



GEODE COMMENTS ON ERGEG PUBLIC CONSULTATION ON ELECTRICITY CONVERGENCE AND COHERENCE REPORT

GEODE as a European association representing the interest of **energy distribution companies** considers that a **European Single Market (ESM)** is the best way to facilitate better market conditions by making electricity and gas companies compete with each other at the EU level and, therefore, supports ERGEG's Electricity Regional Initiative (ERI) establishing regional markets as an interim step towards the creation of a single EU electricity market.

Today a **ESM** does not exist and national markets remain closed with very limited exceptions – Nordic Countries, NL and UK -, facilitating dominant positions on the regional level. Therefore, **GEODE** thinks **EU priorities** should concentrate on creating the right conditions for the **ESM** especially with regard to cross-border issues.

A European single market is first of all a market where, at the level of transmission a transnational flow of energy on equal transparent terms is open to all players without borders. Bottlenecks have to be removed by new interconnection capacity and free access should be guaranteed by Regional System Operators (RSO). To facilitate this development, **GEODE** believes that ownership unbundling at the transmission level as proposed in the recent published EC third energy package could be a good start as well as the proposals related to the European Network of Transmission Operators for electricity, but there is also a strong need for incentives to increase the interconnecting capacity in many parts of Europe.

GEODE considers that the problem of managing the different European transmission systems should be solved by a regional system operator. In addition to that, correct mechanisms to manage the lack of capacities in the interconnectors have to be set up. To that purpose **GEODE** supports ERGEG's proposal for a common network model for capacity calculation as an essential contribution to maximize available capacities under the condition of a secure network operation. It is especially important to ensure that the existing capacity is used as effectively as possible.

GEODE considers that congestion management is a key issue for a single market and that appropriate market-based mechanisms should be set up to facilitate cross-border trade. Therefore **GEODE** suggests the introduction of redispatching mechanisms to manage the lack of capacity in the interconnectors. This mechanism is an incentive to TSO's to avoid congestions. The cost should be recognised by regulators and included in transmission tariffs. To reach this point, active co-ordination between TSO's should be required. Explicit auctions means temporary solution, available only to companies linked to TSO's as they are the only ones having access to



the necessary information and resources to deal with such a complex mechanism. Implicit auctions should be a solution exclusively for severe structural bottlenecks.

GEODE agrees with ERGEG's Report that transparency is one of the most important features for the liberalisation process and a common approach is of high importance. A transparent market should provide all market participants with necessary data equally. A right level of information transparency will benefit transactions, contributing to create a single European energy market. In that sense, harmonisation of market information in neighbouring power markets is needed and market players in both sides of market borders should be provided with equal information with equal information.

Barcelona, 11th. October 2007