



**Regional Initiatives – Progress so far**  
***Mr Jacques André TROESCH***  
***French Commissioner***

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**ARIAE Conference 2007**

# Structure of talk

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- I. Background and ambitions**
  
- II. Electricity Regional Initiatives (ERI)**
  
- III. Gas Regional Initiatives (ERI)**

# I. Background – What do we want to achieve?

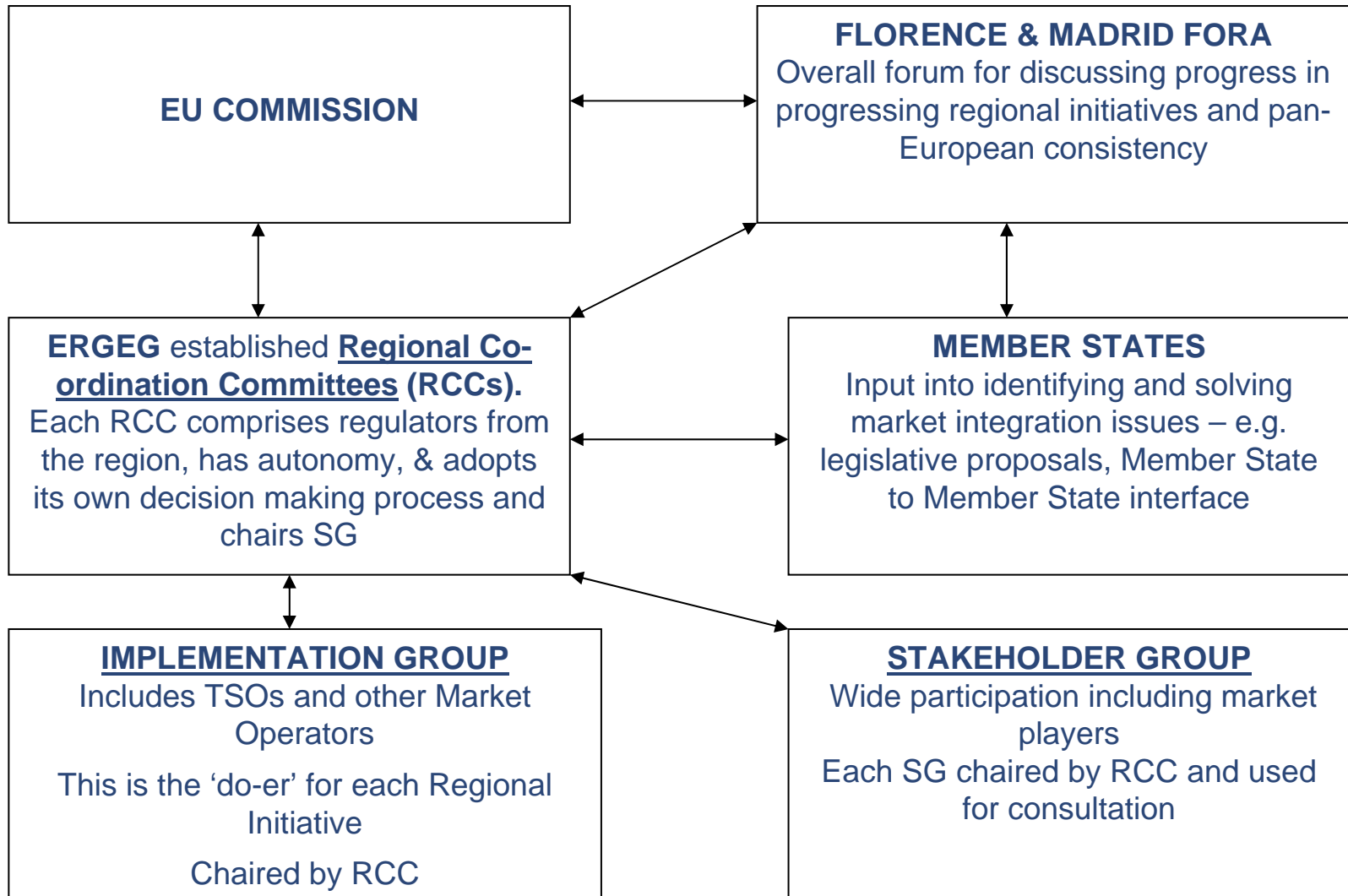
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## **PRACTICAL OUTPUT:**

