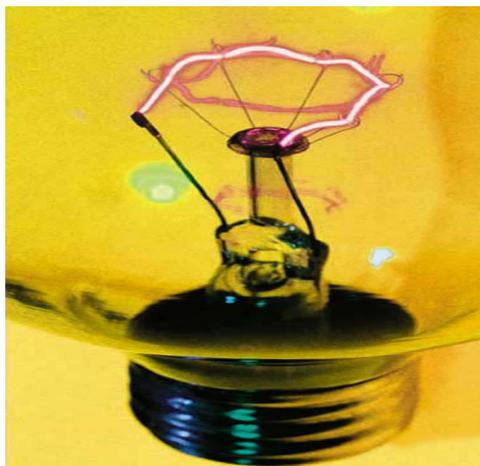
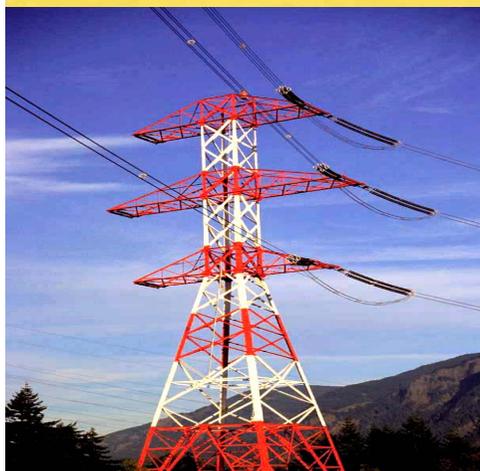




European Commission DG Energy and Transport



Consultation on guidelines for inter TSO payments

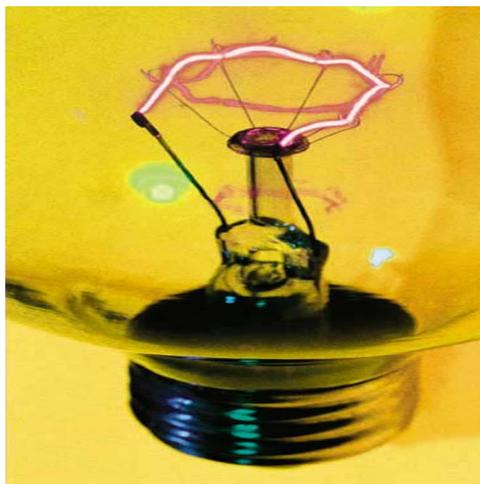


*William Webster
Electricity and Gas Unit
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Inter TSO compensation



Basic Choices

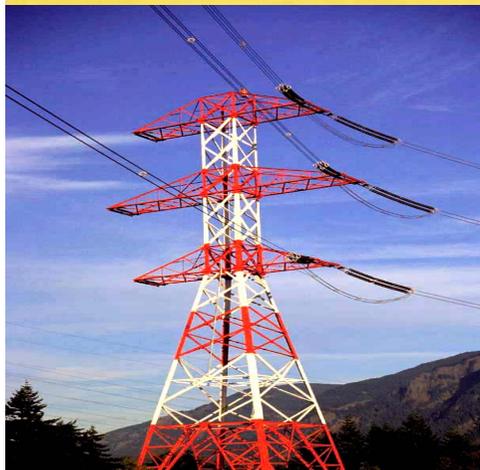
Compensation for "Transits"

Assumes that all other CB flows will lead to offsetting costs and benefits so mutual compensation payments will cancel out

Compensation for all cross border flows

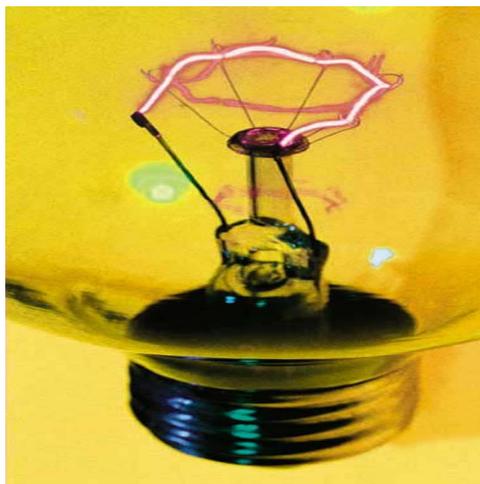
Recognises that a flow involving only two Member States might have a different impact on each others' network

