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WORKING FOR YOU – WHEREVER YOU NEED ENERGY.



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# **Snapshots from Market Integration in Central-East Europe**

## **Eastern Partnership Platform 3: “Energy Security”**

3<sup>rd</sup> Workshop of Eastern Partnership Energy Regulatory Bodies

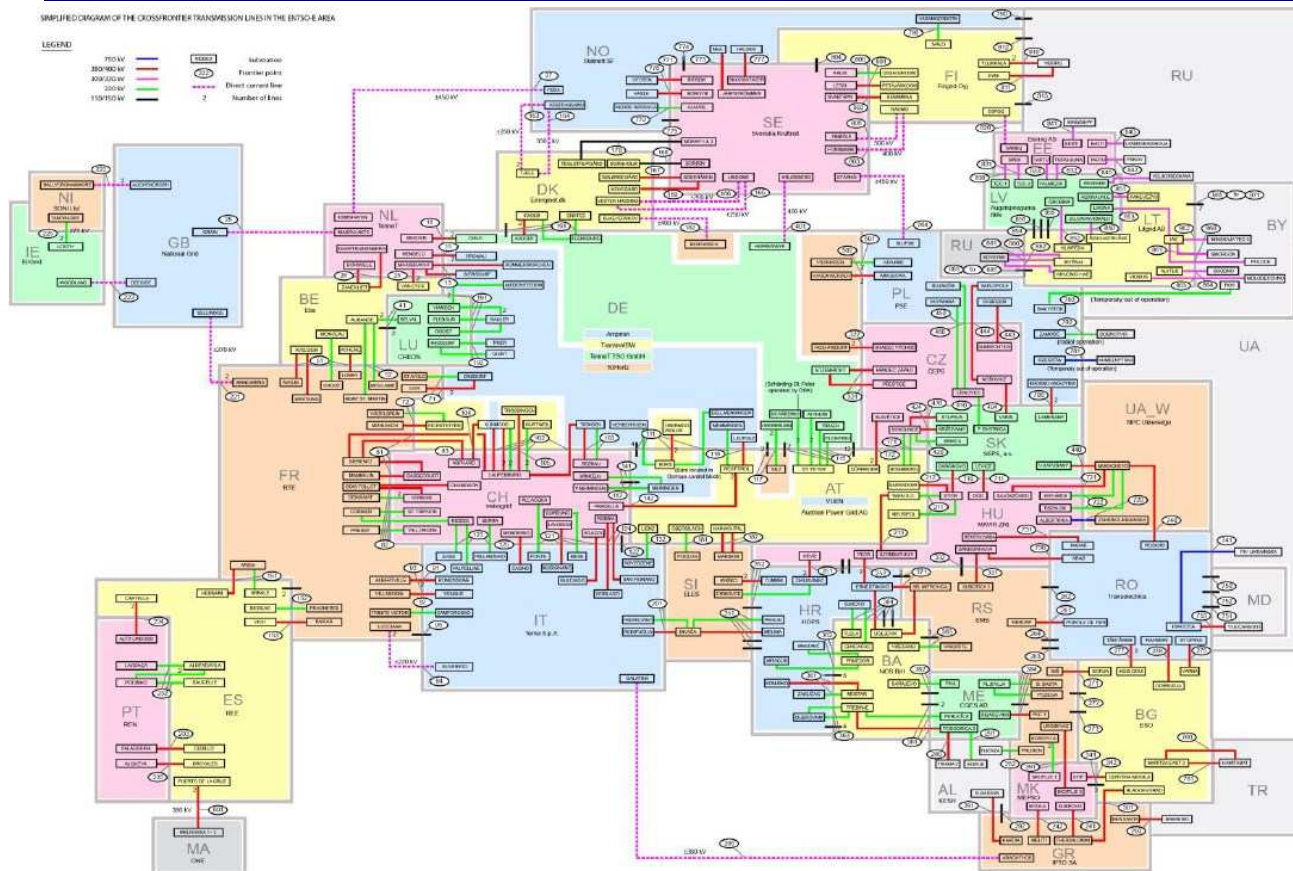
**Dietmar Preinstorfer, Head of International Relations, E-Control Austria**

