

CEER progress report

RULES ON THE MANAGEMENT AND ALLOCATION OF AVAILABLE TRANSFER CAPACITY OF INTERCONNECTIONS

CEER has issued a position paper on Principles on the management and allocation of available transfer capacity of interconnections, dated October 1 2002. These principles are in the process of a further development into a set of more dynamic rules, reflecting actual best regulatory practice approaches. This paper reflects this development as of October 2002.

Rules on economic efficiency (relating to principle #1)

- RULE 1.1. TSOs should endeavour to accept all commercial transactions including those incurred by cross border trade. In case the scheduled commercial transactions are not compatible with secure network operation, the TSOs should co-ordinate to alleviate the congestion by any means as long as the associated costs are at an economically efficient level. When congestion is structural, the possibility and opportunity to invest in additional transmission infrastructure should be investigated and appropriate congestion management methods should be applied.
- RULE 1.2. Congestion management methods should be designed in such a way that the market situation in all areas affected is taken into account in order to promote the economic efficiency of the electricity market.
- RULE 1.3. Structural network congestion problems should, in principle, be addressed with market based solutions, with the purpose that the correct directional priced and sized signals are given to market participants.
- RULE 1.4. The adopted method of congestion management should not result in undue transaction costs to market participants or TSOs.

Rules on promoting competition (relating to principle #2)

- RULE 2.1. The national regulatory authorities should regularly evaluate the congestion management methods with respect to compliance to these principles and rules by consultations of all market players and economic studies.
- RULE 2.2. Congestion management methods should not hinder market contestability, should not inhibit the entry of any player, including end users, and should neither facilitate nor consolidate the abuse of any market power.
- RULE 2.3. TSOs should make efforts to harmonise the procedures for congestion management on different interconnections in order to facilitate efficient trade across several interconnections.

- RULE 2.4. Any differences in the way different transactions are treated, for example short term trading between organised markets or longer term bilateral contracts, should be permitted only when they are shown not to distort or hinder the development of competition.
- RULE 2.5. Priority access rights to interconnection capacity should not be assigned to those contracts which violate Articles 81 and 82 of the EC Treaty.
- RULE 2.6. Existing long term contracts should have no pre-emption rights when they come up for renewal.
- RULE 2.7. In order not to risk creating or aggravating problems related to any dominant position of market player(s), the competent regulatory authorities, if appropriate, may establish caps on the amount of capacity that can be bought, possessed and/or used by the different market players, when designing a congestion management scheme.

Rules on transparency (relating to principle #3)

- RULE 3.1. Within the relevant legislative framework, Member States and regulatory authorities should pay special attention to the transparency of the wholesale markets in all areas affected by any congestion, which includes information on short term forecast and realised system load by market time unit and information on the installed generation capacity.
- RULE 3.2. The safety standards and the operational and planning standards should form an integral part of the information that TSOs should publish in open and public documents.
- RULE 3.3. The TSOs should publish a general description of the method applied for maximising the capacity available to the market based upon the electrical and physical realities of the network. Such a method should be subject to approval by the regulatory authorities of the involved Member States concerned.
- RULE 3.4. TSOs should publish all relevant data related to network availability, network access and network use including a report where congestion exists, its reason, the methods applied for managing the congestion and the plans to cope with it in the future.
- RULE 3.5. TSOs should publish all relevant data concerning cross-border trade according to the best possible forecast. This includes:
- the procedures for allocating capacity, including the time and procedure for applying for capacity, a description of the products being offered and the obligations and rights of both the TSOs and the party obtaining the capacity.
 - annually: all information on the long term evolution of the transmission infrastructure and its impact on cross border transmission capacity;
 - monthly: month and year-ahead forecasts of the transmission capacity available to the market taking into account all information available to the TSO at the time of the forecast calculation (e.g. impact of summer and winter seasons on the capacity of the lines, maintenance on the grid, availability of the production units, etc.);

- weekly: week-ahead forecasts of the transmission capacity available to the market for each market time unit (which may be an hour or a quarter of an hour), taking into account all information available to the TSOs at the time of calculation of the forecast, such as weather forecast, availability of the production units etc.;
- daily: day-ahead forecasts of the transmission capacity available to the market for each market time unit;
- unless prohibited by law, the total amount of all contracts predating the EU directive 96/92/CE and having a priority right of access to cross border transmission capacity, the daily values of the total capacity taken by them as well as its provisional evolution in the coming years;
- total capacity already given out by market time unit and all relevant conditions under which this capacity may be used (e.g. auction clearing price, obligations how to use the capacity, etc.), so that the remaining capacity is revealed;
- total nominated capacity by market time unit immediately after the moment of nomination;
- as soon as possible after real-time, realised commercial transactions by market time unit, including a description of the effects of any corrective actions taken by the TSOs (like curtailment) for solving network or system problems.

- RULE 3.6. All relevant information should be available for the market in due time for the negotiation of all transactions (such as the moment for negotiation of year supply contracts for industrial customers or the moment when bids have to be sent into organised markets).
- RULE 3.7. All information published by the TSOs should be made freely available in an easy way. All data should also be accessible in an adequate and standardised format, to be defined in close co-operation with market parties. This includes information on past time periods with a minimum of two years, so that new market entrants also have access to this data.
- RULE 3.8. When forecasts are published, the *ex post* realised values of the forecast information should also be published, in the time period following that to which the forecast applies.

Rules on maximising the available capacity and capacity use (relating to principle #4)

- RULE 4.1. Considering the fact that the European continental network is a highly meshed network and that the use of interconnection lines has an effect on the power flows, congestion management procedures and system operation between TSOs should be co-ordinated.
- RULE 4.2. Co-ordination between TSOs should at least include the exchange of information and the optimisation of the allocations in view of the promotion of fair and efficient competition and the secure operation of the grids. The nature, time and frequency of the exchanges of information should be coherent with the functioning of the electricity markets. They shall in particular enable all TSOs affected by the loop flows resulting from transactions accepted by other TSOs to forecast them, to take them into account in their assessment of the available capacities and to

identify the TSOs responsible for the loop flows so that they are required to take appropriate measures.

- RULE 4.3. Calculations of the capacity available to the market should recognise the actual flows of electricity between the origin and destination country including loop flows. In situations where the meshedness of the network leads to a high correlation between the capacities available to the market at the congested borders, methods for congestion management suited for regional application should be favoured.
- RULE 4.4. In case of structural congestion, TSOs should endeavour to optimise the extent to which capacity is firm – relating to the obligations and rights of both TSOs and market parties – in order to facilitate effective and efficient competition.
- RULE 4.5. In case of structural congestion, the congestion management method should ensure that the power flows induced by all allocated commercial transactions comply with network security standards being at an acceptable level. A particular commercial transaction should only be denied when the power flows resulting from its acceptance, in addition to the other accepted commercial transactions, lead to a situation where secure operation of the power system can no longer be guaranteed, and where that commercial transaction has an economic value lower than the transactions concurrently accepted under the same contractual conditions.
- RULE 4.6. Systems that include the integration of organised markets should be considered in the design of congestion management systems in case of structural congestion. However, special attention should be given to non-discrimination, notably towards bilateral transactions, and to the effective possibility to organise longer term cross border trade.
- RULE 4.7. The congestion management system should ensure that transmission rights held by successful parties in the allocation procedure do not remain unused, unless the rights turn out to have no economic value. Therefore TSOs should facilitate secondary trading and/or secondary allocation of these rights.
- RULE 4.8. The financial consequences of failure to honour obligations associated with the allocation of capacity should be attributed to those who are responsible for such a failure.

April 2003