

October, 2009

IFIEC Response to:

European Energy Regulators 2010 Work Programme

1. IFIEC supports ERGEG's initiative to consult stakeholders on their 2010 Work Programme. We stress that it is crucial to start the preparations for implementing the Third Package as soon as possible, so that energy consumers can benefit from the work of the Agency as quickly as possible. Relatively high energy prices in Europe and a lack of competition are a continuous burden for energy intensive industries, especially in these times of economic downturn. Implementing the Third Package and other measures, should result in competitive prices, more choice, and better conditions for energy consumers, including base load consumers.

Question 1

How do you assess our general approach and objectives?

2. Besides implementing the Third Package, EGREG indicates 6 other key areas of work for 2010, including security of supply, the climate package and regional market integration. These are important topics, which have a large impact on industrial consumers. IFIEC therefore agrees that these topics need attention from ERGEG in 2010. Affordability of energy is also mentioned as a key area of work, however it seems that ERGEG focuses on household consumers only. We would like to stress that for energy intensive consumers affordability is a major investment factor. In relation to this point we suggest ERGEG to include the affordability of energy for the industry in Europe, including energy intensive base load consumers.

Question 2

Do you consider that the deliverables we have proposed are an adequate means to reach our key objectives?

3. The 34 deliverables proposed have been described rather shortly, so it is not always clear what the results should be in the view of ERGEG. However we feel that these deliverables potentially can make a difference for intensive energy consumers in Europe.

Question 3 + 5

Please indicate the deliverables you consider as "very important", "important" or "not important". Do you have any specific comments on any of the individual deliverables?

4. In general IFIEC considers all deliverables related to Framework Guidelines to be very important (#1, 2, 3, 9, 13, 15, 19). Framework Guidelines will have a legal status and define the work that should be done by ENTSO-E and GTE+ on implementing the Third Package.
5. For electricity we stress that the measures focussing on creating one European electricity market are very important. This topic is addressed mostly by deliverables 2, 4 and 6. Regarding the allocation of cross border capacity, we stress that it is important that the capacities are properly divided over the different time frames. We are not in favour of allocating capacities only through day ahead markets. It should also be possible to buy base load power blocks in neighbouring countries on a multi-annual basis via bilateral contracts and arrange the relevant transportation across borders. IFIEC requests to include this specifically in the Work Programme. Related to the "Target Model" for market integration, we stress that we rather have

a good solution than a fast one. Proper consultation of stakeholders, including IFIEC should be secured. Regarding the investments, we stress the importance of the 10-year network development plan and the Regional Investment Plan. Besides operational tools like counter trading and re-dispatching, grid investments are needed to solve cross border congestions. These are not just investments in interconnectors, but in national grids as well, which can help to reduce loop flows for example. The work programme doesn't mention the Regional Investment Plan (Regulation 2009-714 article 12(1)). IFIEC requests ERGEG to include the preparations for the Regional Investment Plans in the work programme 2010.

6. Relating to the electricity market, IFIEC is fully supporting all measures that can result in more competition, fair prices and transparency. The CO2 emission trading scheme, and possibly other measures in the Climate and Energy Package relating to renewable energy, can have a huge impact on electricity markets. Windfall profits and unfair electricity prices need to be prevented in these schemes. From that perspective deliverables 12 and 29 seem very important to IFIEC. Deliverable 9 and 27 seem important for transparency and competition. In addition we stress that energy intensive consumers should have the ability to buy their base load power in long term base load blocks in the electricity market. This topic is however not yet specifically addressed in ERGEG's 2010 Work Programme.
7. For gas the ultimate goal is to have one single European market zone, without any cumbersome and inefficient capacity booking system. Although this should be technically feasible (gas is currently flowing in the pipes and it should be possible to ship gas from any point in Europe to any other point), it is clear that this process will not occur overnight. Harmonizing systems, bundling capacities at interconnections, flexible services, greater EU wide transparency, coupled with increasing and reallocating available capacities are the key steps that IFIEC Europe believe are needed if we are going to reach this goal.
8. We therefore welcome the proposed 2010 work programme and the focus on framework guidelines on CAM & CMP through deliverables 13 & 14. We believe capacity allocation is a number one priority as there first needs to be assess to the market to ensure the development of a single market. Our next priority is then focused on the 10-year network development plan under deliverable17, as adequate cross border investments will ensure both security of supply and adequate investments. Gas balancing rules is also a key public consultation, which will come out early next year through deliverable 15. Whereas capacity, 10-year network development plans and gas balancing are extremely important. We would also like to state that deliverables 16,18, 20 and 31 (anti-hoarding in LNG, open seasons, storage tariffs & the review of regional initiatives) are important.

Question 4

For the deliverables with consultations or hearings do you intend to actively participate?

9. IFIEC will decide on participation for each separate consultation or hearing, depending on the topic and the availability of resources at that time. We would like to be invited to all consultations and hearings.