Regional Initiatives: a pragmatic and progressive process supporting market integration

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The EU power market: a few facts

Fact 1: Power infrastructures = 20 to 50 years lifetime

→ propagate economic conditions, technologies, policies and regulations in place when investment was decided

Fact 2: EU directives/guidelines but 27 MS energy policies

→ numerous incentive mechanisms, often not harmonised

Fact 3: Low-carbon & low-energy society = paradigm shift

→ needs time and political will

Fact 4: Secure, competitive & sustainable = investments!

→ stable, or at least predictable, legislative and regulatory environments are a pre-requisite

A way forward ?
7 regional initiatives

From a TSO perspective, this approach allows

- market models with regional specificities
- market tools to be developed and improved, such as
  - cross-border capacity calculation and allocation
  - congestion management
  - coupling of power exchanges
  - operational coordination between TSOs, etc.
- progress in function of market maturity

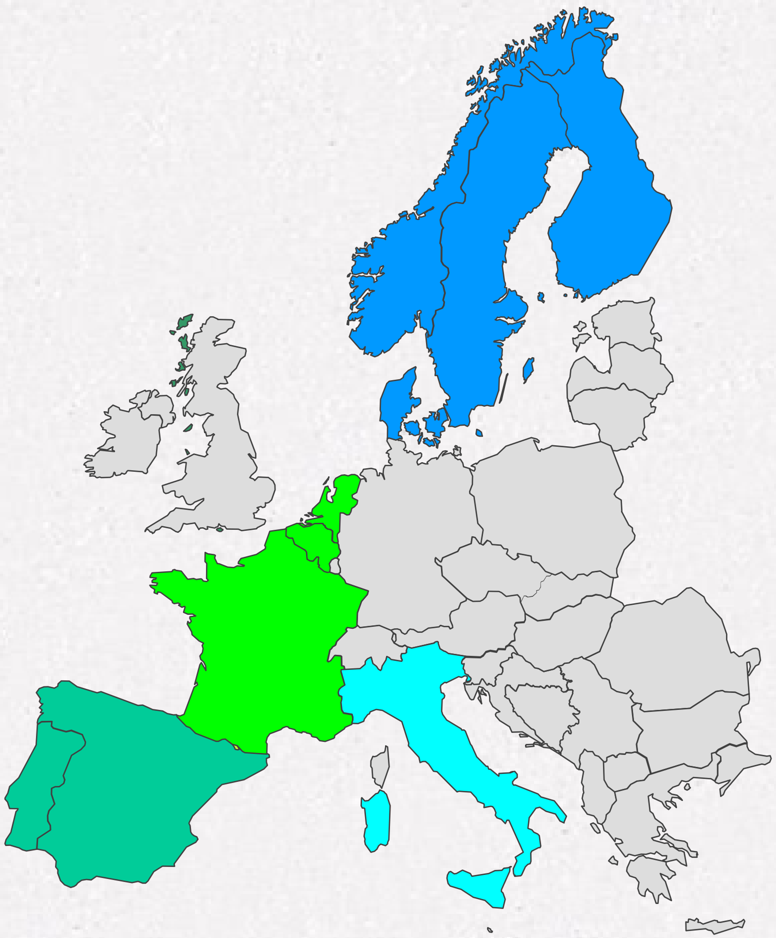
Main potential setback

- incompatibility between two or more regions

TSOs are playing a key role

- **At the EU level:** **42 TSOs from 34 countries created “ENTSO-E” with the aim to deliver, through extensive consultation of all stakeholders:**
  - **EU-wide network codes,**
  - **a 10 year development plan for transmission infrastructures,**
  - **generation-demand adequacy forecasts,**
  - **a common market model**
  - **etc.**
- **At a regional level:** **TSOs alone, or together with power exchanges have delivered several services for the wholesale market, such as …**

