

EURELECTRIC views on regional markets developments

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Flow-based allocation

- **EURELECTRIC sees a number of benefits with the method:**
 - More efficient allocation of commercial capacities
 - Maximised economic welfare at regional level
- **But has also identified concerns:**
 - Risk of unduly delaying market integration
 - Capacity calculation requires full transparency!
Capacity parameters need to be determined at regional level, under close supervision of regulators.
 - Risk of reduced capacities
See negative border capacity values in current CEE tests
- **Reference: Position Paper, May 2007 “Flow-based Allocation of Transmission Capacity”**

Congestion Management: a European overview

- Positive developments towards **market-based solutions all over Europe**
 - **Trilateral Market Coupling** of BE-FR-NL (extension whole CWE beginning 2009)
 - **Hybrid model** between Nordic market and Central Western Europe
 - **Auction office** in place in CEE
 - **Removal of the 50/50 rule** around the Italian border
- **Market coupling is the objective for D-1**
- Difficulties in establishing **flow-based mechanism** should not delay **further progress on market coupling!**

Overall perception of progress in ERGEG ERI

- **Noticeable progress** has been made since the launch of the ERGEG regional initiatives
- However regional markets are currently developing at **different paces** and in different **directions**
- **Political will and commitment** are instrumental

Thus, it is necessary to:

- **Further speed up** the process
- Build a **regional and European viewpoint**
- **Strengthen cross-regional coordination** on the basis of compatible market and regulatory frameworks
- **Strongly involve market participants**

Development of regional markets outside the ERGEG ERI

- **A positive example: PLEF**
 - **Co-Signing of Memorandum of Understanding** by market participants in June 2006
 - **Strong political commitment** delivers faster progress
 - Agreed to have **market coupling** of the whole CWE region **by 2009 feasible**
 - **Strong involvement of market participants proves fruitful:** participation in meetings and development of positions on key issues
 - **Linking the CWE region to other regions** ongoing, however more cross-regional coordination needed → **Need for harmonisation of market and regulatory framework**
- **Nordic energy Ministers investigate how to create a Nordic System Operator**



Regional market development: how to speed up the process?

- **Closely monitor** developments including those achieved outside the ERI and **build best practices**
- **Slow developing regions should catch up with more advanced ones**
- Establish a **blueprint** to ensure **compatibility between regions in order to speed up and facilitate further integration**
 - I.e. determine harmonised rules, inter alia, for:
 - gate closure
 - auction mechanisms
 - intra-day and balancing markets
 - market transparency requirements
- **Focus on quick wins** such as market coupling and intra-day markets and **only take on more complex issues as a second step** (flow-based allocation, harmonisation of balancing markets)



Thank you for your attention.



Representing the European Electricity Industry