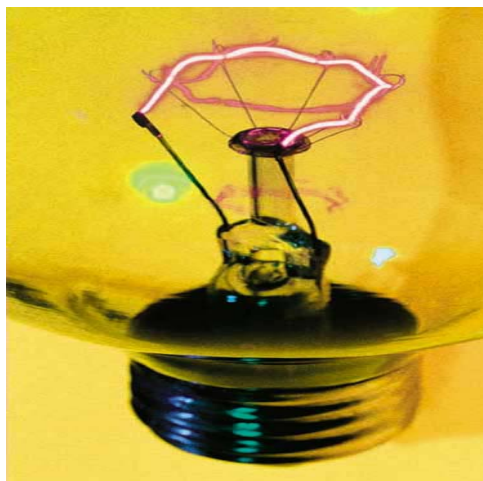
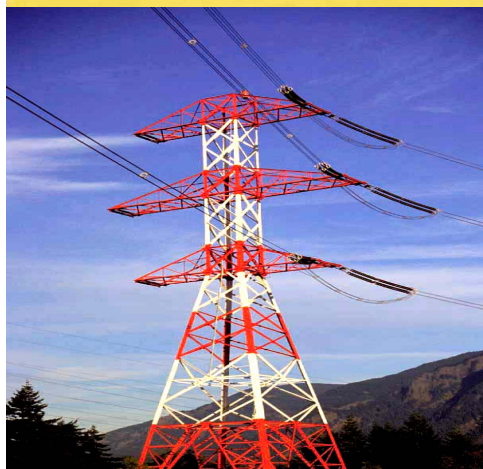




European Commission DG Energy and Transport



Consultation on guidelines for inter TSO payments



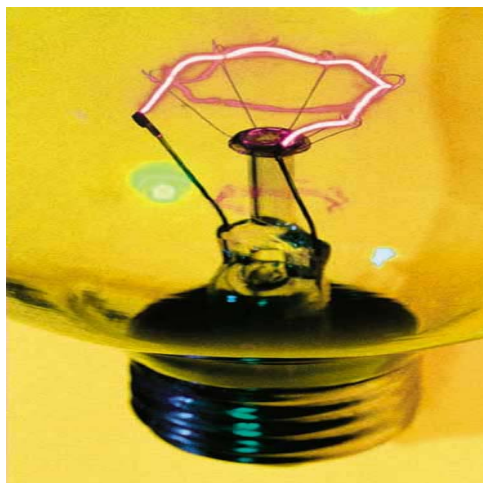
William Webster
Electricity and Gas Unit
William.Webster@cec.eu.int



Directorate General for Energy and Transport



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

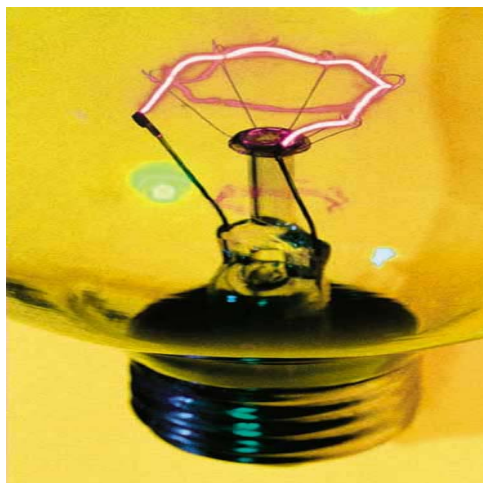
Recognises that a flow involving only two Member States might have a different impact on each others' network

(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)

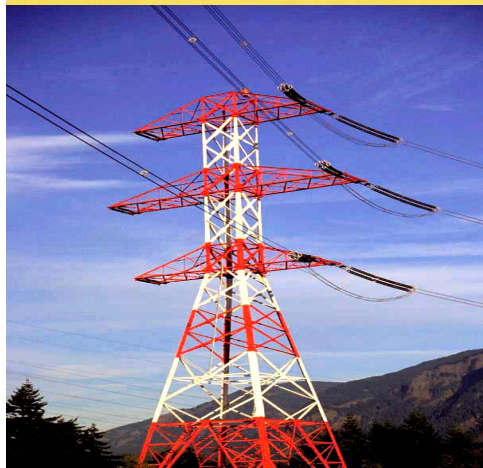
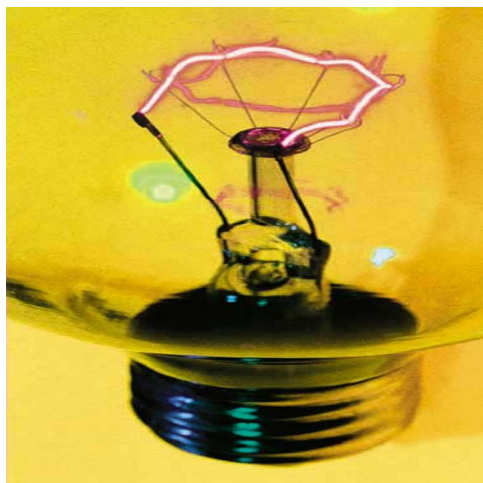
Does track flows back using a simple heuristic rule

