



Directorate-General  
for Energy  
and Transport



## ● Inter TSO compensation and transmission tariff harmonisation

### Commission proposal for binding guidelines

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## ● Inter TSO compensation

- Need for ITC predates regulation
  - » Agreed at Florence Forum 1999
  - » Removal of import, export and transit tariffs
- Requirement for ITC formalised in 1228/2003
  - » Aim to facilitate internal market
  - » TSOs to be compensated for costs of hosting cross border flows
  - » Compensation based on physical flows

## ● ITC Schemes

- To date ITC based on voluntary agreement
  - » Increasingly difficult with 35 TSOs
  - » Regulators unable to reach agreement
  - » Commission agreed to draw up develop proposals for binding guidelines
- Full public consultation Dec 2008
  - » Consultation paper set out options for ITC
  - » Need for detailed guidelines widely accepted in responses
  - » General preference for “simple” model

## ● Development of Guidelines

- Florence Forum June 2009
  - » Commission presented initial views
  - » “The Forum welcomed steps to adopt binding Guidelines and asked the Commission to progress this work as a matter of priority”.
- Proposals for binding guidelines developed
  - » Inter-service consultation and Impact Assessment
  - » End November proposals sent to cross border committee and published on DG TREN website

## ● The Proposals

- Take form of Commission Regulation
  - » Not an annex to the Electricity Regulation
- Based on Regulation 1228/2003
  - » Will apply from date of adoption
  - » ITC and transmission charging “Cover[ed] in a single draft measure” as required by Article 8(1) of the Regulation

## ● Section 1

- ENTSO E is responsible for implementing ITC mechanism – overseen by ERGEG and the Commission.
- It also sets out definitions for transits and net flows of electricity on which compensation is based.
- Only costs resulting from flows of electricity which use interconnections applying the Congestion Management Guidelines are eligible for compensation.

## ● Section 2 Participation

- This section makes clear that all Member States must participate in the ITC Scheme
- EEA/Energy Community members should be able to participate on an equal basis.

## ● Section 3 Multi-party agreements

- TSOs from third countries who do not have agreements with the EU covering electricity to apply ITC Scheme by signing "Multi-party agreements" with participating TSOs.
- Multi-party agreement should treat third country TSO equivalently to (but NOT better than) EU TSOs
- Expected to cover Switzerland at least until the conclusion of the current negotiations.



## ● Section 4 Losses

- ITC Scheme will compensate for losses incurred as a result of transits using the so-called *With and Without Transit* method.
- This has not been specified in detail
  - » method is well known and relatively uncontroversial
  - » Appropriate to leave room to adapt methodology
  - » ENTSO E responsible for carrying out estimates

## ● Section 5 Infrastructure (I)

- This sets out that compensation for making infrastructure available for hosting cross border flows will be compensated from a central pot established for that purpose.
- Compensation is paid to the TSOs in participating countries based on transits of electricity adjusted for the load of the country.
- The size of the fund is initially established in the Guidelines, but will subsequently be amended.

## ● Section 5 Infrastructure (II)

- The Commission and ERGEG are tasked with assessing the Europe-wide long-run average incremental cost of hosting cross border flows. ENTSO – E must assist in this and will likely carry out much of the technical analysis.
- This assessment will serve as the basis for the Revision of the fund. This is in line with the requirements of the Regulation.
- Eventually ACER should be able to take over the role of assessing the necessary size of the fund, but this is not possible under Guidelines adopted according to the provisions of 1228/2003.

## ● Section 6 Payments to Fund

- Net exporters and net importers of electricity equally share the costs of financing the fund and paying compensation for losses incurred as a result of hosting transits.
- Provided that they comply with other elements of electricity legislation, such costs may be included in the transmission charges faced by generators or by load as appropriate to local circumstances.

## ● Section 7 Third Country imports and exports

- This section sets out that imports and exports of electricity from third countries are charged a fee for using the Community transmission system
- This fee should be equivalent to the contributions of participating country TSOs set out in Section 6.
- It is not possible to compensate third countries for the use of their transmission systems by participating country TSOs as they retain the right to impose direct charges.
- Fees do not apply to EEA/Energy Community TSOs or TSOs who have signed a Multi-party Agreement with the TSOs participating in the ITC Scheme.

## ● Transmission Charging

- Propose to formally adopt the 2005 draft guidelines
  - » Covers only generation
  - » Less complex and more effective to harmonise charges than underlying methodology
  - » Average “G” charges of:
    - 0 to 0.7 €/MWh General limit
    - 0 to 0.7 €/MWh Nordic countries
    - 0 to 2.5 €/MWh UK and Ireland

## ● Timeline

- 17 December 2009 (Informal) Consideration by cross-border Committee
- February 2010
  - » Formal consideration by cross-border committee
  - » Aim to reach agreement on final text
    - If necessary and appropriate by written procedure
  - » 1 Month for parliament to object
- Formal adoption by Commission in Q2



# Thank you for your attention