1. Regional Day-Ahead Implicit Allocation of transmission capacity



4 initiatives in operation

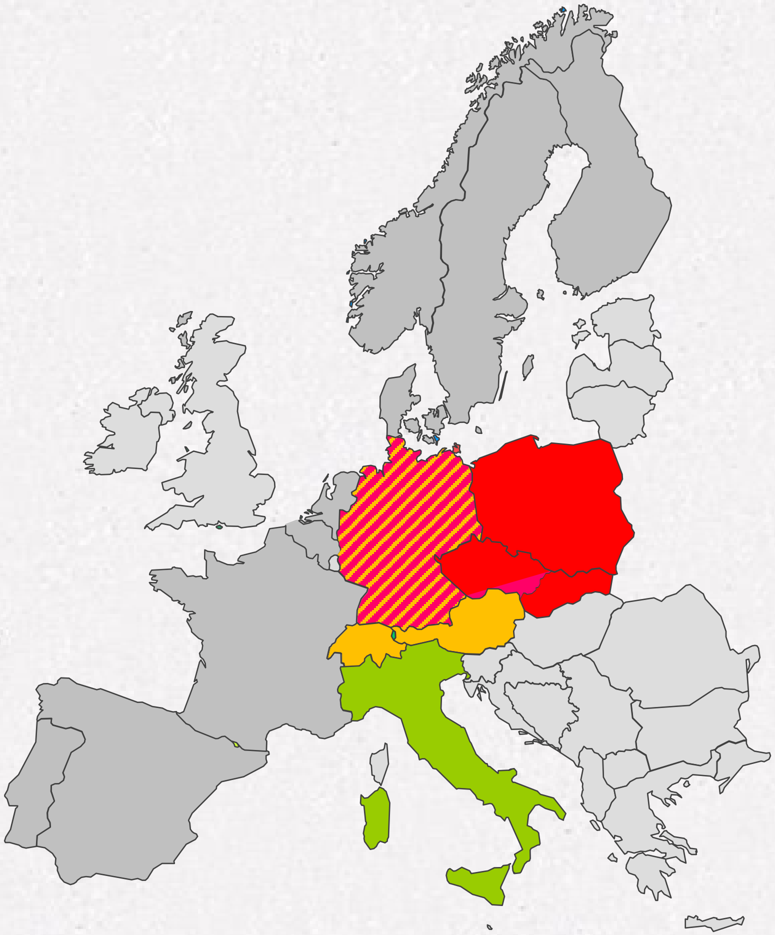
REGIONAL IMPLICIT AUCTIONS		
(blue)	Nordic	Market splitting/ATC
(green)	TLC	Price coupling/ATC
(teal)	Iberian Peninsular	Market splitting/ATC
OTHER IMPLICIT AUCTIONS		
(cyan)	Italy	Market splitting (internal market boundaries)/ATC

Capacity management between these regions

- Mostly bilateral explicit auctions
- Volume coupling Denmark - Germany (to restart)