(e.g. hypothetical case of flows from N. Norway to Scotland)





Inter TSO compensation

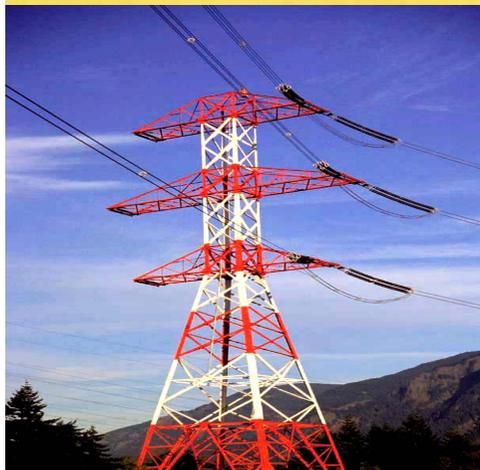


Basic Choices

“With and Without model

Does not track responsibility for flows back to individual network users

Does allow each TSO to calculate individually its payment amounts



Tracking model (like average participations)

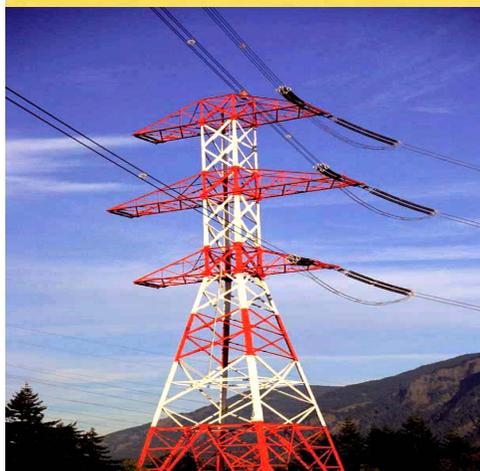
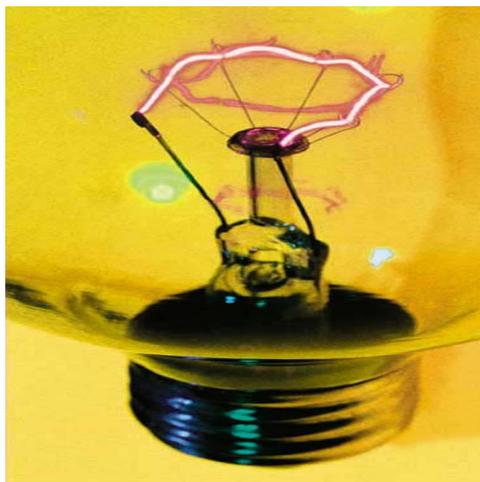
Does track flows back using a simple heuristic rule