Does require more centralised calculation process

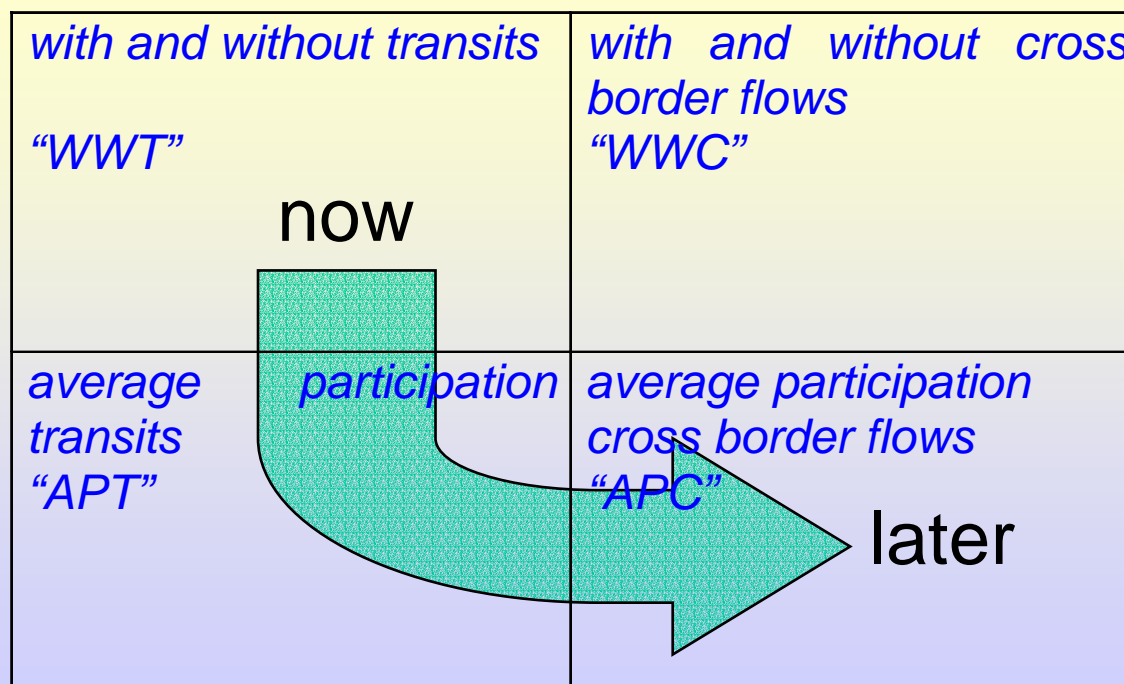




Inter TSO compensation

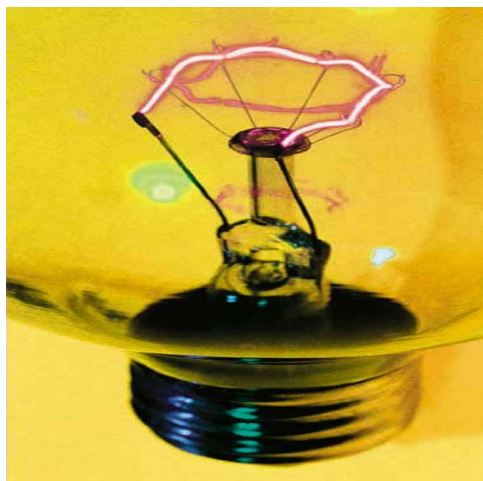


Possible Approaches





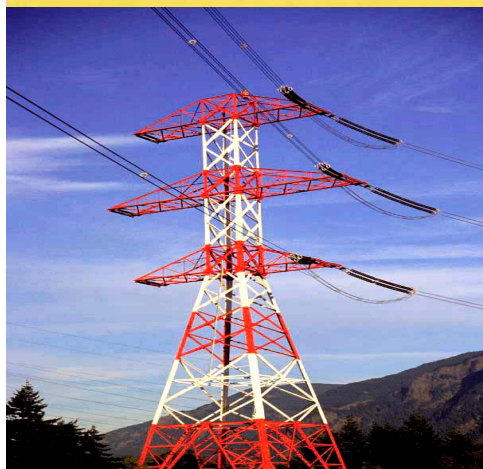
Inter TSO compensation



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.*

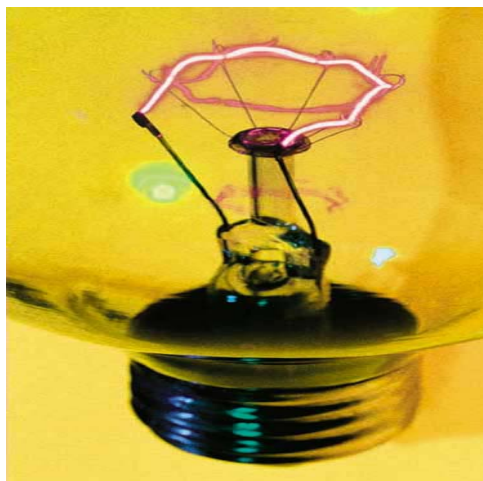
*Assign costs to MS on basis of net
physical (in/out)flow [50:50 rule]*