ATC: available transmission capacity

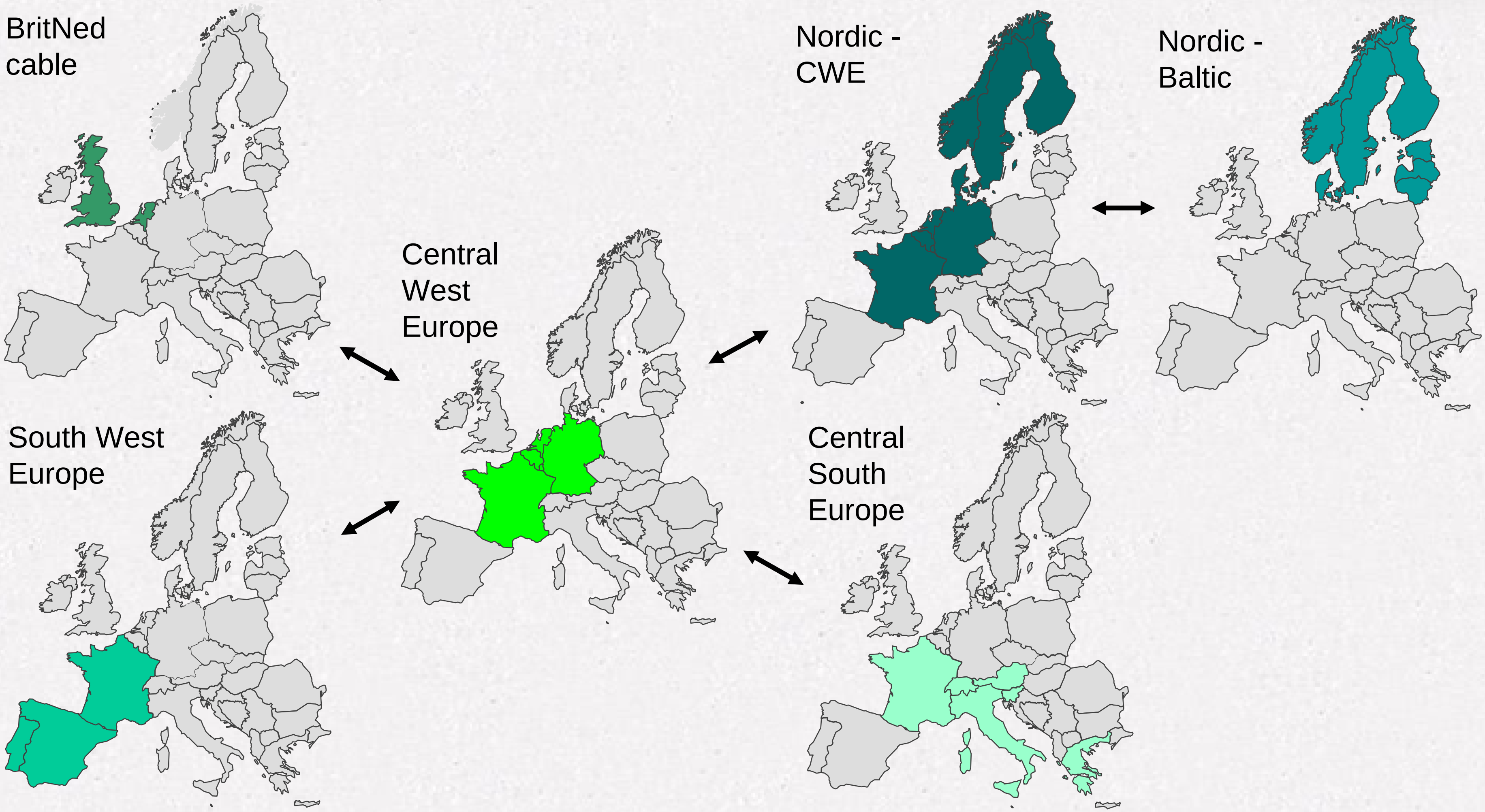
2. Regional Day-Ahead Explicit Allocation of transmission capacity



3 initiatives in operation

Examples for REGIONAL EXPLICIT AUCTIONS		
	CEE	Coordinated explicit auctions/ATC
	Swiss Roof	Coordinated explicit auctions/ATC
	CSE-Italian Borders	Coordinated explicit auctions/ATC

3. Work in progress:
a. Implicit Day-Ahead Capacity Allocation



.. work in progress..

Implicit Day-Ahead Capacity Allocation (cntd)

Italy - Slovenia

Czech - Slovakia

Romania - Hungary

.. work in progress..

b. Explicit Day-Ahead Capacity Allocation

South East Europe

Central East Europe

France - UK

Central South Europe

Regional initiatives: a first assessment

Conclusions by the EuroPEX-ENTSO-E project

- **Regional Initiatives have made significant progress**

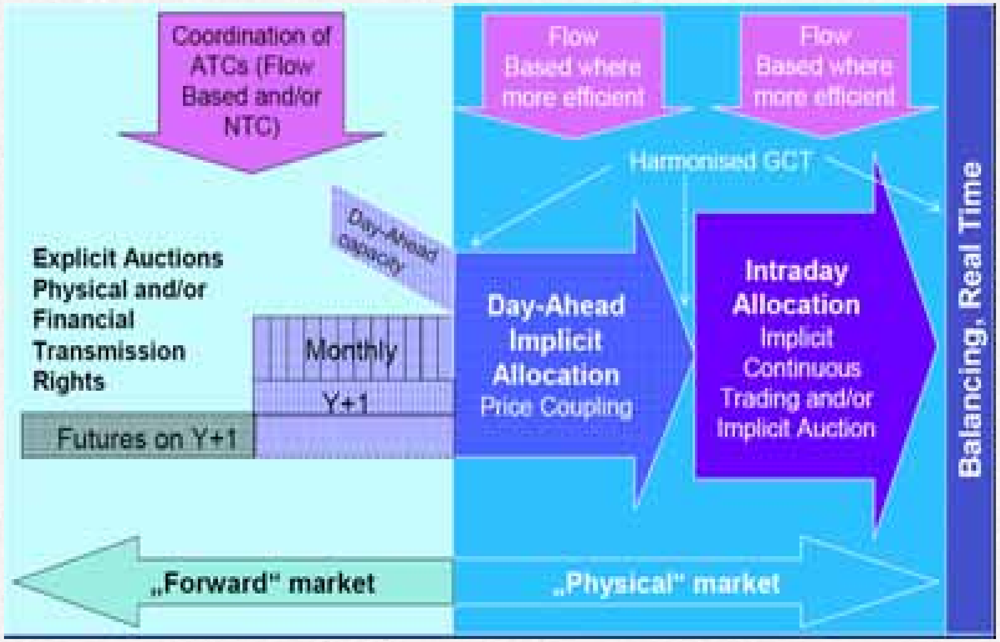
  → but overlapping regions are becoming a barrier to market coupling solutions;

