Towards a single European energy market

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Outline of the presentation

- Introduction
- Looking back – Recap of the main achievements so far
- Looking ahead – Prospects for the future
- Concluding remarks

The ambitious challenge of creating a single European energy market

- **From 27 national energy markets**…
  - With various energy mixes
  - Interconnections originally designed only to enable TSOs mutual assistance

- …**to a single EU energy market**, providing for a « *Sustainable, Competitive and Secure Energy* » as well as for solidarity between Member States

Regional Initiatives process

- 7 ERIs and 3 GRIs created by the European Commission and European regulators in 2006 to accelerate market integration
- RIs are an interim step towards the single EU market
- RIs revealed to be very useful for promoting dialogue and mutual understanding between regulators, TSOs, market players, governments and the Commission
- Objective: Deal with concrete issues in association with the stakeholders
- Priority issues:
  - Interoperability of national systems
  - Interconnections: improved access and development
  - Transparency

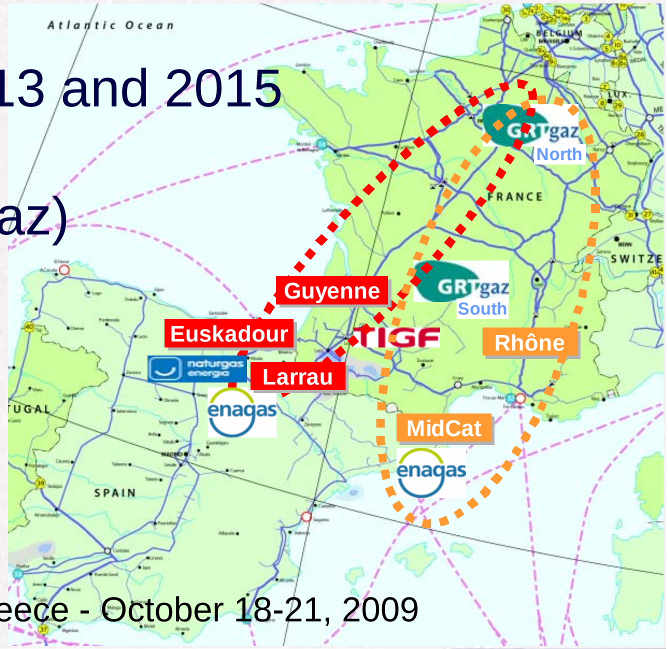
Looking back – Recap of the main achievements in ERIs

- A growing consensus on target congestion management methods towards:
  - ➔ a single point of contact for each region
  - ➔ a single set of harmonized and improved auction rules
  - ➔ implicit allocation methods in day-ahead
  - ➔ the development of reciprocal exchange of real-time balancing offers
- A growing consensus regarding transparency requirements for production, consumption and network data
- An increased coordination in data exchange between TSOs
  - – Implementation of real-time coordination centers to secure and promote the development of cross-border trade

Looking back – Adapting processes to local issues in GRIs

- **Three regions with different priorities**
  - **North West GRI**: integration of the core EU market
  - **South/South-East GRI**: development of competition in new Eastern Member States and security of supply
  - **South GRI**: integration of the Iberian market to the rest of Europe

- **Focus: open seasons between France & Spain in South GRI**
  - Creation of new transmission capacity by 2013 and 2015
  - 2 regulators (CNE and CRE)
  - 4 TSOs (Enagas, Naturgas, TIGF and GRTgaz)
  - Main achievements of the GRI:
    - Coordination of the process
    - Compatibility of National regulations
    - Bidding window: 15-30 September 2009
    - Investment decisions: 31 January 2010



Looking ahead – Challenges for ERIs

In electricity, one of the main challenges will be to **extend the target congestion management methods all over Europe** in a coordinated and efficient way

➔ **A lot of benefits** are expected from the extension of implicit allocation methods

Benefits from extending implicit allocation methods, in place between Belgium, France and Netherlands, to German borders

- Full regional convergence: 79.4%
- Part regional convergence: 99.9%

Source: Implementation study from Project Parties

➔ **But a lot of coordination** is required in order to ensure the compatibility of the 10 ongoing projects (cf annex)

Looking ahead – Challenges for GRIs

- The **fully voluntary approach comes up against limits, even** though GRIs have benefitted from a good participation of stakeholders
- Need to further **develop compatibility of national regulations** – increased involvement of Member States required
- **Key priorities**:
  - Cross border investment
  - Security of supply and regional emergency procedures

Looking ahead – Concluding remarks

➔**Recent developments of the European legislation should reinforce the role of RIs :**

– **Increased coordination requirement** between TSOs (ENTSOs), between Regulators (ACER) and between TSOs and Regulators

– Harmonization and **enhancement of regulators' powers** and competencies regarding **congestion management** methods

– Apparition of **new tools** (incentive regulation) to promote the development of cross-border trade

➔**Reconciling top-down (ACER) and bottom-up (RIs) approaches will be a key challenge for fostering market integration**

Annex

Ongoing implicit day-ahead initiatives (1/2)

Central West Europe

Nordic - CWE

Nordic - Baltic

South West Europe

BritNed

NorNed

Ongoing implicit day-ahead initiatives (2/2)

Central South Europe

Romania - Hungary

Italy - Slovenia

Czech - Slovakia