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ERGEG proposal for Congestion management guidelines and Guidelines on transmission tariffication - comments by Finnish Energy Industries

Finnish Energy Industries wishes to provide its contribution in preparing Commission's guidelines on congestion management. We hope that these comments are taken into consideration by ERGEG and the Commission in further developing the proposal prepared by ERGEG.

Congestion management guidelines

Finnish Energy Industries wants to stress the importance of the use of market based congestion management methods in creating efficiently functioning multi-national electricity market. In developing market based congestion management the co-operation between TSOs and power exchanges is essential. In our opinion implicit auctioning methods provide the most efficient ways, from competition point of view, in managing structural bottlenecks. We propose that implicit auctioning would be implemented where the preconditions for it exist. Explicit auctioning should be only a temporary solution.

The congestion management methods applied must promote market functionality and efficient competition on the electricity market. Creating large, over TSO borders comprising, price areas should be the target. The availability of the interconnection capacity between price areas should be continuously guaranteed to a certain level by the TSOs. If the electricity flow at the interconnection exceeds the guaranteed capacity and congestion situation arises, implicit auctioning should be used.

Counter trading is a market based congestion management method, provided that the market infrastructure is well developed e.g. autonomous TSOs and sufficient level of wholesale competition. Using power exchange in implementing counter trading is one supportable alternative. We support counter trading in managing congestions within price areas (temporary congestions) and as a supplementary method with other congestion management procedures (auctions and market coupling) in order to guarantee the availability of the maximum available transmission capacity (firm capacity). Counter trading, implemented using spot-offers, makes it possible to improve market transparency and also to provide locational price signals to regulating production and consumption.

As the Regulation states congestion management should give signals to market participants as well as to TSOs. We want to point out that TSO's investments to often congested parts of the grid is as well a relevant congestion management method. In our opinion counter trading

method gives TSOs incentive to develop the transmission system according to the needs of the market.

Auction based congestion management results to significant revenues to the TSOs. In our opinion the purposes that the resulting revenues are used should be prioritised respectively: (1) guaranteeing the actual availability of the allocated capacity, (2) network investments required for maintaining or increasing the interconnection capacity and (3) income to be taken into account in the process of calculating the network tariffs.

Guidelines on transmission tarification

Finnish Energy Industries states that the ERGEG proposal on transmission tarification gives a good starting point for the Commission's guidelines. Harmonisation of transmission tarification regarding generation components (G-charge) is essential in order to create a level playing field for electricity generation. In our opinion, congestion management methods, provided that they are market based, are the most efficient and accurate way of giving locational signals for production and consumption. We support the ERGEG position not to introduce locational signals through guidelines on transmission tarification.

Yours sincerely,

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