- **Few examples of initiatives between regions**

- **Little evidence of a coordinated approach**

→ "Target Model" presented at the Regulators Forum

Next step: a Target Model to ensure compatibility between regional initiatives



- A consensus view amongst stakeholders of a model for cross border congestion and market integration
- A medium term view for progressive implementation at the latest by 2015

- Addresses all timeframes in a logical and sequential way
- Developed in parallel with the regional initiatives
- Act as a benchmark for consistency and essential cross border harmonisation and compatibility.

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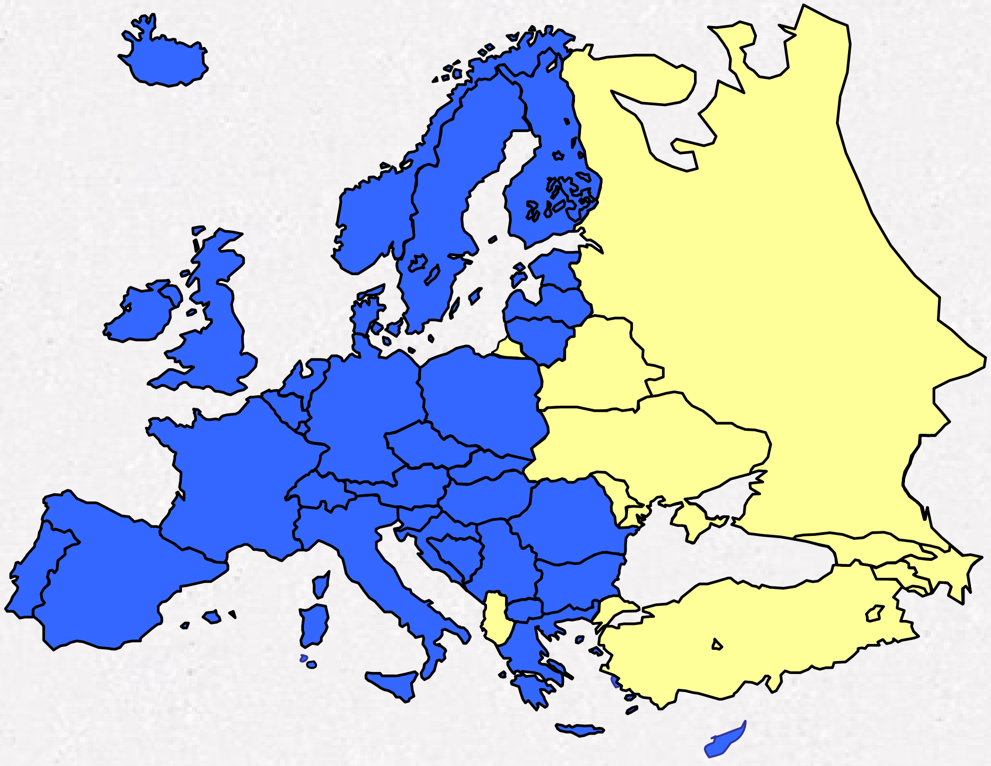
Back up slides

