

Brussels, January, the 15th, 2010.

Subject : **GABE ANSWERS TO ERGEG CONSULTATION ON :**
DRAFT STRATEGY FOR DELIVERING A MORE INTEGRATED EUROPEAN MARKET:
THE ROLE OF ERI.

1. INTRODUCTION :

GABE is a Belgian association of industries, large electricity consumers but whose the sites are also equipped with local generation units (cogeneration) providing a part of their energy needs.

As large consumers, its members are directly concerned by the electricity market integration.

2. GABE ANSWERS TO ERGEG QUESTIONS :

2.1. NEED OF A STRATEGIC VISION :

- Yes, a high level / strategic Vision is needed to define a general target for market integration.
- These Visions are not the same for electricity and gas, because they should be design to solve both market and technical problems which are not the same for electricity and gas.
- This Vision should be “Consumers Orientated”, based on their own requirements and on the best worldwide successes. It may not be defined by energy sellers, so as generators (for electricity), suppliers or traders. Why ? Because energy-intensive industries may implement their business outside Europe if the European energy market design is penalizing, while generators, power exchanges, suppliers and traders will continue to supply the European consumptions. Global Europe development depends on its industry !
- Therefore, this Vision should be established by two (one for electricity, one for gas) new working groups managed by ERGEG and involving:
 - principally, sufficiently delegates of industrial consumers, delegates of Regulatory Authorities, national ones or ERGEG, of TSOs (or ENTSO-e/g) and the European Commission;
 - secondarily, delegates of sellers, exchanges, DSO associations,
- A reasonable additional delay is no problem if it permits to obtain a really competitive European market instead of the actual patchwork of national uncompetitive markets.

2.2. MEMBER STATE INVOLVEMENT:

Member States have important roles in voting European texts, in implementing directive rules, in promoting or not regional cooperation by national laws and, last but not least, in deciding their national energy policies which may strongly influence the markets, so as the authorized fuel mix impacts generation costs and the wishes to import electricity, thus the cross-border issue.

Members States should define a common European energy policy defining the authorized primary fuels for power plants (nuclear, hydro, ...).

Concerned Member States must be include in each regional initiative, in order to be aware of the main problems and of the importance of their decisions. E/G.R.I. stakeholder forums should include

- from each Member State: delegates from energy ministry, Regulatory Authority, national consumers associations, TSOs.
- globally, delegates from the European Commission, ERGEG, ENTSO-e/g, sellers, Eurelectric or gas suppliers, power/gas exchanges, ...

2.3. REGION NUMBER, SIZE, MERGE, ... :

- Before choosing size and number of Regions, the issue is to define what will be the differences between inside and outside a region. If intra-region and inter-region borders are managed via auctions and market-coupling, we will never have a European Market !
- We strongly ask that a region becomes one market zone by merging the national markets in a region without any internal border. Regional ISO, subsidiary of concerned TSOs, should manage international energy flows in the region and optimize de-congestion.
- This solution is realistic if
 - the region includes countries with similar generation park costs, permitting mutual competition between their generators; then import transactions are compensated by export ones and the physical power flows remain low in interconnectors
 - the interconnection capacities between countries are not too low, so that the congestions are as much inside national grids as in interconnectors.

Because, the smallness of congestions was the criteria used by the Commission to define the regions, some years ago, the actual regions should be a good start-point.

The CW region is a typical situation to be merged in one market.

- Is it possible to merge regions, trending to a European market ? A very simple criterion is that real competition would provide consumers with gain higher as some euros/MWh. If the suppression of the border between two regions causes de-congestion costs, the socialization of which is estimated lower as 1 or 2 euros by MWh consumed in these regions, the merge should be realized.

2.4. REGIONAL INITIATIVE OUTSIDE THE ERGEG ONES :

They should be incorporated in the overall approach to achieve the objective.

2.5. ACER JOB :

The paper describes a good coordination by ACER.

But, the difficulty for ACER will be the choice between

- maintaining the actual “seller oriented” market design, implementing the Target Models defined by the PCG, thus by generators, traders, power exchanges, ... but no one consumer delegate !
- changing of course towards a new “Client oriented” design, based on consumer requests.

That’s your real challenge !