

A “target model” on market integration from the perspective of industrial energy consumers

Florence Forum

Rome, 10 – 11 December 2009

What do industrial consumers expect from a “target model”?

- Facilitate the creation of a single, integrated, European electricity market, by strengthening regional integration and harmonising methods for regional integration
 - Maximise existing cross border capacity for markets and provide signals for efficient grid investments
 - Improve TSO-cooperation towards a Regional system operator, paving the way for one European system operator
 - Enable final consumers to purchase electricity where they wish, irrespective of national borders
 - Support progress in regions, ahead of EU-developments
- Facilitate the creation of a competitive European electricity market, for all consumers, incl. base load
 - Increase liquidity and transparency
 - Reduce entry barriers for new entrants
 - Improve long term visibility and enable long term contracts

Remarks on PCG “work in progress” (1)

- Capacity calculation: concern about reducing available capacity
 - Increase transparency on common grid model and calculation methods
 - Use re-dispatching when it increases capacities efficiently
 - Resolve the issue of loop flows, resulting from national transactions, by removing discrimination between national and international flows
 - Apply “netting” under all circumstances
 - Assess feasibility of flow based coupling (intransparency of available capacities, dispatch information requirements, and GSKs)
- Governance: concern about information dispatch and process management
 - Include clear time line: what are the consequences for TSOs if deadlines are not met?
 - Ensure that all relevant grid investments are carried out without delays
 - Publish market monitoring and progress reports regularly
 - Ensure timely transfer of information to end consumers about changes in market procedures
 - Ensure formal approval by NRAs before implementing “target model”

Remarks on PCG “work in progress” (2)

- Forward Cross Border: concerns about contract duration and administrative procedures
 - Allocate a significant part of cross border capacity (PTR + FTR) on long term basis (year and multi-year)
 - Remove barriers to pan-European purchasing by end-consumers (harmonised and simplified administrative procedures)
- Day Ahead Cross Border: concerns about fair price formation, liquidity and size of markets
 - Improve competitiveness and liquidity of spot markets and remove barriers for market coupling
 - Ensure adequate market monitoring (economic behaviour of market actors regarding available capacity and pricing)
 - Address issue of regulatory oversight on power exchanges, by including objective, transparent and effective rules