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## **Nordenergi Comments on Regulation (EC) 1228/2003 Compliance Monitoring, Second Report - 2008**

Nordenergi, the joint collaboration between the Nordic associations for electricity producers, suppliers and distributors welcomes the opportunity to give some general comments to the second ERGEG Regulation (EC) 1228/2003 Compliance Monitoring Report which was published on September 17, 2008.

The Regulation (EC) 1228/2003 and the amended Congestion Management Guidelines 2006/770/EC are important instruments for the creation of an internal market for electricity. However, Nordenergi is concerned that member states seem to interpret their degree of compliance with the regulation and the congestion management guidelines differently. Nordenergi therefore supports the efforts made by ERGEG to monitor compliance and make recommendation for further progress.

The creation of a competitive, integrated internal market for electricity is important to ensure economic efficiency in the power sector and security of supply in the European countries. In addition, Nordenergi believes that well-functioning markets are an important prerequisite that must be in place in order to meet the ambitious climate and environmental goals that EU has committed to.

Nordenergi is concerned that there are different interpretations by the regulators on the transparency requirements in the regulation. Transparency is vital in order to create a level playing field for market participants and to promote efficient trade and competition. Similar transparency requirements must therefore be applied in all integrated markets in order to avoid distortions in the competition between market players. On this note, Nordenergi fully supports the ERGEG recommendation to complement the existing general provisions in Section 5 of the CM Guidelines, with legally binding and detailed provisions on information management and transparency.

Significant grid investments are needed in order to meet the economic and environmental goals of the EU. Nordenergi believes that current investment incentives for the TSO's are too weak and too uncertain for necessary investments to take place. Especially, there is a need for a quick clarification of guidelines for Inter-TSO compensation (ITC) and transmission tariffication. Article 3 of the regulation requires the Commission to set binding guidelines on ITC and transmission tariffication. As stated in

the ERGEG consultation report, no ITC guidelines have been developed, and ERGEG recommends that necessary guidelines are adopted and implemented as soon as possible.

Nordenergi agrees that guidelines should be finalised and implemented as soon as possible. However, according to the regulation, the finalising of guidelines for tariffication is dependent on the finalising of guidelines on ITC. If a common understanding on methodology for the ITC mechanism is not reached in the near future, Nordenergi recommends that the ITC and transmission tariffication guidelines are separated, so that the overall implementation process of the guidelines is speeded up.

In conclusion, Nordenergi welcomes the ERGEG consultation report, and finds it to give a detailed overview of the current status of compliance with the regulation and the guidelines. As degree of compliance and commitment to compliance seem to vary in different markets, it is of utmost importance that steps are being taken to monitor and evaluate compliance, as well as promote progress. Nordenergi therefore supports all efforts made by ERGEG in order to ensure improved compliance in the future.

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