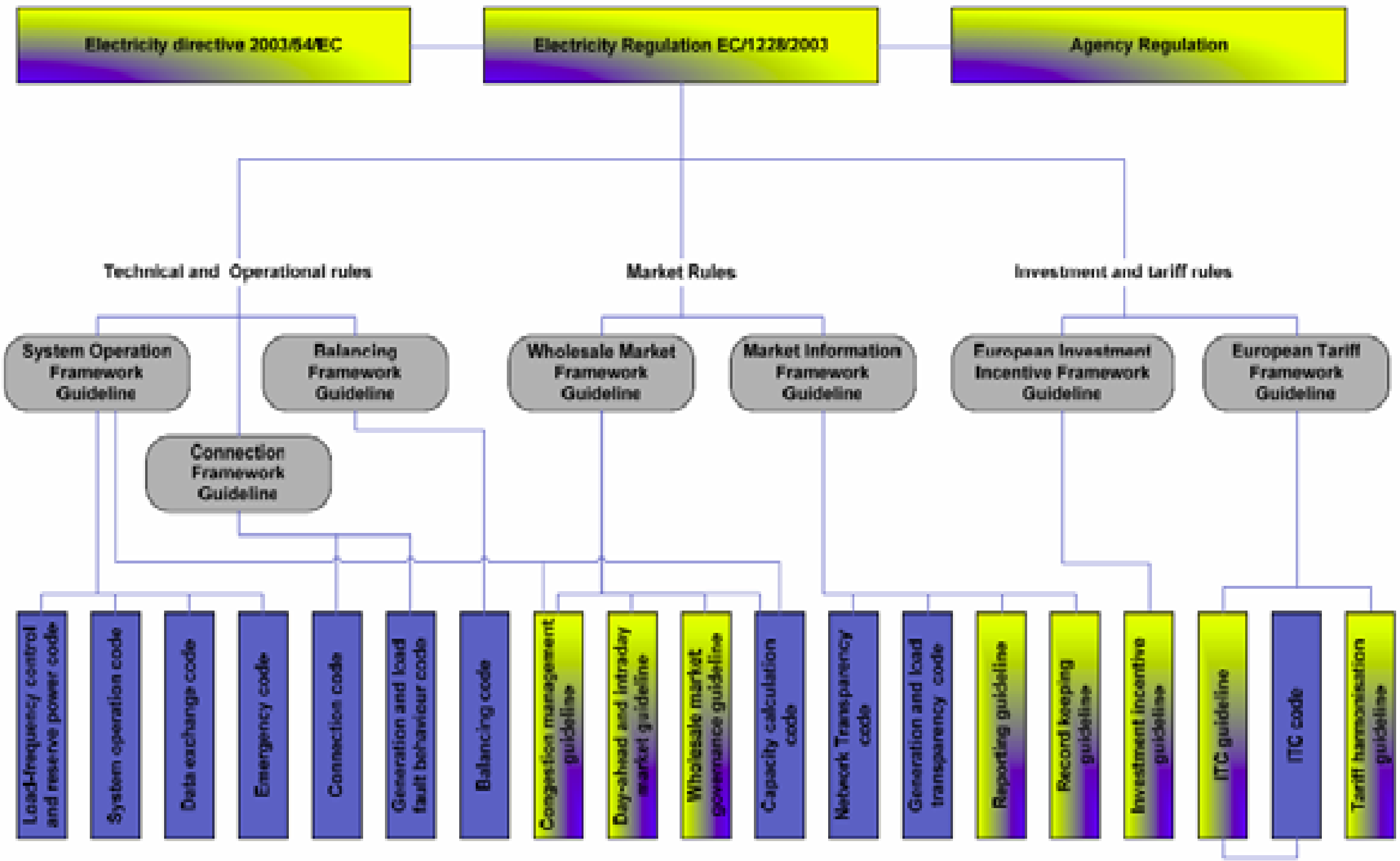
ENTSO-E: fully operational since 1 July 2009

- Represents 42 TSOs from 34 countries
  - ~500 million citizens served
  - 650 GW generation
  - 230.000 km V-HV lines
  - 1.500.000 km MV-LV lines
  - Demand: 3.000 TWh/year
  - Exchanges: 300 TWh/year
  - Investments by 2030
    for T&D: ~500G€