Does require more centralised calculation process

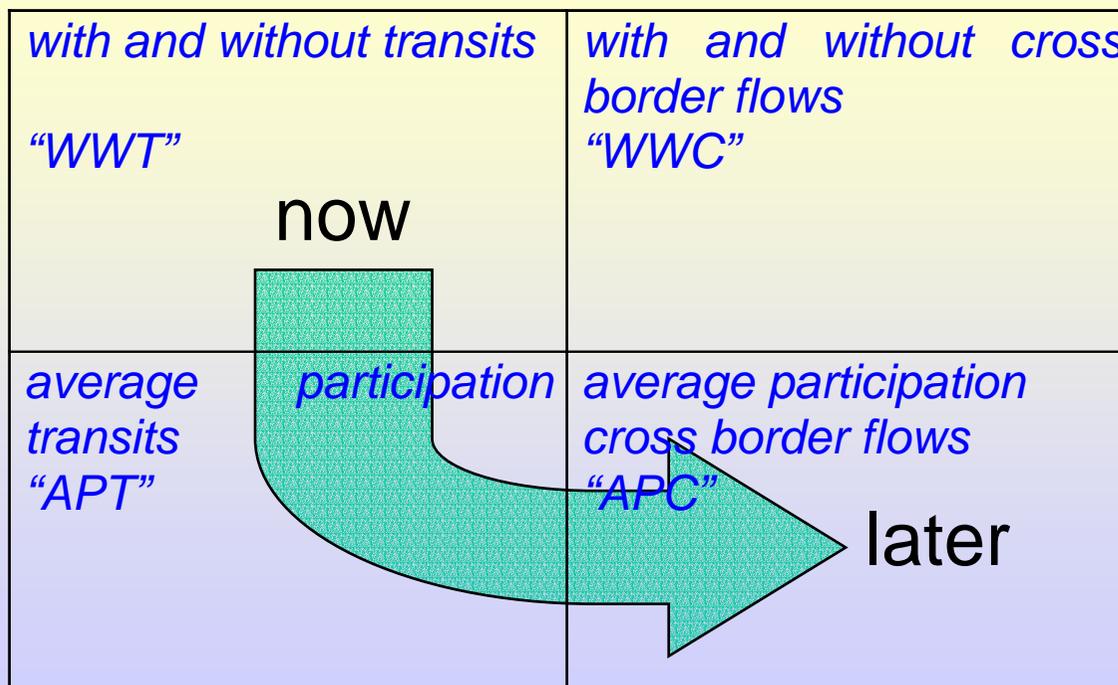




Inter TSO compensation

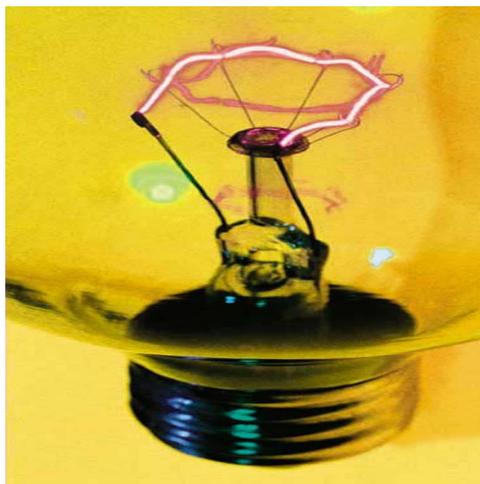


Possible Approaches





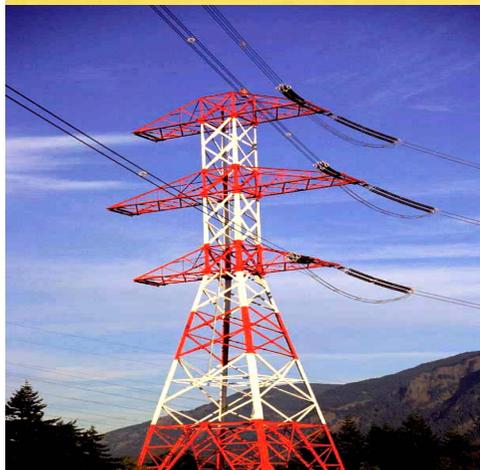
Inter TSO compensation



Option 1: “Flows”

pre Reg Retain agreed “ETSO” model plus Nordic countries participate en bloc. Add UK, Ireland and Candidate Countries

Remove “T component”



post Reg Move to WWT approach along the lines of Nordel MWkm method.