- **IDENTIFICATION** of existing barriers to entry/obstacles to regional market integration (Set Priorities)
- **PROPOSITION** of concrete and practical improvements, with time schedule, to remove those obstacles (Action plan, MoU)
- **IMPLEMENTATION** of those practical improvements at a regional level (Effective implementation)

**ENSURE COORDINATION AND COHERENCE BETWEEN REGIONS →  
TOWARDS A SINGLE MARKET**

# I. Background – Structure of the ERI/GRI



## II. Electricity Regional Initiatives (ERI)

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- **Process established**
- **Electricity Regional Markets**
- **Main first priority issues adopted in regions**
- **Progress achieved**
- **Prospects anticipated**
- **The single market – Convergence and coherence**

## II. ERI

### *Process established*

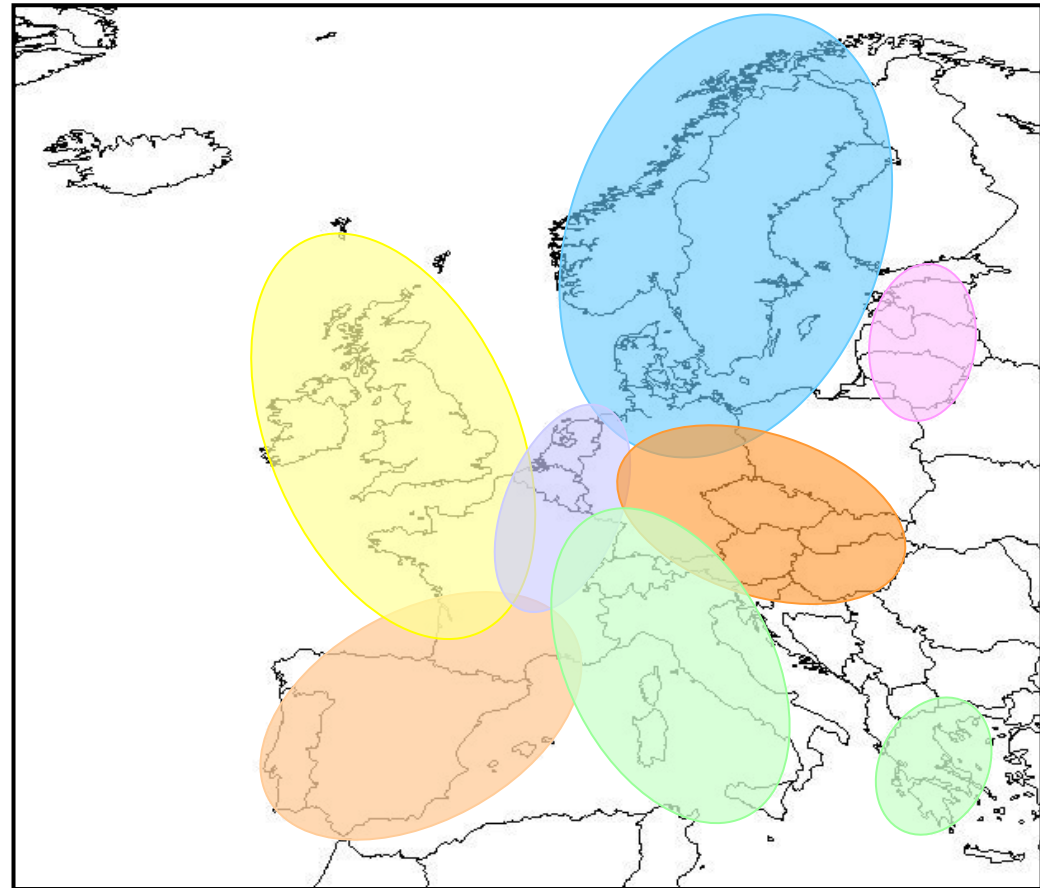
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- **7 electricity regions now established**
  - **Priorities identified in all 7 regions, meetings held, Action plans set out**
  - **Stakeholders and other relevant parties (e.g. Power Exchanges) actively involved**
  - **Commission involvement and support**
  - **TSOs supporting initiatives**
  - **Consultation exercises held, relevant stakeholders involved in identifying priorities, proposals for solutions, and implementation**
  - **ERGEG commitment to transparency – e.g. ERGEG website**
  - **Nevertheless, some gaps ...**
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## II. ERI

