

## The Regional Initiatives – Europe’s key to energy market integration

Joint Conference by the European Commission and ERGEG

- **3rd package means key role for the Regional Initiatives and EU Agency**
- **Concrete results – transparency, relieving congestion and access to capacity, interconnection, TSO and regulatory cooperation on cross border issues**
- **Industry and Member State’s active involvement in Regional Initiatives is crucial**

At today’s joint ERGEG<sup>1</sup>/European Commission conference<sup>2</sup>, there was unanimous support for the Regional Initiative<sup>3</sup> process which helps the integration of EU’s energy markets.

### **Regional approach in the 3rd package means key role for the Regional Initiatives**

Commissioner Piebalgs paid tribute to regulators, TSOs and others who continue to drive forward real progress on the ground. *He said "The Regional Initiatives are a positive step towards the creation of a single European energy market for the benefit of all European consumers, both industrial and private."*

ERGEG Chair, Sir John Mogg, underlined that *"The Regional Initiatives are already laying the foundation for a single market by removing barriers to competition. Given the regional cooperation approach inherent in the third package, the Regional Initiatives and new EU Agency will play a key role in integrating Europe’s energy market."*

### **Regions deliver concrete results and the regions should join up**

Two years on, the Regional Initiatives are delivering concrete results<sup>4</sup>. In electricity, results include **improved transparency** of information due to the **common regional approaches** (5 regions) in line with ERGEG’s guidelines of good practice<sup>5</sup>; **better managing congestion at borders by requiring TSOs to cooperate on how to calculate and allocate capacity** (6 regions); and efforts to **integrate balancing markets** (2 regions).

Commenting on the progress on congestion management<sup>6</sup>, Sir John said *"Bottlenecks on the grid are an obvious barrier to trading. Progress is nonetheless being made through the Regional Initiatives – with plans for the so called "market coupling"<sup>7</sup> approach (in the Central-West, Northern and South-West regions) offering the highest potential of integrating Europe’s electricity markets through implicit auctions at the day-ahead stage."*

Common priorities across the 3 gas regions include improving **transparency**, gas **interoperability** and **hub** development. Examples of results from one region (North West) include improved regulatory cooperation and a roadmap (2008-2012).

Sir John said *"The Regional Initiative process works because the regions focus on practical results, while ERGEG focuses on ensuring the regions join up to form a single EU market<sup>8</sup>."*

### **Industry and Member State’s active involvement in Regional Initiatives is crucial**

The conference participants looked to Member States to provide political support to the Regional Initiatives. The regulators urged stakeholders to subscribe to their new website ([www.energy-regulators.eu](http://www.energy-regulators.eu)) so as to stay informed, and moreover to actively participate by contacting the lead regulators in the regions<sup>9</sup>.

27 February 2008

Ends

**Notes to Editors:**

1. The European Regulators Group for Electricity and Gas (EREG) was established by the European Commission in 2003 as its advisory group on Internal Energy Market issues. EREG is the formal means by which European energy regulators advise the European Commission. The 2007 Annual Report of the European Energy Regulators, covering the activities of both the CEER and EREG, is published on their new website ([www.energy-regulators.eu](http://www.energy-regulators.eu)).
2. Distinguished speakers and panellists at the conference included two of the European Parliament's rapporteurs on the 3rd energy package (MEPs Paparizov and Vidal-Quadras), two of the EU coordinators on key energy projects (Prof. Mario Monti and Mr. Adamowitsch), as well as high level representatives from the Commission, EREG and industry. Proceedings from the 2008 "Regional Initiatives - Europe's key to energy market integration" conference are available in the Regional Initiatives folder of the EREG website ([www.ereg.org](http://www.ereg.org)).
3. The EREG Regional Initiatives, launched in spring 2006, create 3 gas and 7 electricity regions in Europe as an interim step to creating single European electricity and gas markets.

**Table: Electricity and Gas Regions of the EREG Regional Initiatives**  
(lead regulator(s) in italics)

<b>Electricity Regional Energy Markets (REMs)</b>	
<b>Central-West</b>	<i>Belgium, France, Germany, Luxembourg and The Netherlands</i>
<b>Central-East</b>	<i>Austria, Czech Republic, Germany, Hungary, Poland, Slovakia and Slovenia</i>
<b>Central-South</b>	<i>Italy, Austria, France, Germany, Greece, and Slovenia</i>
<b>Northern</b>	<i>Denmark, Finland, Germany, Norway, Poland and Sweden</i>
<b>South-West</b>	<i>Spain, France and Portugal</i>
<b>Baltic</b>	<i>Latvia, Estonia and Lithuania</i>
<b>France-UK-Ireland</b>	<i>Great Britain, France, Republic of Ireland and Northern Ireland,</i>
<b>Gas Regional Energy Markets (REMs)</b>	
<b>North-West</b>	<i>The Netherlands, Belgium, Denmark, France, Germany, Ireland, Sweden and United Kingdom</i>
<b>South</b>	<i>Spain, France and Portugal,</i>
<b>South-South East</b>	<i>Austria, Italy, Bulgaria, Czech Republic, Greece, Hungary, Poland, Romania, Slovakia and Slovenia</i>

