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**Inter TSO Compensation - views and concerns regarding future development of a well functioning European electricity market**

Regarding the ongoing process of developing common European rules and regulations regarding compensation mechanisms for handling transit flows in the European transmission system, the Confederation of Norwegian Enterprise, the Norwegian Electricity Industry Association and the Federation of Norwegian Industries would like to express our views and concerns.

We are deeply concerned that the proposed solutions will give disincentives and counteract the objective of creating a well functioning European electricity market (Directive 2003/54/EC concerning common rules for the internal market in electricity).

In our opinion the ITC mechanism may distort investment and operational incentives for TSOs, ignore major benefits of cross border trade, and distort locational signals for generation and load. A possible removal of the ITC mechanism from the future EU legislation and replacement by an adequate distribution of collected congestion rents, should therefore be considered. In any case it is of utmost importance to cap the ITC fund and keep it at a low level to reduce potential negative incentives.

Please find enclosed a more detailed position on our views and concerns regarding this matter.

We hope our views are of interest in the ongoing process. We would be pleased to accommodate you with more elaborate discussions on the matter at your earliest convenience.

Yours sincerely

Confederation of Norwegian  
Enterprise - NHO

Finn Bergesen  
Director General

Norwegian Electricity  
Industry Association - EBL

Steinar Bysveen  
Director General

Federation of Norwegian  
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### **NHO – Confederation of Norwegian Enterprise**

NHO is the main private business organisation in Norway. Membership consists of more than 16 500 enterprises ranging from small family businesses to large industrial enterprises. NHO represents companies with total 450 000 employees.

NHO is a combined industrial and employer's federation. NHO members belong to one of 21 nation-wide sectorial federations after branch-related interests and one of 15 regional associations.

The **Norwegian Electricity Industry Association (EBL)** is an industry association representing approximately 260 companies with a yearly production of approximately 117 TWh (99% of the total generation in Norway), suppliers and distributors with 2,1 million network customers (92 % of the country's total network customers).

The main purpose of EBL is to deal with industry-related economic and political issues on behalf of its members, to provide a good framework and conditions for the industry in respect to financial, legal and technical issues.

The **Federation of Norwegian Industries** is the result of a merger between the two large industrial federations of the Confederation of Norwegian Enterprise (NHO), the Federation of Norwegian Manufacturing Industries (TBL) and the Federation of Norwegian Process Industries (PIL). The new federation comprises approx. 2,000 member companies with approx 110,000 employees.

Total annual turnover for the sectors which the Federation of Norwegian Industries represent was EUR 41 billion in 2004, and is expected to exceed EUR 44 billion in 2005. Total exports for 2005 exceeded EUR 25 billion.