# Electricity Regional Markets

Region	Countries	Lead regulator
Central-West	Belgium, <b>France</b> , Germany, Luxembourg, Netherlands	Belgium
Northern	Denmark, Finland, Germany, Norway, Poland, Sweden	Denmark
UK&Ireland	<b>France</b> , Ireland, United Kingdom	United Kingdom
Central-South	Austria, <b>France</b> , Germany, Greece, Italy, Slovenia	Italy
South-West	<b>France</b> , Portugal, Spain	Spain
Central-East	Austria, Czech republic, Germany, Hungary, Poland, Slovakia, Slovenia	Austria
Baltic	Estonia, Latvia, Lithuania	Latvia



- **Congestion management (in line with Regulation 1228/2003 and its Guidelines)**
  - **Optimizing use of interconnectors**
    - Explicit auction rules : harmonisation and improvement (e.g. firmness, coordination of auctions, single auction interface)
    - Day-ahead market coupling
    - Cross-border intraday and balancing trade
  - **Maximization of the capacities offered to the market**
    - Common calculation method for cross-border capacities
    - Flow-based allocations
    - Availability of transmission capacity
  - **Development of new interconnector infrastructures**
  
- **Transparency (in line with Transparency Guidelines for Good Practice)**
  - **Increased transparency in wholesale market**



#### ➤ **Cross border congestion management addressed**

Examples :

##### ➤ **In the Central-East region**

- Auction office established for 4 countries of Central East region
- A single auction office and a coordinated flow based system for the whole region seen for Central East by end 2007

##### ➤ **In the Central-South region**

- Coordinated explicit auctions implemented at 3 of the 4 Italian borders

##### ➤ **In the Central-West region**

- Trilateral market coupling established in November 2006
- Comprehensive Regulators' Action Plan published in February 2007, recently full backed up by Ministries from CW region (MoU signed last 6 June 2007)

##### ➤ **In the Northern region**

- Day ahead market coupling between Nordic region and Germany to begin October 2007
- Challenge: market coupling between Central West Region and Northern region by 2009

##### ➤ **In the France-UK-Ireland region**

- Auction reserve prices effectively removed France – England interconnector

- **Differences in competences of regulators, possibilities for cross border cooperation and action – ‘regulatory gap’**
- **Differences of market designs (gate closure time, statute and role of TSOs and market operators, number of internal zones, etc.)**
- **Resources – regulators, TSOs, stakeholders often involved in several regions, topics**
- **Involvement of governments and the European Commission: the Pentalateral Energy Forum**

- **Much to do – exploring proposals for solutions, implementation**
  - **Some significant milestones soon include :**
    - **Day ahead flow based market coupling for entire Central West region – TSO study for 2007, implementation 1st January 2009**
    - **Efforts to implement identified transparency requirements**
    - **Joint auction offices anticipated – Northern**
    - **Guidelines for a flow based coordinated explicit auction and market coupling approach foreseen in Central-South**
    - **General proposals drafted by TSOs for the implementation of firm deadlines for nomination at each timeframe, of netting and of intraday allocation mechanism – France-UK-Ireland**
  - **Further exploration of inputs and actions needed from Member States, legislators, addressing e.g. ‘regulatory gap’**
  - **Begin to address some longer term issues – e.g. provision physical infrastructure**
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## II. ERI