4. Examples of concrete results in the electricity REMs include:
  - Central West: Plans are in place for "market coupling" on interconnectors by 2009; auction rules to be harmonised; and regional transparency improvements agreed.
  - Central-East: Regional transparency improvements agreed; efforts to move towards a flow-based capacity calculation system; and a common auction office is to be established (near Munich) for capacity allocations.
  - Central-South: Progress with coordinated explicit auctions implemented at the main interconnections points (Italy-Slovenia since Sept. 2007, Italy-Switzerland since January 2008) and further harmonisation sought; market coupling is in focus; transparency work is underway.

- Northern: Day-ahead market coupling on the Danish-German border in June 2008 and intra-day in the first half of 2008; and implementation of harmonised regional transparency rules with TSOs required to publish online load, transmission, interconnection and balancing data by 1 January 2008 and generation data by 1 July 2008.
- South-West: The Iberian spot market was implemented in July 2007; and an action plan agreed for priorities on interconnectors and capacity, market transparency, congestion management, compatibility of market rules and balancing mechanisms.
- Baltic: Efforts to harmonise a balancing regime for the region.
- France-UK-Ireland: Single Electricity Market of the island of Ireland took effect on 1 November 2007; Coordinated allocation of capacity on French-UK interconnector to be implemented in Autumn 2008; and implementation of a cross-border balancing scheme (interim solution in Autumn 2008, final solution in Summer 2009).

Examples of concrete results in the gas REMs include:

- North-West: More transparency on storage and a transmission transparency project is ongoing; more access to capacity is on the way (co-ordinated open seasons, launch of secondary day-ahead project); a Memorandum of Understanding to improve regulatory cooperation was signed in 2007; and a Roadmap (2008-2012) is being finalised.
- South; Joint investment plan for ES-FR interconnection points published in February 2007; development of harmonised capacity allocation rules; agreement on MIBGAS principles, and commitments to improved transparency.
- South-South East; Ongoing development of a “one-stop-shop service” to shippers; Interconnection Point Agreements (including Operational Balancing Agreements) will be implemented; and improved transparency

For further details, see the “*EREGG Regional Initiatives Annual Report – February 2008*” on [www.ergeg.org](http://www.ergeg.org).

5. *EREGG’s Guidelines of Good Practice for Electricity Balancing Markets Integration (GGP-EBMI)*, (Ref. E05-ESO-06-08), were published on [www.ergeg.org](http://www.ergeg.org) on 6 December 2006 following a public consultation.
6. The efficient management of scarce capacity (i.e. congestion management) is a central focus in all regions (except the Baltic region where there is no congestion). For capacity allocation methods, only co-ordinated explicit and implicit auctions fulfill the requirements of the Electricity Regulation, whereas in practice other methods are still used on some congested interconnectors. Explicit auctions are a widely used congestion management tool in Europe. Changing to implicit auctions (i.e. market coupling/market splitting) offers a more optimal allocation of capacity.
7. “Market Coupling” is a congestion management method where cross border capacity is allocated according to supply and demand on the power exchanges. It is a way of using existing cross-border capacity efficiently. Tri-lateral “Market Coupling” already exists between Belgium, France and the Netherlands, with plans to implement it in the entire Central-West region (linking Germany and Luxembourg to the current 3) by 2009, followed directly by the coupling of the Dutch and Nordic market. There are also plans to couple the French and MIBEL markets and to roll out Market Coupling to all regions.

8. At EU level the progress within and convergence across regions is systematically monitored, analysed and reported by the European regulators. See the results of the ERGEG public consultations on the “*Coherence and Convergence*” for the Electricity Regional Initiative and Gas Regional Initiative respectively published on [www.ergeg.org](http://www.ergeg.org) in February 2008.
9. The Regional Initiatives have been set up in a way that helps ensure that stakeholders are effectively engaged via Stakeholder Groups. Become an “**Online Subscriber**” to the ([www.ergeg.org](http://www.ergeg.org) or [www.energy-regulators.eu](http://www.energy-regulators.eu)) websites to receive automatic e-mail notification of news from your selected regions of the Regional Initiatives, of ERGEG public consultations, press releases and reports as well as the monthly online newsletter *European Energy Regulators News*.

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