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Minutes of the third meeting of the Florence Working Group 22 February 2000

The meeting of the Florence Working Group (hereinafter referred to as FWG), was chaired by Mr. C. Jones (Head of Unit A2 - DG TREN). A list of participants is attached (Annex 1).

Before starting with the agenda points, Mr. Jones clarified the geographical coverage of any rules that will be adopted. The rules concerning cross border tariffication will apply to the part of the European Union in continental Europe. The UK, Ireland and the Nordel area are exempted. Should these rules be appropriate for to these areas, then consideration could be given to applying them to these areas as well.

On a question concerning the final version of the document on congestion management that was circulated at the Florence Forum, Mr. Jones replied that the document distributed then will be used as a working basis.

Cross border tariffication

Mr. Merlin reported on the meeting of the ETSO Steering Committee of 16 February. Agreement has been reached on the introduction of a postage stamp (possibly differentiated among synchronous areas) to be paid by exporting generators and traders to recover the costs caused by cross border transmission. ETSO does not favour the approach of a differentiated postage stamp, so as not to distinguish between generators/traders.

ETSO will carry out two simulations:

- one based on losses caused by cross border transmissions multiplied by 2, as included in the Florence conclusions
- one based on the ETSO proposal to include full horizontal network costs related to cross border transmission.

An allocation key has not been approved by the Steering Committee, but it will be based on measured flows at the borders. Inter TSO-payments would be based on the same allocation key.

ETSO is collecting the data from the TSO's as to the value of their network assets that are totally or partially used to facilitate cross border transmission. Once these data are available the numbers can be put to the ETSO proposal.

C. Jones remarked that the question of inter TSO payments now still needs to be resolved and also the question of how the money should be raised. Regulators obviously do not have to accept the ETSO proposal, but the Commission has no problem with ETSO proposing such a solution.

Several regulators remarked that the question of who pays the postage stamp should be left to subsidiarity.

Mr. Perez Arriaga remarked that the ETSO approach has the advantage of being simple, but the disadvantage of being arbitrary. Furthermore there is a risk that this would lead to high inter TSO payments, as TSO's would tend to overestimate the part of the network affected by cross border trade. As no compensation has been received until now for these cross border transmissions, there is a risk of windfall contribution to the TSO's. He questioned the appropriateness of putting the postage stamp on exporting generators and traders and remarked that the proposed solution does not contain location signals for market players.

ETSO remarked that the solution proposed is a quick, workable solution, as requested by the Council. Of course the solution will be improved upon.

Timing

ETSO will present a more elaborated version of its approach on 17 March to all participants of the FWG by e-mail. On 23 March ETSO will send its approach, including the figures, to all participants of the Florence Forum by e-mail **and** courier mail, so as to allow for useful preparation of the Forum.

The Commission will provide ETSO with the addresses of the Forum participants to this effect.

Congestion management

Mr. Bornard reported that for the border of Denmark-Germany and Spain-France agreement had been reached of introducing an auction mechanism to allocate capacity.

Mr. Bornard reported that the indicative values of net transfer capacities (NTC) will be posted on the ETSO web site by the end of March. It is impossible to provide a high degree of accuracy in these values as the real values are always smaller than the figures one would arrive at by adding the individual values. To assist the market players in the use of these figures two guides will be produced by ETSO, one specifically for electrical engineers and another for market players without an electrical engineering background.

On the question whether information would be provided as to how the ATC/NTC were arrived at, Mr. Bornard confirmed that the way in which the individual TSO's arrive at their values will be published.

Conclusion

C. Jones summarised the meeting by saying that ETSO had made a useful step further and that it could be now a matter of establishing the methodologies for raising the necessary finance and for the distribution of the money raised. This could be decided at regulatory level.

K. Prins

Cc: Participants of FWG
Participants of Florence Regulatory Forum
Messrs F. Lamoureux, D. Ristori
Mrs Carrillo Dorado, Cabinet of Mrs De Palacio