



# **Review of Regional Initiatives**



## Regional Initiatives: EC Study

- EURELECTRIC welcomes the EC Consultant study which has identified the value of the ERI but also areas of improvement
- EURELECTRIC subscribes to the study's recommendations, namely the needs for:
  - Reference/Target Model for EU integration
  - Government commitment
  - Stakeholders involvement
  - Project management approach (leadership, milestones, deadlines)

As the study concludes, any new development (within or parallel to the RIs) should be in line the Reference Model (e.g. no new volume coupling projects)



## **ERIs: EURELECTRIC Preliminary comments on ERGEG Strategy Paper**

- EURELECTRIC recognises the value of bottom-up initiatives (ERIs, ENTSO-E and EuroPEX projects), but an agreement on an overarching framework is needed to ensure convergence across regions and initiatives
- Rather than a “vision”, the regions need a Target Model and a Project Management (Coordination and Roadmaps)
- Consistency between the Target Model, on-going initiatives and Framework Guidelines (FG) & Network Codes (NC) process is imperative
  - FG/NC should take on board the conclusions of agreed Target Models
  - However, Implementation of agreed Target Models should not wait for the legislative process



## Improving the steering process: EU Institutions, Stakeholders Platforms, Governments

- A steering process should involve all major stakeholders: everybody's commitment is crucial!
- Government involvement should gain a new impetus:
  - Encourage signing of MoUs for all **ERI** regions to ensure commitment
  - Enhance governments' involvement in the **FF** (high level debate)
  - Open stakeholders' platforms like **PCG** (technical level debate) to participation of the Member State holding the EU Presidency
  - New platforms not necessary (overlaps and coordination problems)
- Improved EU steering: EC reporting to the EU Energy Council
- Project Management: leadership, coordination, roadmaps (with intermediate steps and deadlines), constant monitoring and reporting to stakeholders



## **EURELECTRIC regional meetings: Early findings**

- Regional markets have developed best where Member States are politically committed and driving the process (Nordic, CWE, Iberian market)
- Close and robust cooperation of TSOs and PXs is a key success factor for the development of DA market coupling and cross-border ID markets
- Even where such a close cooperation exists, DA market coupling projects need to be coordinated at inter-regional/ EU level



## **EURELECTRIC regional meetings: Early findings**

- Large scale introduction of RES will significantly impact electricity trade and requires a regional solution as an integrated part to a wider EU plan
- In all regions, market parties need to be more involved in the decision-making on market design
- Regulated end-user prices are a major obstacle to developing more liquid and integrated markets

A EURELECTRIC Report (Q1/Q2 2010) will present a more in-depth analysis of regional markets' development together with improved tools and processes





# PCG Work and Future Role



## PCG: Assessment of current work

- EURELECTRIC welcomes the **PCG proposed target models and roadmaps** which are essential tools in implementing the Third Energy Package
- This provides **valuable guidance** for the development of consistent regional markets and should be continued so as to **coordinate development of on-going projects**
- EURELECTRIC sees the PCG as an example of what a **comprehensive stakeholders platform** can achieve in defining solutions for the market





## Continued work: way forward

**EURELECTRIC calls for the continuation of this work and revision of its tasks/responsibilities**

- The PCG should:
  - Provide **advise** to ERGEG/ACER and ENTSO-E in the drafting of **Framework Guidelines** and **Network Codes** for issues relevant to regional markets
  - Help coordinate regional market development
  - Provide guidance to essential concrete projects
  - Monitor progress and update roadmaps accordingly



## Continued work: way forward

EURELECTRIC strongly supports the launch of concrete projects

- In the case of DA governance model, it is essential to follow a sequential approach to avoid delays or overlaps
  - task 1) Agree upon a price coupling DA governance model – to be completed at next Florence Forum (max 6 Months)
  - task 2) Implement this model on the basis of the indicative roadmap
- Clear target and deadline should be defined in relation to these projects, in line with overall 2015 target for EU



# 10-Year Network Development Plan



# 10 Year Network Development Plan

- 10Yr NDP process: Early stakeholder involvement and iterative process on assumptions and outcomes is positively welcomed
- 10Yr NDP non-binding nature: projects should not remain on paper: consistency must be ensured both with national plans (binding), regional plans (fundamental)
- Cross-border capacities already insufficient: urgent need of new investments to allow more trade and balancing between areas
- Regional grid planning should be incentivised with appropriate regulatory model to share costs between member states benefiting from the new investment