### *The single market – Convergence and coherence*

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- **ERI intended as a ‘step’ to the single market – a step in the right direction ?**
- **For example – how will market coupling on NorNed fit with market coupling Denmark to Germany and explicit auctions France to Germany ?**
- **ERGEG undertaking work :**
  - **Ongoing monitoring of progress and,**
  - **ERGEG report on “convergence and consistency” due at Florence**
- **Support and involvement of stakeholders, and, particularly, of European associations will also be crucial in helping to ensure this coherence**
- **Commission also undertaking work**

## III. Gas Regional Initiatives (GRI)

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- **Process established**
- **Gas Regional Markets**
- **Focus on CRE's work within Regional Initiative**
- **Progress achieved**
- **The future**

### III. GRI

## *Process established*

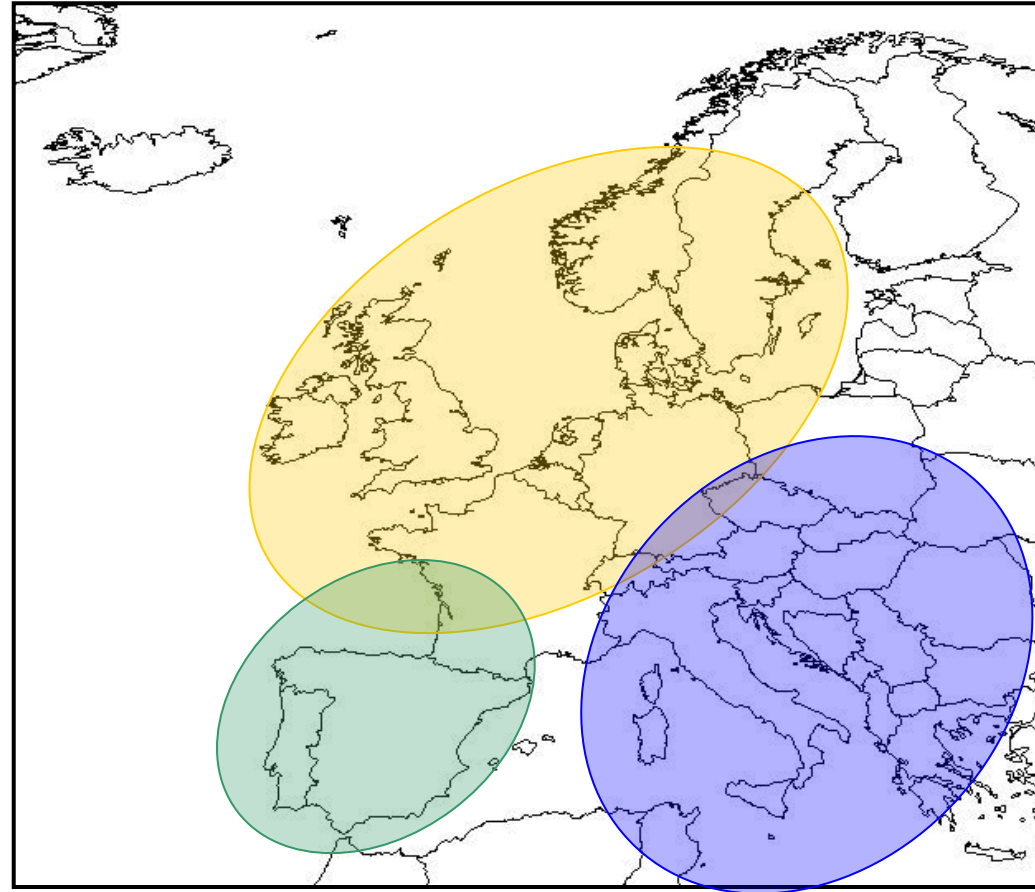
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- **3 gas regions now established**
- **Priorities identified in all 3 regions, meetings held, Action plans set out**
- **Stakeholders actively involved**
- **Commission involvement**
- **TSOs supporting initiatives**
- **Consultation exercises held, relevant stakeholders involved in identifying priorities, proposals for solutions, and implementation**
- **ERGEG commitment to transparency – e.g. ERGEG website**

