



GEODE POSITION ON ERGEG GUIDELINES ON CONGESTION MANAGEMENT

A. COMMENTS TO THE EXPLENATORY NOTE

From **GEODE** point of view the ERGEG paper is not ambitious enough to reach the benefits of enlarged market areas. We find that:

- Congestion management is of greatest importance for the development of a single market.
- Congestion management mechanisms shall be market-based and they shall facilitate cross-border trades, not limit them.
- A seamless co-operation between TSO's and power exchanges is essential to develop market-based mechanisms.
- Congestion management methods should be developed on a way that, they would not require specific skills, work or attention by market actors.
- Explicit auctions should only be a temporary solution, if needed anywhere.
- Implicit auctions and price areas provide a solution to handle severe, structural bottlenecks.
- Counter-trading (or redispatching) should be used as the standard method
 - TSO's should guarantee a minimum available capacity over bottlenecks.
 - Counter-trading gives incentive for the TSO's to avoid bottlenecks

I.- RULES ON MAXIMISING THE AVAILABLE CAPACITY AND CAPACITY USE (point 3 of ERGEG draft guidelines, p.3)

GEODE believes that the creation of a European single electricity market means, that we have to consider the different countries involved as a real single market with no borders. Today the borders are still there and the lack of capacity on some borders is used as a way to close the markets and preserve incumbent dominant positions in regional or national markets.

Therefore, it would be necessary to reinforce the independence and the role of the TSO's. The function of the TSO's should be to make the electricity system work and available to any player/consumer.

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The electricity system should be managed by a European body joining all TSO's, with total independence of the commercial interest. One subject is managing the electricity system

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The function of the TSO's is to make any agreed transaction feasible. The total cost to keep the system going should be charged to all consumers, through transmission tariffs.

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As a first step **GEODE** agrees in making available to market participants the maximum capacity of the interconnection and/or cross-border transmission networks. As far as explicit auctions or even more primitive congestion management methods are concerned, **GEODE** favours the principle of "use-it-or-lose-it" to solve network congestion problems. Any allocated capacity that will not be used shall be reattributed to the market, in an open, transparent and non discriminatory manner.

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GEODE asks for a good and efficient coordination of congestion management procedures and system operation within TSO's to set up an integrated European single market. The allocation of capacity at [the level of](#) an interconnector shall be coordinated between the TSO's involved.

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GEODE agrees with the principle asking TSO's to net the capacity requirements of any power flows in opposite direction over the congested interconnection line in order to use this line to its maximum capacity.

II. TRANSPARENCY (point 4 of ERGEG draft guidelines, p.4)

GEODE considers that reservations of capacity have to be regarded very closely (daily) as they are a way to close markets. Therefore TSO's shall publish estimates of available transfer capacity for each day, indicating any available transfer capacity already reserved [with for cost horizon of at least one week](#).

III. REVENUE NEUTRALITY (point 5 of ERGEG draft guidelines, p.5)

GEODE agrees with the principle that TSO's should not unduly benefit from the revenues collected as a result of applying congestion management mechanisms. However, it is very difficult to assure that TSO's are going to give a proper way to the incomes coming from the users of the interconnectors.

The best way is to consider the management of congestions as a cost and not a benefit. To that, the way would be to implement a system of counter-trading or redispatching, in which, the costs would be a real incentive to the TSO's and permit to fulfil transactions between players. This would give a signal to the TSO's putting pressure on them to solve congestions. The



TSO's also should publicly guarantee a certain minimum transmission capacity, that would be reached with counter-trading.

Regulators should recognise total counter-trading costs and include them into the transmission tariffs.

B. COMMENTS TO THE GUIDELINES ON CONGESTION MANAGEMENT

J. MECHANISMS FOR CONGESTION MANAGEMENT (point 2 of ERGEG draft guidelines, p. 8)

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GEODE considers that TSO's should continuously have the obligation to make possible agreed transactions. Only under exceptional circumstances a transaction could be denied. This would be reached by using counter-trading or redispatching mechanisms.

The costs of using counter-trading or redispatching mechanisms, should not be carried by the parties involved in the transaction, but by all consumers, based on the principle that all consumers get the advantages of creating a competitive larger market without borders. The costs should be controlled and approved by the regulator, and included all of them in the transmission tariffs, being socialised among all consumers.

GEODE considers that —where integrated TSO's still exist— companies linked to TSO's have information and capacities to deal with the allocation mechanisms proposed in the guidelines. From the GEODE viewpoint, present congestion management tools are used as an excuse to close national markets.

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On existing long term contracts, GEODE stands for

a) that a party of such a contract should have no pre-emption rights when a contract expires.

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b) that capacities not being used, and covered by long-term contracts, should be available to other market players, based on the principle use-it-or-lose-it.

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Barcelona 14th. June 2005

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