- Replaces former TSO organisations: ATSOI, BALTSO, ETSO, NORDEL, UCTE, UKTSOA



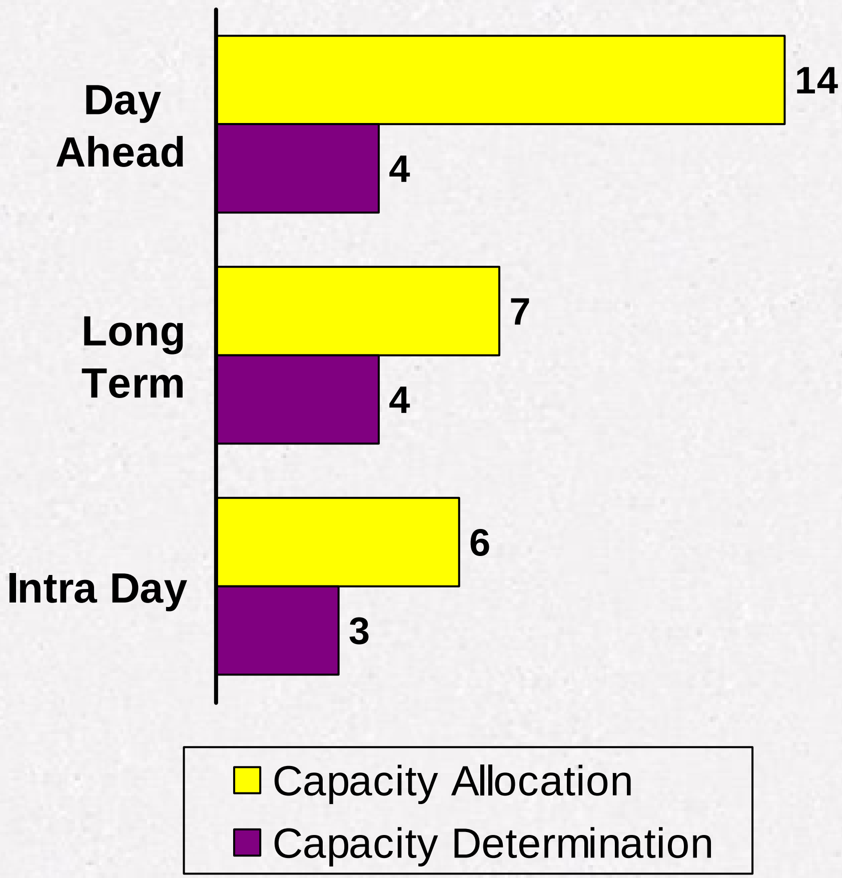
European Electricity Rules



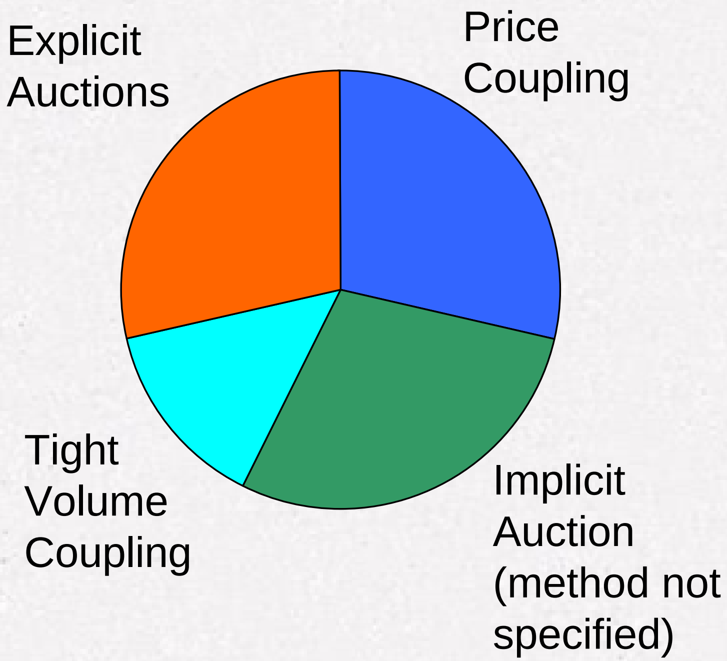
Florence forum June 4-5th 2009 | 12

3. Congestion Management Initiatives

Goals of New Initiatives



Day Ahead Allocation Method



Target Model: Presented at the Regulators Florence Forum 2009