London, 27 May 2014

# intra-EU Power Interconnectors



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country	thermal capacity of interconnectors (in MW)
Germany	44.697
Austria	21.701
France	20.469
Belgium	17.129
Czech Republic	16.526
Netherlands	15.826
Hungary	13.718
Spain	11.035
Croatia	9.516
Poland	9.486
Slovakia	9.371
Slovenia	8.926
Romania	8.338
Portugal	7.893
Italy	7.393
Denmark	6.322
Latvia	6.309
Luxembourg	5.430
Sweden	5.382
United Kingdom	4.820
Estonia	3.506
Lithuania	3.153
Ireland	1.820
Greece	1.800
Finland	1.780
Bulgaria	1.300
Cyprus	0
Malta	0

thermal capacity of interconnectors (Tie Lines), 2013 ENTSO-E "Yearly Statistics & Adequacy Retrospect Report"

- 1. New interconnection capacity**
- 2. Capacity allocation and congestion management**
- 3. Balancing**



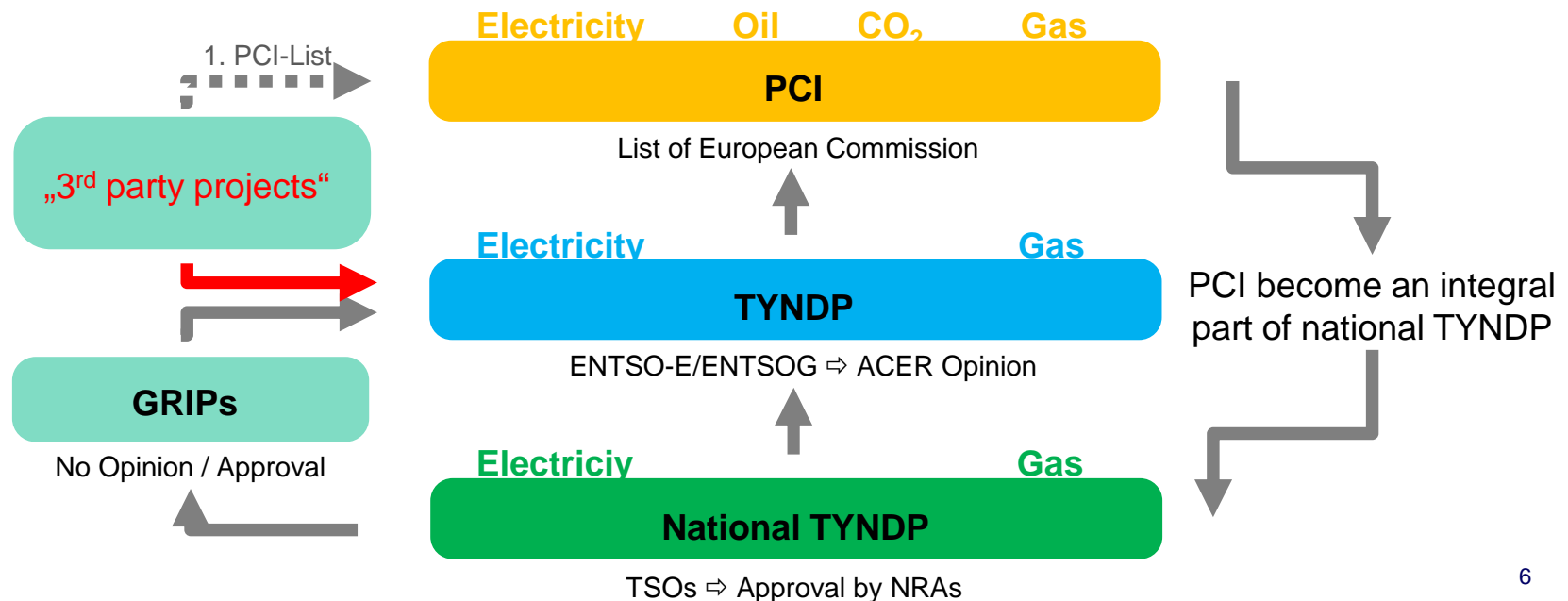
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# 1. New interconnection capacity

