



ERGEG Public Consultation Guidelines on Inter TSO Compensation (E06-CBT-09-08)

Response by Acquirente Unico

Acquirente Unico (AU) is the company which is vested with the exclusive right of procuring electricity for the market of captive customers, on the basis of criteria of continuity, security and efficiency of electricity supply.

Acquirente Unico is pleased to submit its comments to the above mentioned public consultation.

In general, we are supportive of ERGEG's proposal for introducing a mandatory ITC mechanism, but we would like to comment that the introduction of such a new mechanism, needs a shared and in depth analysis of the effects it is able to produce for the final users. This is why we would recommend the adoption of such mechanism only when an adequate assessment of its operation and detailed results on its impact will be evaluated.

At this stage of the consultation we believe the application of this new model is not mature because, at the present stage, it is not possible to value the impact of this method.

Furthermore it can be argued from pag. 9 of the cover note that it still needs a lot of refinements and fine tuning that made it difficult to appreciate its reliability to apply it on a long term period.

In particular there are the following key items of the method that still need fine tuning and refinements:

- technical aspects and operation of the method:

In that respect we would recommend the need to avoid a huge difference of the results of the new ITC mechanism if compared with the current ETSO mechanism, both for the determination of the network elements to be affected by transits and remunerated through the ITC and for the allocation of the costs for hosting transits.

We stress the importance that the application of the mathematical approach as presented into the draft guidelines shall not bring to contradictory results with effects on the final contribution to be paid by some countries in favour of few other countries.

We would also like to express the need to avoid an over collection and an over remuneration of some network infrastructures which bring to an extra remuneration of the existing networks of some countries to be paid by few other countries.



- sensitivity factors:

The effects of the proposed approach based on sensitivity factors are not shown into the draft guidelines. It seems that the mathematical approach for their calculation (net or positive) is able to have a huge impact on the results of the calculation of infrastructure cost.

In that respect we would like to recommend a very in depth assessment from a technical point of view on the effects of sensitivity factors and to avoid as much as possible their discretionary application or their use if the results are in contradiction with the physical reality of the network.

- treatment of different voltage levels:

In order to assess the operation of the new ITC method and to manage its impact it should be avoided that the ITC mechanism will become a way to recover all the network assets managed by TSOs.

In that respect the Guidelines do not clarify what is the voltage levels of the network assets to be compensated. In our opinion the ITC mechanism should take into account the highest voltage levels because they are the most appropriate to be considered as transmission networks.

Furthermore we believe that the ITC mechanism shall fund only the parts of the hosted TSO's network which facilitate cross border exchanges. This is why the ITC mechanism should not include the hosted networks which are not used and allocated in a transparent way. At this aim, in the cost allocation principles of the guidelines it should be clarified that the electricity flows related to the cross border capacity which is not subjected to market based and transparent allocation procedures are not entitled to receive any compensation from the ITC mechanism.

- interaction between ITC and Congestion Management income:

The interaction between ITC and Congestion Management income can be very important and should not be under evaluated in particular as long as they both are able to create high additional payments for some countries in favour of few other countries.

It is worth noticing with respect to the incomes deriving from the allocation procedures of cross border capacity, so far, it is not totally clear the application of art. 6 par. 6 of Regulation n. 1228/2003/CE made till now. There is not, a clear view on how such incomes have been used for infrastructure investments or from tariffication scope (as underlined in the EC Electricity Sector Inquiry).

Taking into account the lack of transparency of such incomes, the concern is to introduce a new ITC mechanism which will raise the remuneration for few countries who already benefit from high congestion revenues, and who could profit again of an extra remuneration over their existing networks.

Moreover in the guidelines it must be inserted conditions to verify the cost data and the model from external subjects.

In general, due to the huge amount of discretion affecting the financial mechanism results, it should be guaranteed a gradual application of the mechanism (e.g. by inserting caps to the amounts of



compensations, payments for each state and to the total fund in order to avoid overcompensation of some networks and the effects of results which are still unpredictable).

Such gradual approach could be implemented acting at the different steps of the mechanism (horizontal network definition, costs determination, mechanism factors determination).

As a final remark we believe it is not acceptable that final national customers pay higher tariffs coming from the application of a inter country mechanism which is still under refinements and whose results are still unpredictable.