

50Hertz-Transmission Paper on the ERGEG Call for Evidence on “Incentive Schemes to promote Cross-Border Trade in Electricity”

50Hertz Transmission welcomes the opportunity to contribute to the ERGEG call for evidence on incentive schemes to promote cross-border trade in electricity. We have knowledge of the comments contributed by ENTSO-E which we fully support. With this in mind we may focus on aspects which we consider particularly important with regard to the course of our business or which refer to the special conditions in our control area.

First of all we may note that we consider the construction of adequate cross-border transmission capacity and the enforcement of adjacent grid infrastructure as inevitable prerequisite in order to develop cross-border trade in electricity to its full bloom. The challenges we face in the construction of a new interconnector can only for a part be attributed to the lack of financial incentives although this is an important factor. In particular the current regulatory framework in Germany does not reward investments in cross-border transmission capacities with an adequate rate of return of invested capital. This is a dissatisfying situation when considering that TSOs are urged by the TEN-E Guidelines (Decision No 1364/2006/EC) to built new infrastructure, such as a third interconnector between Germany and Poland, as is already undertaken by 50Hertz Transmission. We may not conceal a certain degree of doubt that an incentive scheme as proposed by ERGEG is capable to overcome the fundamental deficits of the current regulatory framework. However, other challenges which may delay investments in new infrastructure are protracted planning procedures and complex co-ordination with neighbouring transmission system operators; these conditions should always gain priority attention by the Commission, Member States and Regulators.

Another important issue with incentive schemes is that such schemes should be designed in a way that security of supply is not to be compromised by an increased cross-border trade without an adequate infrastructure behind, e.g. regulated or in effect of priority for electricity transits.

Incentives should motivate a TSO only in a positive manner and past achievements of TSOs should be taken into account. Of particular importance is that the incentive scheme is easy to understand and to adapt and does not produce unnecessary bureaucracy. A regulatory framework which provides for an adequate rate of return in consideration of the risk and capital invested should be prerequisite to the introduction of an incentive scheme. Subject to that condition incentives should moderately contribute to the TSOs earnings taking into consideration the TSOs capability to influence cross-border trade and the benefits resulting from an increase. The incentive scheme should be proposed by European authorities, be compatible with a view on the interconnected TSOs but it need not necessarily to be the same solution in every Member State.