# Energy Infrastructure Package (EIP) Regulation 347/2013 – Overview

- Regulation in force since **June 1, 2013**
- **12 energy infrastructure priority corridors** and areas of trans-European energy infrastructure
- Delegated EU regulation in force since **Jan 10, 2014** identifying first **list of projects of common interest (PCIs)** necessary to implement priority corridors (248 PCIs)



# Regulation 347/2013 - Benefits to PCIs



Projects of Common Interest may benefit from

Accelerated  
permit granting

- 3.5 years
- One Stop Shop
- Public Participation

Improved  
Regulatory  
treatment

- Risk related **incentives**
- **Cross Border Cost Allocation (CBCA)**

Financial  
support

(will be granted based on  
further assessment)

- Access to Financial Instruments
- Grants for Works and for Studies

# Risk related Incentives – Article 13



- Where a project promoter incurs **higher risks** for the development, construction, operation or maintenance of a PCI (compared to comparable infrastructure projects), appropriate incentives shall be granted to that project
- The NRAs shall analyze the specific risks incurred by the project promoters, the risk mitigation measures taken and the **justification of this risk profile** in view of the net positive impact provided by the project, when compared to a lower-risk alternative
- Eligible risks shall notably include risks related to new transmission technologies, both onshore and offshore, risks related to under-recovery of costs and development risks
- The incentive granted by the decision shall take account of the **specific nature of the risk incurred** and may cover inter alia:
  - a) the rules for anticipatory investment; or
  - b) the rules for recognition of efficiently incurred costs before commissioning of the project; or
  - c) the rules for providing additional return on the capital invested for the project; or
  - d) the any other measure deemed necessary and appropriate



# Cross Border Cost Allocation – Article 12



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## Principles

- Investment costs are **borne by TSOs** or project promoters of those MS where the project provides a **net positive impact**
- **Compensations** are provided only if at least one country hosting the investment is deemed to have a **negative net benefit**
- Projects must be „**sufficiently mature**“

## Investment Requests

- Several project promoters: Request by NRAs to **submit investment request jointly**
- Request must be submitted **to all NRAs concerned**
- **Consultation of TSOs** from MS to which the project provides a significant net positive impact
- **NRAs take coordinated decisions** on cost allocation and inclusion in tariffs **within 6 months** after the reception of the last investment request
- **Jurisdiction shifts to ACER** if no decision has been taken within 6 months or upon a joint request by NRAs

# Austrian PCIs: Electricity

2.1	Capacity increase AT/DE: Internal reinforcements between Westtirol and Zell-Ziller (AT)
2.11	Germany – Switzerland – Austria capacity increase in the Bodensee area <ul style="list-style-type: none"> <li>• Interconnection between Herbertingen (DE), Meiningen (AT) and Rüthi (CH)</li> <li>• Internal reinforcements between Herbertingen and Pkt. Rommelsbach (DE), between Herbertingen and Tiengen (DE), between Pkt. Wullenstetten and Pkt. Niederwangen (DE)</li> </ul>
3.1	Austria - Germany between St. Peter and Isar <ul style="list-style-type: none"> <li>• Interconnection between St. Peter (AT) and Isar (DE)</li> <li>• Internal reinforcements between St. Peter and Tauern (AT)</li> <li>• Internal reinforcements between St. Peter and Ernsthofen (AT)</li> </ul>
3.2	Italy – Austria between Veneto region and Lienz <ul style="list-style-type: none"> <li>• Interconnection between Veneto region (IT) and Lienz (AT)</li> <li>• Internal reinforcements between Lienz and Obersielach (AT)</li> <li>• Internal reinforcements between Volpago and North Venezia (IT)</li> </ul>
3.3	Interconnection between Milan region (IT) and Nauders (AT)
3.4	Interconnection between Wurmlach (AT) and Somplago (IT)
2.18 2.19 2.20 2.21 Storage	Capacity increase of hydro-pumped storage in Kaunertal, Tyrol (AT) New hydro-pumped storage in Obervermuntwerk II, Vorarlberg province (AT) Capacity increase of hydro-pumped storage in Limberg III, Salzburg (AT) PCI hydro-pumped storage in Germany - Riedl



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## **2. Capacity allocation and congestion management**