# III. GRI

## Gas Regional Markets

Region	Countries	Lead regulator
North	Northern Ireland, Ireland, Great-Britain, Netherlands, Sweden, Denmark, Germany, Belgium, <b>France</b> (Poland to join)	Netherlands
South	<b>France</b> , Spain, Portugal	Spain
South-East	Italy, Austria, Czech Republic, Hungary, Poland, Slovakia, Greece, Slovenia, Bulgaria, Romania	Italy, Austria



# III. GRI

## *Focus on CRE's work within Regional Initiative*

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- **Improve use of existing interconnection capacity via:**
  - greater transparency
  - release of unused capacity
  - improved interoperability
  
- **Develop additional capacity via:**
  - joint market consultations and investment plans
  - joint and transparent capacity allocation mechanisms



### ➤ **Transparency**

- Belgian and German TSOs do not publish, or only partially publish, exit capacities at French border – they have agreed to correct/look into problem
- One German TSO only publishes min/max monthly utilisation rates at French border – has agreed to publish daily flows
- One German TSO does not publish flows at French border – has agreed to look into problem

### ➤ **Release of unused capacity**

- At Belgian border, all capacity is booked on Belgian side
- But large amounts of capacity on French border are available
- → sign that capacity is being hoarded
- Belgian TSO has agreed to release capacity on interruptible basis as of Sept/Oct 2007

### ➤ **Interoperability**

- North region:
  - German and Belgian TSOs do not set any capacity aside for short-term needs
  - Incompatible with French system (20% of capacity set aside for short-term needs)
  - TSOs will look into this issue
- South region
  - Study is being conducted regarding interoperability issues between France and Spain (e.g. harmonisation of gas day)

### ➤ **Joint consultations and investment plans**

- North region:
  - Belgian and French TSOs are currently consulting market regarding additional capacity needs via an open season, supervised by Belgian and French regulators
- South region
  - 3 TSOs have managed to develop a joint, two-phase, investment plan
  - 2007-2011: At least 5 bcm to France / 2.5 bcm to Spain via existing interconnection
  - 2011-2015: Additional capacity via new Perthus interconnection

### ➤ **Joint capacity allocation mechanisms**

- North region:
  - Joint consultation at French border will be followed by a joint capacity allocation
- South region:
  - TSOs will develop a joint capacity allocation mechanism for new capacity to be built as part of above-mentioned investment plan

### **III. GRI**

#### ***Progress – Some impediments noted***

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- **TSOs not always willing to explicitly commit to necessary improvements**
- **Enforcement mechanisms not always straightforward**
- **Market designs can differ markedly**
- **Regulators do not always have necessary powers to change market design**
- **In particular adapting market design may require modification of primary legislation**
- **Monitoring coordinated mechanisms is resource intensive**
- **No duty on regulators to cooperate**
- **Involvement of governments and the EC: decision at the Pentalateral Energy Forum (6<sup>th</sup> June 2007) to launch a gas cooperation**

- **North region**
  - **Monitor implementation of commitments in terms of transparency**
  - **Supervise the ongoing open season at Belgian border**
  
- **South region:**
  - **Ensure that joint investment plan leads to concrete investment decisions**
  - **Monitor together with Spanish colleagues development of joint capacity allocation mechanism**
  - **Develop solutions to interoperability problems based on findings of regional report**



**Thank you for your attention!**

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