



**Cover Note to  
EREG Public Consultation**

**The Creation of Regional Electricity Markets; an EREG Discussion paper**

**8 June 2005**

**Introduction**

1. The European Commission has made clear<sup>1</sup> its vision and process for the creation of a Single Electricity Market, anticipating the single market being reached via the interim step of the establishment and further development of regional markets that span across TSO and national borders. EREG supports the Commission's view on the importance of regional markets, considering that the concept of regional markets is a practical and achievable way of delivering progress on the move towards a single electricity market. In September 2004 the CEER presented a working paper to the 11<sup>th</sup> Florence Forum which considered the nature and scope of the regional energy markets issue and the questions likely to be raised in taking forward the delivery of a regional concept.
  
2. Since Florence the European regulators (through CEER and EREG) have been taking forward a more detailed consideration of these issues, focusing in particular on the possible obstacles that might exist to the emergence of regional energy markets which will need to be addressed if a regional market is to be established. The initial focus of work on regional energy markets has been on considering regional electricity markets, which is the subject of this Discussion Paper. This consideration has been taken forward against a background of increasing measures, at the EU level, to aid cross border electricity flows, such as the introduction of binding Commission guidelines under Regulation 1228/2003. Further work is being undertaken on gas issues and views on EREG's emerging conclusions in this area will be sought in due course.

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<sup>1</sup> March 2004 Strategy Paper '*Medium term vision for the internal electricity market*'.

3. In considering these issues ERGEG has been able to draw upon the valuable experience provided by current regional electricity initiatives, both within Europe and elsewhere. Studies has been taken of regional initiatives, either existing or planned, in Scandinavia, Great Britain, Northern Ireland/Republic of Ireland, Australia and Portugal/Spain, which have highlighted some very important issues that require consideration, including on the practical delivery of a regional electricity market and the role of member state governments and the regulators in regional market initiatives.
4. ERGEG has also, in view of these considerations, given some thought to how future work on the development of regional electricity markets should be taken forward, recognising that the design of regional market arrangements may vary depending upon the nature of the existing national market arrangements in place within that region.
5. ERGEG would welcome the views of interested parties on its current thinking in this area and as such has published the attached Discussion Paper for consultation, to further inform the views of ERGEG.

#### **Invitation to comment**

6. ERGEG would welcome comments from any interested parties on all aspects of the attached Discussion Paper. In particular comments on the following elements of the paper would be welcome:
  - the key market design features that may need to be addressed in creating a regional market (including any additional features not discussed within this paper)
  - the possible need for an overarching regional framework through which interaction across a regional market would be organised and regulated
  - the role of regulators and governments in delivering regional electricity markets

- the proposed process for taking forward work on the creation of regional markets, in particular:
  - the use of practical case studies through which the detailed issues for delivery of particular regional markets can be assessed, noting that the issues faced may vary depending on the national markets included within a region
  - the use of the existing mini-fora regions as a basis for these case studies (with other 'regional groupings' being taken forward where countries agree) and the proposed involvement of member state governments, the Commission, regulators, TSOs, market operators and market participants in taking this work forward

7. Any comments should be received by **31 August 2005** and should be sent to:

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8. Unless marked confidential, all responses will be published by placing them on the ERGEG website (<http://www.erggeg.org>). Any questions on this document should, in the first instance, be directed to Mrs. Una Shortall.
9. Following consultation ERGEG intend to publish its conclusions on the key matters that need to be addressed in the creation of regional electricity markets and the process for taking further work forward in this area.