestion thus creating more transit flows in the network, i.e. shifting the source of income from congestion management to ITC. Having new cross border lines may increase national grid tariffs is hardly communicable to consumers. (see 36, 37 and 84).

(97) A basis on which to plan and operate networks in a pan European manner is already existing with the Operation Handbook (OpHb) of the UCTE which regularize operational, planning as well as legal bi-/multilateral matters in detail. These regulations of the OpHb are complemented with additional regulations given in the national Grid Codes or more detailed bi-/multilateral agreements between TSOs.

(98) The TSOs of the UCTE are already obliged to adhere to the regulations of the Operation Handbook (see comments relating to item 97).

(99) Pan-European standards on the level of synchronous zones are preferable vis-à-vis regional standards since TSOs belonging to several regions should not be exposed to varying investment and planning regimes within their grid.

Those pan-European standards should however be limited to the following items:

- Ø modifying the set up mini-forums at regular intervals aimed at discussing the main planning issues at a regional level,
- Ø establishing of common cooperation principles among TSOs and specifying harmonized guidelines on planning principles
- Ø the establishment of a facility with supervising function regarding to any planning issues is rejected. The establishment of regional mini forums is much more effective and should be the main focus, which shall ensure a mutual information and collaboration among the TSOs for a coordinated planning with common benefits for all TSOs.
- Ø The actual coordination of planning has to be carried out within bi- or multilateral regional groups (“mini fora”) to ensure an efficient information exchange and planning process.

(100) The standards shall be agreed by all TSOs and shall be confirmed by a written multilateral agreement between the TSOs similar to that used within UCTE e.g. for the UCTE Operation Handbook.

(104) It seems favourable not to create new bureaucracy. Given the number of good initiatives under way, additional double work and conflicts are foreseeable. Adapting existing structures by including TSOs, Regulators and Politics seems more sensible.

(106) Already established resp. in preparation (see comments relating to item 97).

(108) It must be stressed that many projects were realised even though there was not any cross-border regulatory oversight. Acceptance procedures are not necessarily improved by closer regulatory oversight but need a more flexible legislation.