



EUROPEAN COMMISSION
DIRECTORATE-GENERAL ENERGY AND TRANSPORT

General Affairs
Internal Market, Public Service, Competition & Application of Community Law

Brussels,
ENER/A3/KP/sb

Minutes of the second meeting of the Florence Working Group – 12-01-2000

The second meeting of the Florence Working Group (hereinafter referred to as FWG), was chaired by D. Ristori (Director A- DG TREN). A list of participants is attached (Annex 1).

Mr. Ristori gave an outline of the new Energy and Transport Directorate General and circulated the new organigramme of DG TREN. He announced that Mr. K. Kellner from the Austrian Economics ministry and participant in the FWG has been nominated as head of the Unit Electricity and Nuclear Energy (TREN – C4). He will take up his duties on the 1st of March.

Planning of further work of the FWG

Subsequently he gave an overview of the dates of forthcoming meetings which are crucial for the planning of the work of the FWG:

| | |
|--|---------------------|
| Florence Regulatory Forum | 30-31 March |
| High Level meeting of Energy Directors General | 13 April - Lisbonne |
| Energy Council | 30 May - Brussels |

Mr. Ristori stressed the importance the Council attaches to a rapid conclusion of the cross border and congestion management issues. The Council expects a solution to be presented to the High Level meeting of the 13th of April. This means that at the next Florence Forum the agreement reached at the FWG will have to be presented to the plenary. In the second week of March therefore the FWG will have to conclude its work in order for participants at the plenary Florence Forum to be able to prepare the meeting.

M. Ristori reminded the participants of the FWG that, if at the Florence Forum no solution can be adopted to the cross-border tariffication issue, the Council would ask the Commission to act.

Given the tight schedule for the preparations of the Florence Forum, Mrs. Harrison asked for the minutes and any relevant documents of the FWG to be sent to the Member States in order for them to be kept informed of the progress on a regular basis. Mr. Ristori welcomed this proposal and agreed that the Commission would circulate the minutes and any relevant documents to the Member States. In addition, the Commission will provide direct oral information about the progress of the work to the Energy Working Group of

the Council. In addition, a copy of a document prepared by Dti and Ofgem was distributed.

Cross border tarification

It has been agreed in Florence that extra costs caused by cross border transactions will be recuperated through inter TSO-payments, to be paid via the G and L charges. It was equally agreed that an approach for the calculation of these inter TSO-payments would be based on a factor of the level of losses incurred in each transmission system network due to international trade. At the last FWG an element of the necessary investments in the transmission network system were added to a factor of the losses. It was felt that countries supporting a dis-proportionally high amount of transit and loop-flows due to cross-border trade would have to be compensated in some way, in order for an acceptable solution to be found.

The SP-PO-IT regulators have prepared a concrete discussion document concerning the computation of inter-TSO payments based on a factor of the losses. Mr. Perez Arriaga presented the document. For details on the proposal – see Annex 2.

The regulators agree that in addition to this, ETSO can present for consideration some specific investments which specific countries judge to be particularly necessary and relevant for cross-border trade. The regulators feel that such exceptional additional charges should not be totally included in the rate base for the internal G and L charges.

The contribution of the regulators was welcomed by ETSO. However, being presented with the proposal at the meeting, ETSO reserved its judgement until the meeting of the next sub-group.

Mr. Vasconcelos indicated that there are three steps to be taken:

- to define what the costs are caused by cross border trade
- to agree on a repartition of these costs among the different TSO's
- to agree at national level how different network users will contribute to these costs.

According to him, it is fundamental that the Commission monitors the repartition of costs among domestic network users to avoid any attribution of costs that might distort trade.

Mr. Pototschnig felt that the proposal by the regulators constitutes a crude basis but a clear way forward. According to him it has to be decided before the meeting of the sub-group what kind of modelling the TSO's will agree to undertake to carry out the computation and inter TSO-payments.

Mr. Ristori found the regulators' proposal to be a workable basis for a solution and invited ETSO to prepare the necessary modelling work.

Mr. Hoelsaeter fully agreed that a simplified solution is the only possible way forward given the time constraints we are working under. However, he did stress that the solution would have to be acceptable to all players and that it was impossible for ETSO to give a reaction to the proposal today.

Congestion management

Mr. Ristori underlined the importance of the transparency and of the availability of correct data as to the availability of interconnection capacity to the market players. It will

