

ELECTRICITY REGULATORY FORUM

Rome, 8 & 9 July 2003

**Dr. J. Prat
General Delegate of GEODE**



GEODE SUPPORTS: STRATEGY PAPER

OBJECTIVE

- To create a European electricity market
- Choice of supplier for all customers
- Removal of cross-border barriers
- A market that benefits all consumers
- Lower electricity prices

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MARKET INTEGRATION

- **Main Problem: Lack of interconnections**
- **It's necessary to develop regional markets with strong interconnections**
- **GEODE recommends: a European Regulator that controls interconnection.**

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MEDIUM TERM OBJECTIVES (I)

GEODE STANDS FOR:

- **Compensation mechanisms between TSO's, subjected to regulation**
- **Congestions have to be eliminated**
- **Redispatching/Counter-Trading mechanisms should be put in place**
 - ⇒ **Cost will be higher but benefits will be larger**
- **European electricity market managed by a single European Regulator: "One market-one regulator"**

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MEDIUM TERM OBJECTIVES (II)

- **GEODE considers that the use of explicit auctions to deal congestion leads to two levels of traders:**
 - **High level traders-linked to TSO-capacity to information and resources**
 - **Lower level traders-without possibilities**
- **Avoiding the revenues coming from congestion management going to the hands of TSO**

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MEDIUM TERM OBJECTIVES (III)

- **A single market should be implemented immediately**
- **Simple and accelerate procedures for small and distributed new generation capacity**
- **Economic signals linked to the siting of Generation and load**
 - ⇒ **To favour generation close to load**
 - ⇒ **To avoid unbalance**

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IMPROVEMENT OF INTERCONNECTIONS

- **At least an increase of 10%-20%**
- **It will reduce cost of system**
- **It contributes to security of supply**
- **Public Administration should be sensitive to the need of building new lines**

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CUSTOMERS

- **Total eligibility**
- **To facilitate customers switching proceedings**
- **Obligation by transmission and distribution companies to maintain a minimum level of service**
 - **GEODE asks that these obligations are backed by adequate financial compensation**
- **GEODE stands for a standard supplier licence**

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MEASURES TO REDUCE MARKET CONCENTRATION

- To dilute market power of dominant generating companies
- It's necessary to have a sufficient number of players to guarantee fair competition
- The European anti trust law should be enforced: specially merger control order
- Bilateral contracts should always be possible between producers and suppliers:
 - ⇒ compulsory pools give opportunities to generators to collude the market
- To create a single European Market as a best way to reduce market concentration

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