# 10 Year Network Development Plan: the “RES dimension”

- Base Scenario: all Member States will meet their 2020 RES targets
- It is critical to address both urgent grid reinforcement needs and longer term grid expansion to connect (including offshore wind farms) and accommodate RES
- Grid investments take much longer than generation ones: we can't afford waiting for exact generation plans
- A new coordinated approach for RES development and connection is needed to achieve timely building of the grid: governments + regulators + TSOs should work closely together



# Third Package Implementation





# Third Package Implementation: Priorities

## ERGEG 2010 Work Programme:

- EURELECTRIC calls for priority being given to FG on Capacity Allocation & Congestion Management
- PCG work needs to be reflected in the work programme:
  - as an essential input to the FG and NC
  - as instrumental tool to coordinate the ERI

## ENTSO-E 2010 Work Programme:

- EURELECTRIC welcomes acknowledgement of RES challenges and PCG work
- NC on DA and ID should be taken as first priority
- User groups under ENTSO-E should allow optimal interaction with market stakeholders



# Third Package Implementation

2020 RES Targets can only be achieved through Market Integration and prompt Grid Investment

- Coordinate concrete projects in the field of DA market coupling and continuous intra-day trading platforms in line with target models and roadmap
- Plan significant new grid investments and execute them in time
- Start elaborating FG and NC on DA, ID and balancing
- Ensure that ERI regions follow these priorities in a consistent manner and in line with the target models
- Combine ad-hoc expert groups with more structured stakeholders representation to ensure balance of interests



# **Sector specific regulation for energy trading**

## Trading Transparency & Market Integrity

- We welcome EC approach of open stakeholder process to help develop EU-wide binding rules
- Key principles for a market integrity framework:
  - Coherent with, and not supersede/replace, existing competition law
  - Tailor-made for the energy sector (and not simply copy-paste rules from “financial world”)
  - EU-wide harmonised and mandatory
  - With clear rules and monitoring responsibilities

# Regulation: basic design options

- Commodity Scope: Electricity, Gas, CO2
- Monitoring Models:
  - EU wide harmonisation
  - Avoid overlaps or duplications of legislation and competencies
- Fundamental Data:
  - A legally binding instrument is necessary (revised guidelines or new Regulation)
  - NC (strictly based on the FG) could be used as a way to define information exchanges and publication requirements
  - Stakeholder involvement crucial throughout the whole process
- Transactional Data
  - 3rd Package Record keeping obligations provide adequate regulatory oversight harmonised at European level
  - Information to be provided by PXs / Broker platforms
  - On a case by case NRAs to request data minimising administrative burden on market parties (one single national regulator)



# Integration of Renewables



# Integration of Renewables: outlook

What is happening today?

- Cross-border capacities are increasingly reduced for loop flows and security constraints
- Higher volatility and more negative prices (where implemented)
- Already in 2008 new installed capacity was lead by Wind generation
- Lower load factor of conventional power plants, more flexibility and back-up capacity required

Future outlook:

- Expected installed wind capacity in 2020 is 140-210 GW: 2-3 times more of today (65GW)
- Expected share of wind capacity in 2020 is 16-24%: 2-3 times more of today (8%)

EURELECTRIC acknowledges the changes required to the generation portfolio...but what else needs to be done?

# Integration of Renewables: Key solutions

**Remember:** 2020 RES Targets can only be achieved through Market Integration and prompt Grid Investments

- 1. Grid investments:** most of the solutions depend on the scale and speed of the huge grid investments needed. These should be planned at regional level with adequate incentives, based on long term scenarios (a new line takes +/- 10years) and start now!
- 2. Market Integration:** Day-ahead Market Coupling, Cross-border Intraday and Cross-border Balancing markets are urgently needed throughout Europe on a harmonised base
- 3. Balancing:** intermittency and unpredictability will increase demand (and prices) for ancillary services; RES generators should be subject to the same rules as other generators and consumers to incentivise better scheduling.

# Integration of Renewables: more solutions

**Remember:** 2020 RES Targets can only be achieved through Market Integration and prompt Grid Investments

- 4. Generation investments:** as the need and the profitability of plant types changes radically it should be evaluated if current EU market rules provide enough generation capacity investments and stimulate active participation of demand
- 5. Technology:** a technological revolution is needed to sustain RES development. Investments in R&D are needed to develop “super grids” and tools for demand side management & storage (smart grids, smart meters, electric vehicles, compressed air storage, etc.)
- 6. Regulatory Framework:** a framework encouraging RES technical efficiency, forecast accuracy, prevention and management of network incidents