# Day-ahead market coupling and capacity calculation method

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- Increase consistency between and across the regions and thus efficiently pave the way for the completion of the Internal Electricity Market by 2014
- TSOs can define either Available Transfer Capacity (ATC) or Flow-based (FB) method
- FB allocation method considered to be preferred to ATC method in highly meshed grids / highly interdependent grids for short term capacity calculation
- In CEE some countries (CZ, SK, HU, RO) have decided to progress on market coupling in parallel to the Flow-Based Market Coupling project (FBMC)
- CEE FBMC should be compatible with CWE FBMC <sup>12</sup>

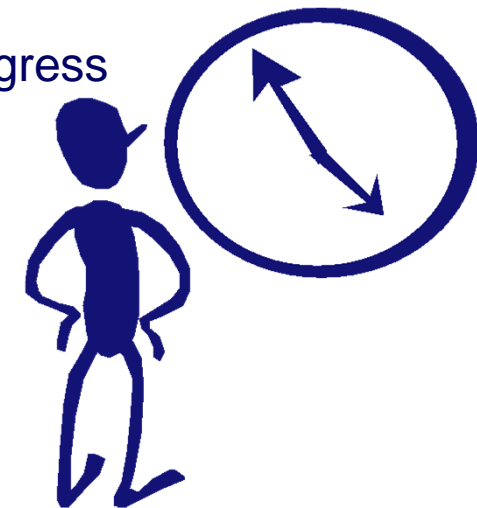
# CEE FBMC goal



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- FB MC is a common goal
- to be enhanced
- MoU signed by PXs, TSOs, ACER and NRAs in February 2014
- Partly coupled, coupling extension planned and ongoing
- Limited progress