*Model to cover both investment and
losses*





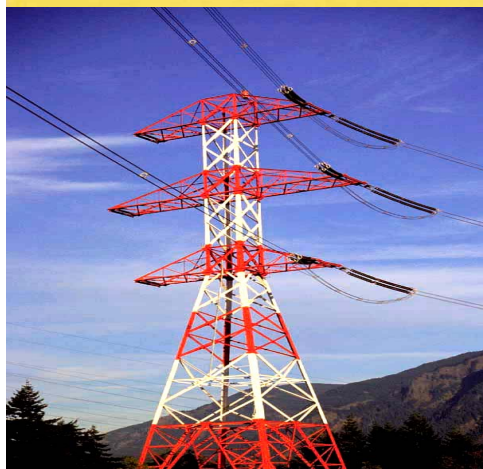
Inter TSO compensation



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

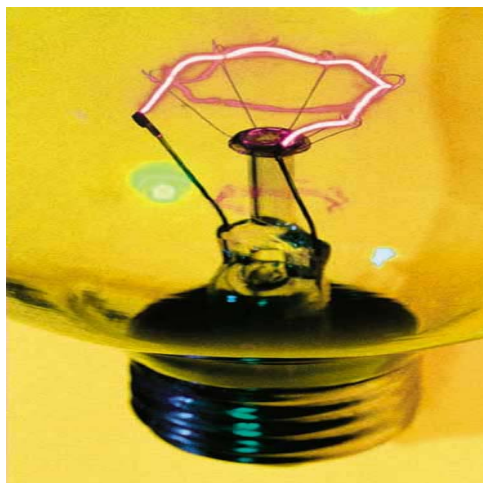
Costs assigned directly by model

*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

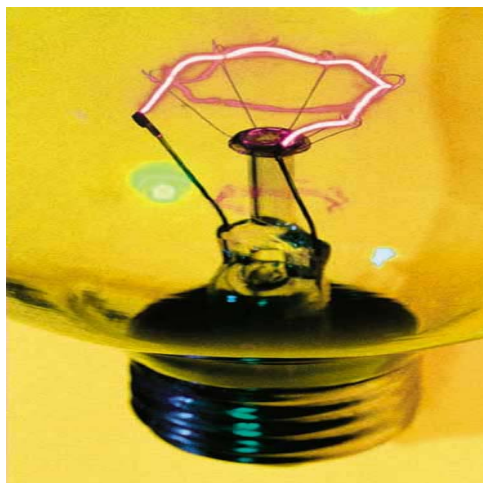
2½% operating cost ratio

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





Inter TSO compensation



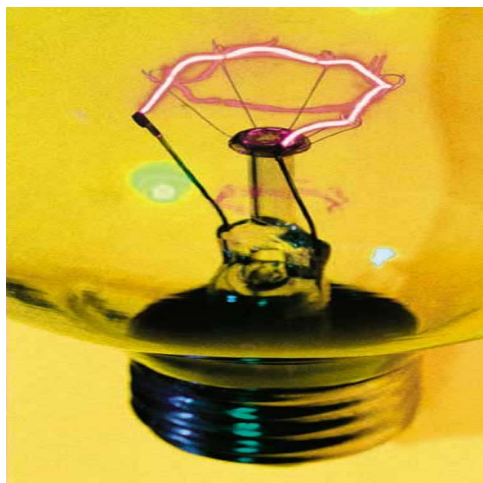
Timetable

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



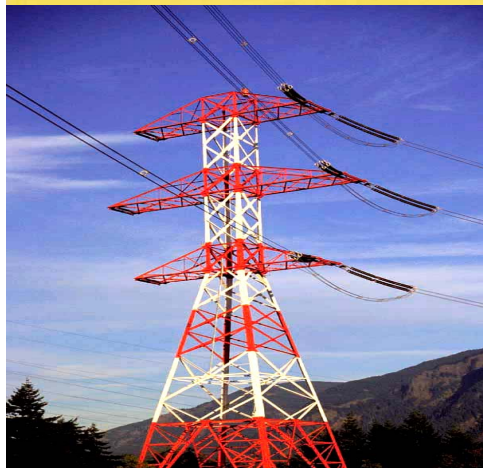


Inter TSO compensation



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 tarification*
- *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*
- *Possiblity to treat an unbundled interconnector as a separate “TSO” for making payments*





Inter TSO compensation



Participants are invited to express their views