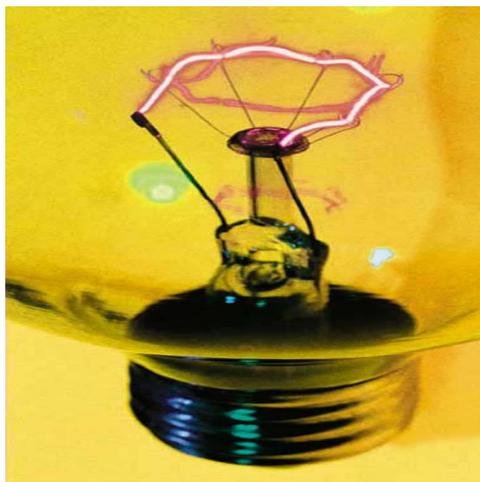
Assign costs to MS on basis of net physical (in/out)flow [50:50 rule]

Model to cover both investment and losses





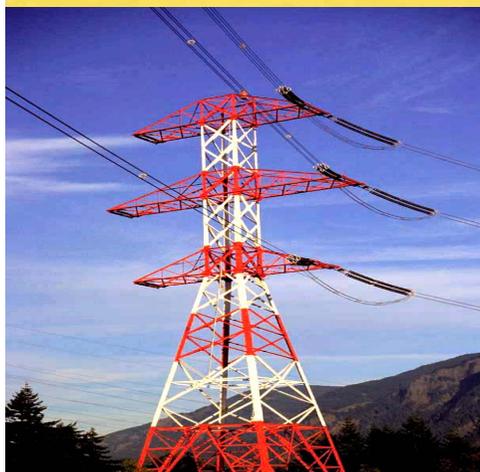
Inter TSO compensation



Option 2: “Flows”

*pre Reg Retain agreed “ETSO” model plus
Nordic countries participate en
bloc. Add UK, Ireland and Candidate
Countries*

Remove “T component”



post Reg Move to APC

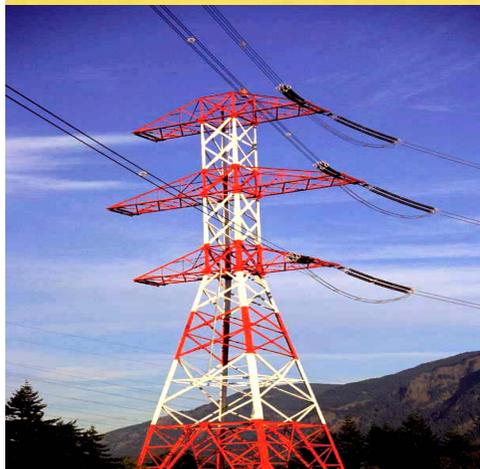
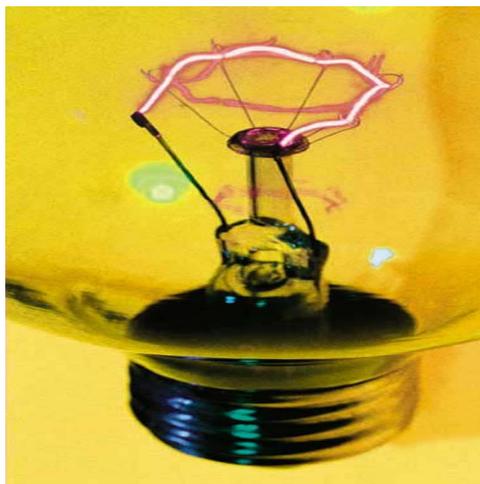
Costs assigned directly by model

*Model to cover both investment and
losses*





Inter TSO compensation



Suggested Approach “Costs”