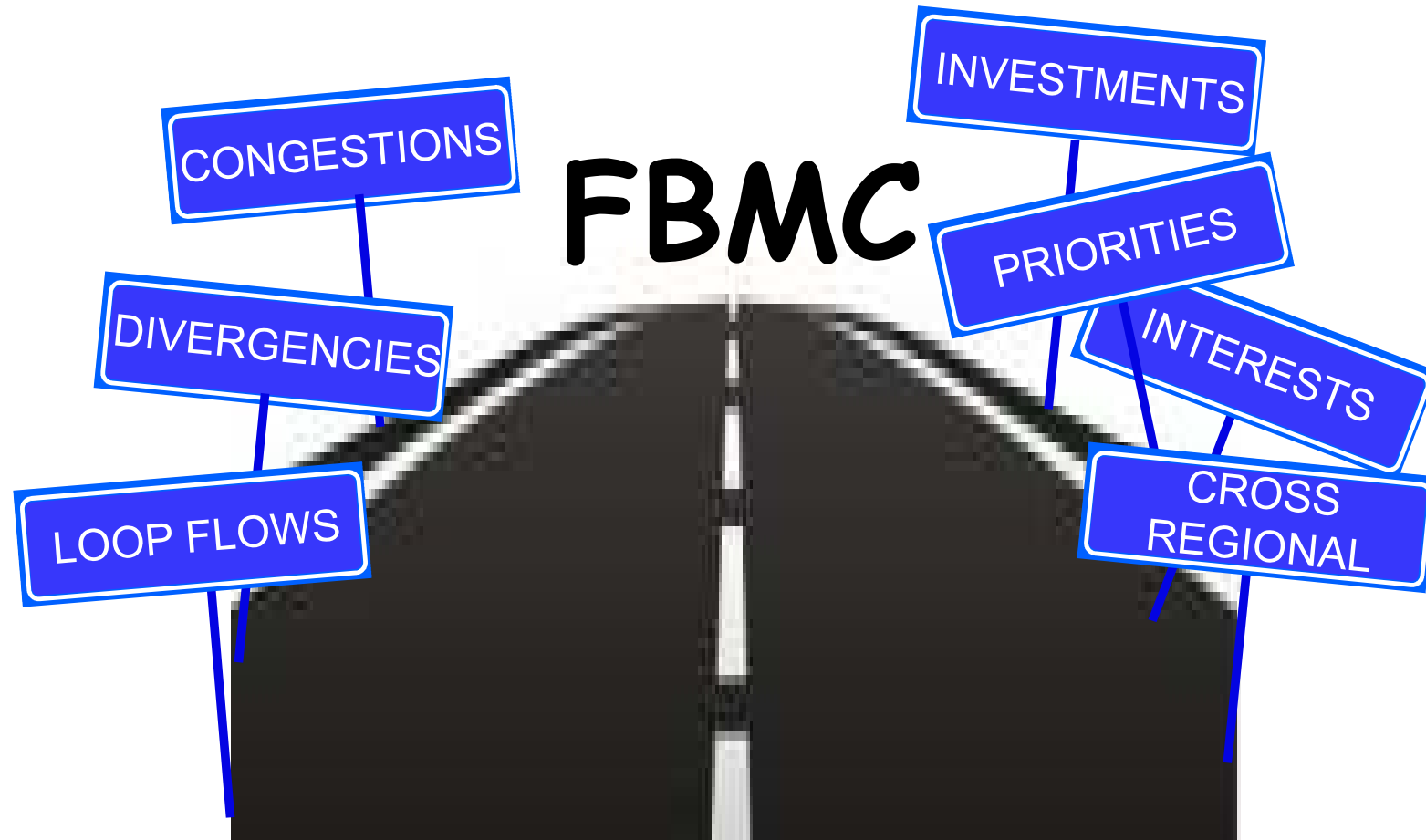


# There are challenges for the common project

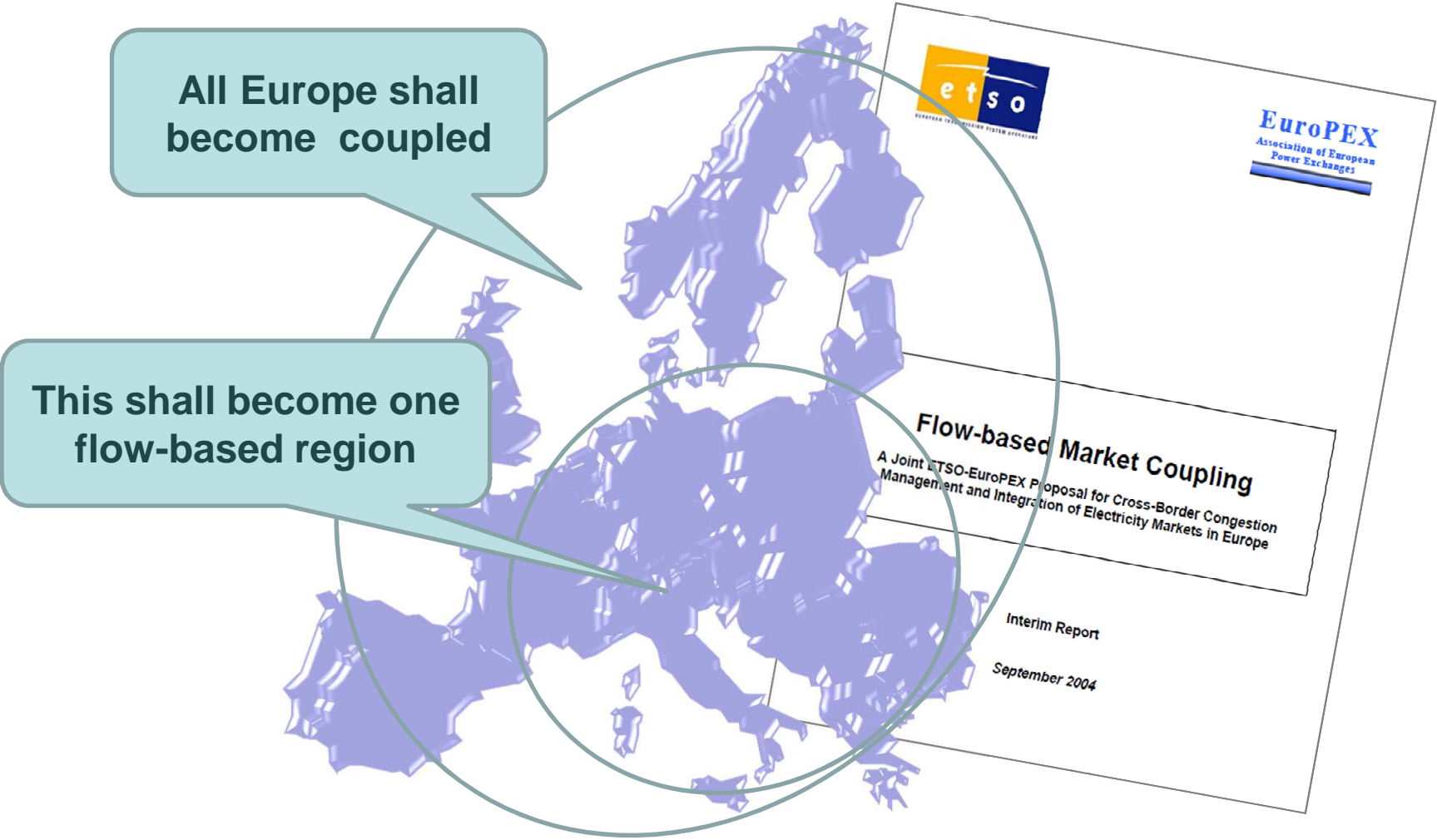
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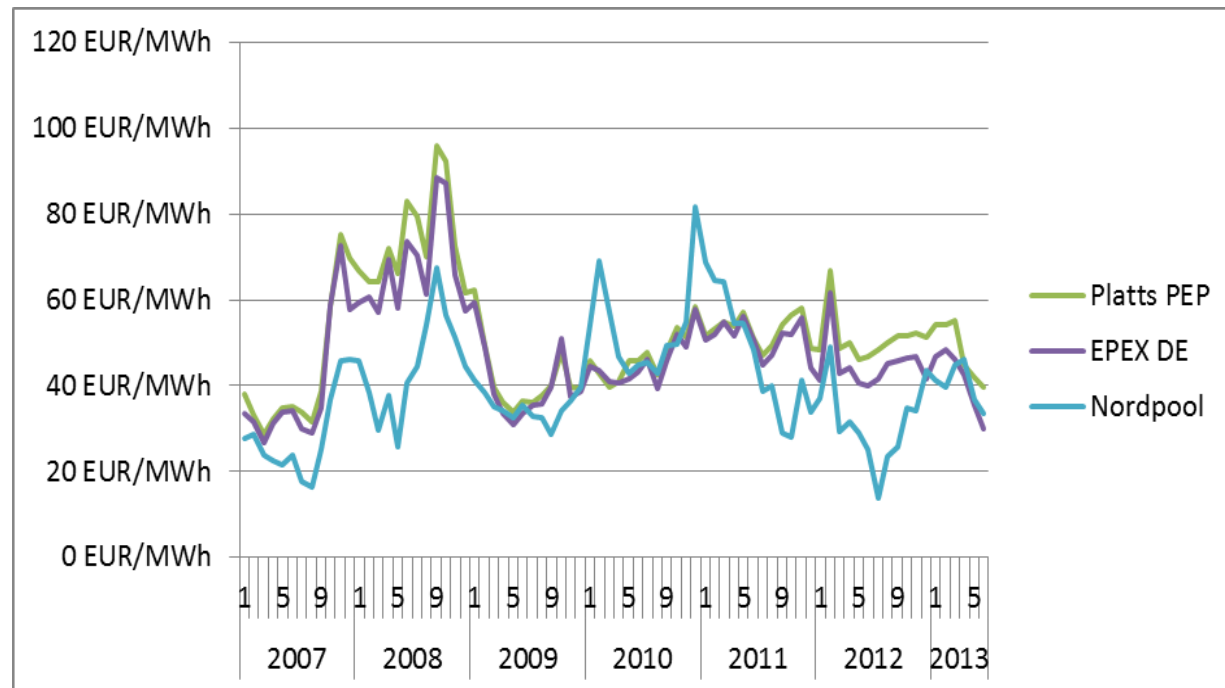


# European MC goal



# Development of wholesale electricity prices

“There has been a convergence and fall in *wholesale* electricity prices. This can be linked to EU energy policies: the increase in competition following market coupling, the unbundling of electricity generation from system operation, the fall in EU ETS carbon prices and the growth of power generation capacity with low operating costs (such as wind and solar power, in addition to existing nuclear and hydro power).”



Source: COM(2014) 21: Energy prices and costs in Europe



# Continuous intraday trading

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- Intraday target model implementation will make it easier for market parties to trade electricity across borders close to gate closure and keep their position in balance. The intraday timeframe is seen as increasingly important in the context of growing intermittent generation.
- The intraday project was initiated by NWE TSOs to implement the European target model in NWE region
- Austria joined this pilot project
- Unfortunately the tender of the interim cross-border intraday (XBID) solution is delayed
- On bilateral basis intraday trading already existing at borders (CZ/AT, HU/AT, AT/SI, AT/IT, AT/CH)

# Long-term transmission rights

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- The objective is to give market participants the possibility to hedge themselves against congestion costs and day-ahead congestion pricing.
- In 2009 five CEE TSOs established the Central Allocation Office (CAO) which carried out the coordinated “available transfer capacity (ATC) auctions (yearly, monthly, daily).
- Since November 2012, CAO provide coordinated auction process also on border between Croatia and Hungary and Croatia and Slovenia.
- In September 2013 CAO and CASC announced that they had signed a MoU with the aim to create a single platform for the allocation of long-term transmission rights.



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## **3. Balancing**

# Balancing Market Integration

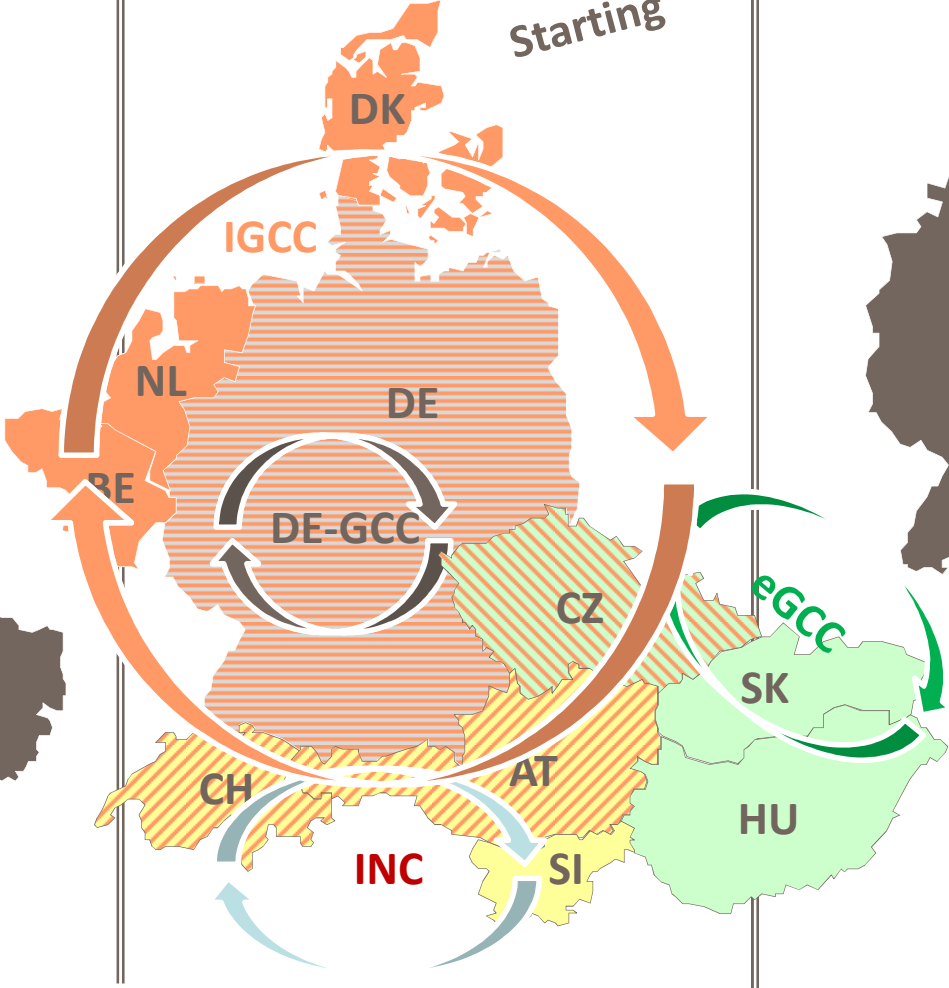
Frequency Containment Reserve  
(primary control)

Running



Frequency Restoration Reserve  
(secondary control)

Starting



Restoration Reserve  
(tertiary control)

Developing



Source: APG



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## Contact

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