pre Reg Regulated Revenue Base

post Reg “Compensation Revenue Base” only for this exercise

estimated forward looking replacement costs for each MS

6% real pre-tax cost of capital

40 year depreciation

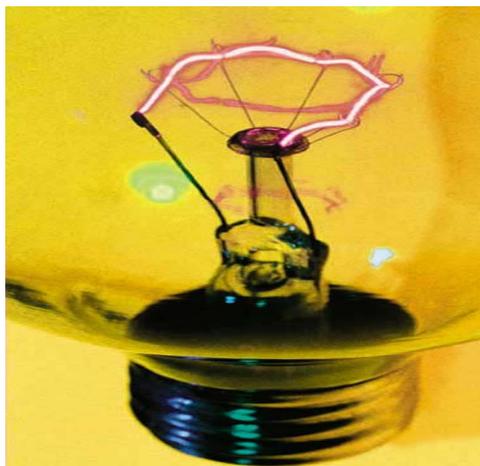
2½% operating cost ratio

To include all assets at full cost, even if not fully utilised



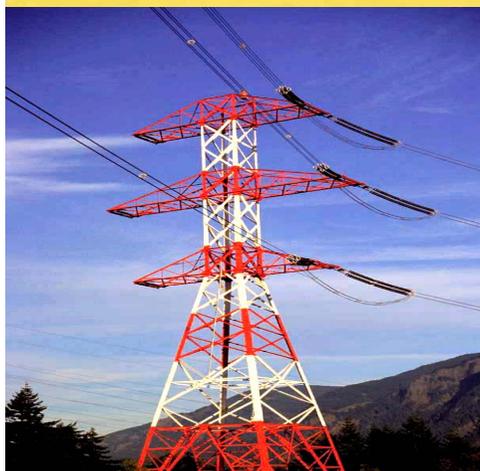


Inter TSO compensation



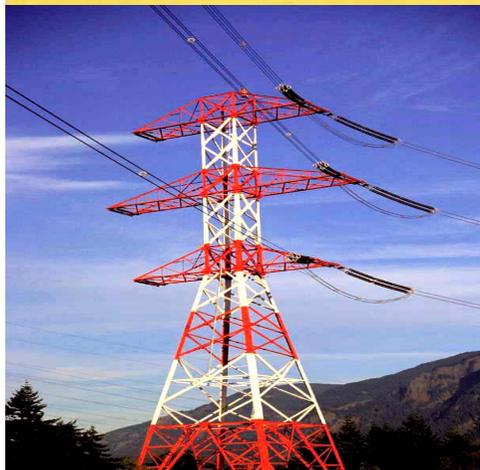
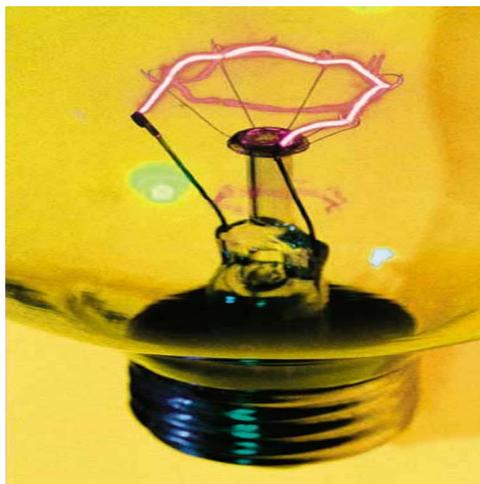
Timetable

- *Objective is to cause minimum disruption to current payment process*





Inter TSO compensation



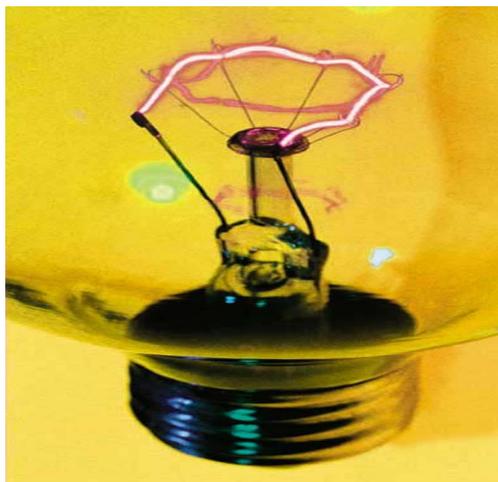
Collection of contributions to fund

- *No direct link between contributions and setting locational signals*
- *MS can collect in any way they like provided that comply with overall guidelines on tariffication*
- *BUT no transaction based charges*



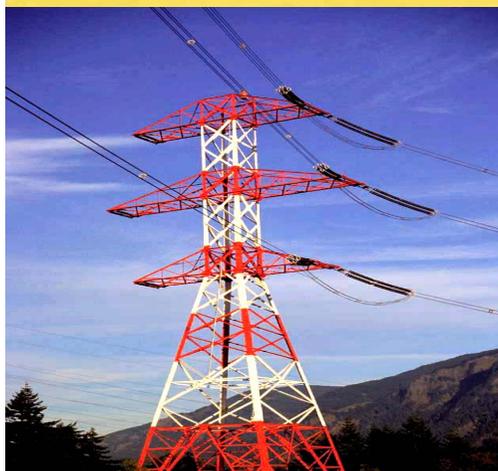


Inter TSO compensation



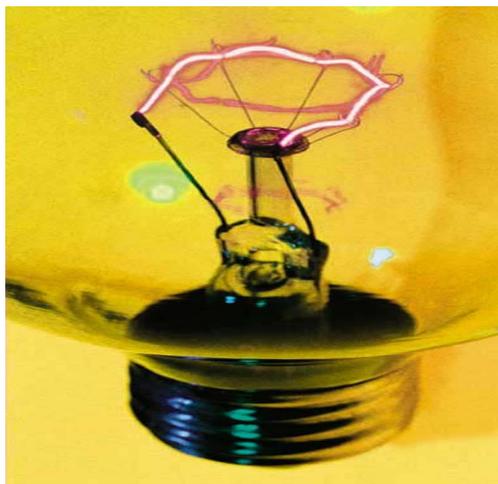
Accession\Third countries

- *Acceding countries to comply with all guidelines from July 2004.*
- *Others are encouraged to participate If not, possibility to retain injection fee.*



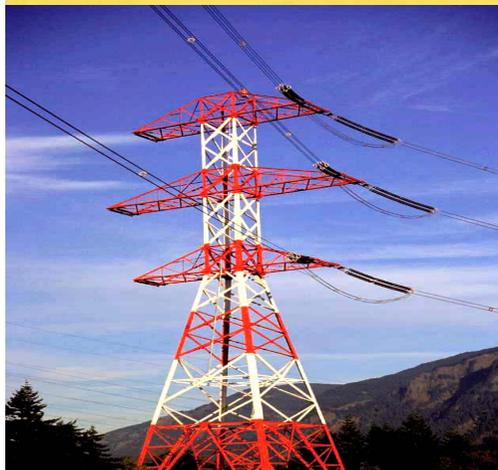


Inter TSO compensation



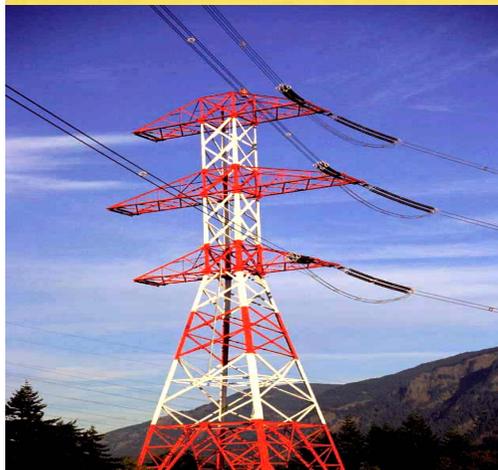
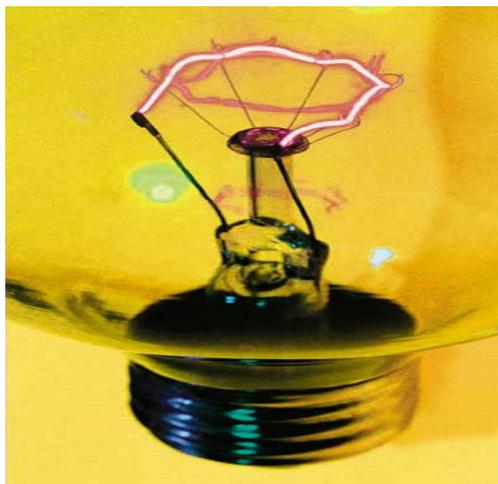
DC lines

- *In principal, these are no different from any other*
- *Compensation will replace need for specific interconnector charges*
- *Possibility to treat an unbundled interconnector as a separate “TSO” for making payments*





Inter TSO compensation



Participants are invited to express their views

