

GEODE POSITION ON EUROPEAN ELECTRICITY MARKETS

**RESPONSE TO THE GREEN PAPER
A EUROPEAN STRATEGY FOR SUSTAINABLE;
COMPETITIVE AND SECURE ENERGY**

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Dipl-Kfm Hermann Schmeink, Berlin



General Evaluation of the Green Paper

- o GEODE welcomes the opportunity to respond to the Commission's Green paper and has issued its response to this document, which we consider to be a good basis for debate on the main issues affecting the energy market
- o GEODE as the European Association of independent energy distributors has focused its response to the key area competitiveness and internal market



Competitiveness and internal market

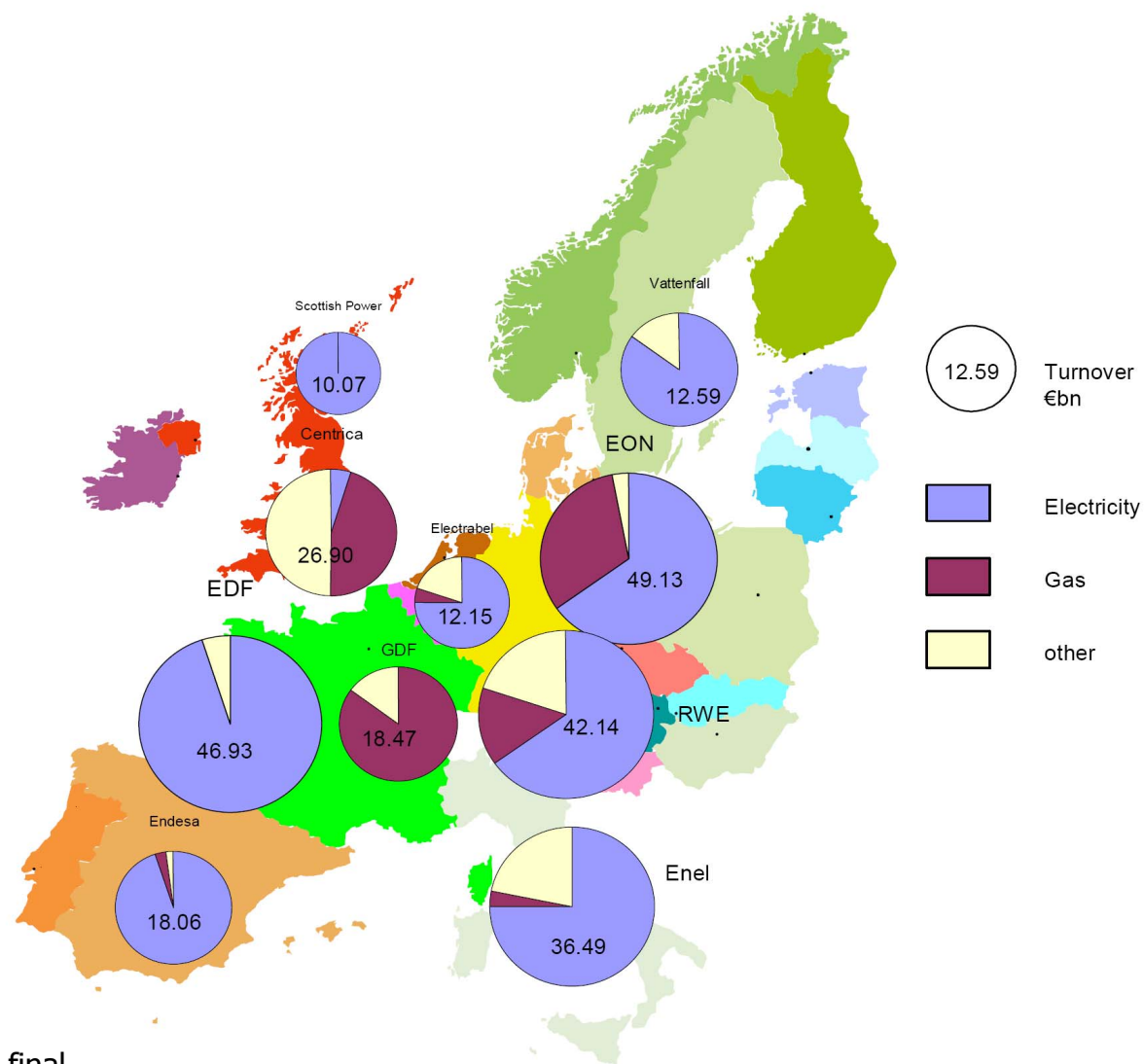
CURRENT SITUATION OF EUROPEAN ELECTRICITY MARKETS

- o Europe divided into many geographic and national electricity sub-markets
- o Different competition levels between market areas
- o Despite progress, TSO's still operate in a rather isolated way
- o Existence of bottle necks limit trade and a homogeneous market development
- o Market concentration, increasing market power of dominant generators and vertically integrated companies



Competitiveness and internal market

Turnover of the biggest energy companies in the EU



source: COM(2005)568 final



Competitiveness and internal market

Transparency and internet based daily information flow is vital for good competition and should be developed in the areas of:

- o Generation
- o Transmission
- o Distribution
- o Maintenance - Load



Generation

- o Competition has to be stimulated in the generation market. Facilitate new investment and new entrants.
- o National generation is dominated by an oligopoly, it lies in hands of few dominant players
- o GEODE suggests:
 - o Strict regulations to get fair access to transmission system for IPP as well as distribution networks
 - o Transparency of power generation in the wholesale market
 - o If not sufficient, to legally unbundle power generation from distribution on a compulsory basis



Transmission

- o TSO`s are often part of an integrated group, and can use access to restricted information for their own advantage.
- o Geode requires:
 - o Sufficient and transparent information related to transmission
 - o Actuality of an internet based information platform, accessible for all stake holders
 - o Integrated regime of balance power considering the supply and demand side
 - o Support increase of capacity where necessary
 - o Solve congestion management issues by a redispatching model among the relevant TSO`s
 - o Actual price information should be given
 - o Limit the number of TSO`s. Ownership unbundling from generation.



Distribution

- o Introduction of an obligatory regime to ensure DSO's a reasonable level of cooperation and collaboration with TSO's permitting cross border transactions respectively cross TSO's transactions to be fulfilled
- o Effective unbundling between TSO's and DSO's is needed as some of the TSO's are also DSO's
- o Avoid cross subsidizing between DSO's and TSO's.
- o Actual price information should be given
- o Information on relevant data with respect to the TSO's



Maintenance - Load

- o Maintenance will have the effect to restrict transport, distribution and generation
- o Geode requires:
 - o Full set of daily and internet based information for all stake holders
 - o Balance of electricity flows between member states which are important to have a sound level of price prognosis



Competetivness and internal market

Cross border Trade

- o Border capacities
- o Interconnection management
- o Balance power regime
- o Harmonization of cross-border trades



Cross-Border Trade


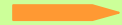

Interconnection Capacities

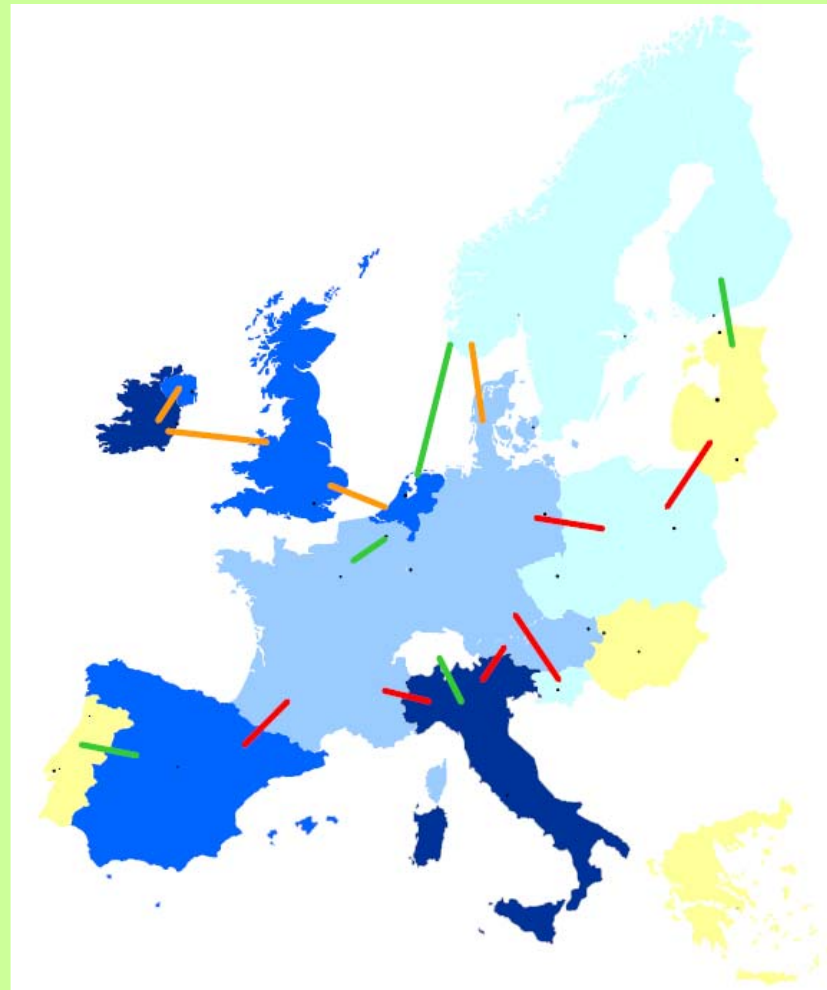
- Lack of market integration is largely due to the fact that the interconnection capacity available to the market between many Member States is still broadly insufficient to allow proper integration of national markets and competitive pressure from imports
- Energy exchanges lack necessary liquidity and do not exist in sufficient numbers and do not enough volume
- Congestion is still frequent at many borders in the EU
- The decision of the European Council 2002 in Barcelona that all Member States must have interconnection capacity equivalent to at least 10% of their national consumption has to be achieved in near future, it should be higher in MS with high level of concentration
- Persisting bottlenecks in electricity infrastructure need to be removed



Cross-Border Trade

Missing Infrastructure Links

-  Infrastructure under construction or complete
-  Infrastructure under consideration
-  No progress on new infrastructure



source: COM(2005)568 final

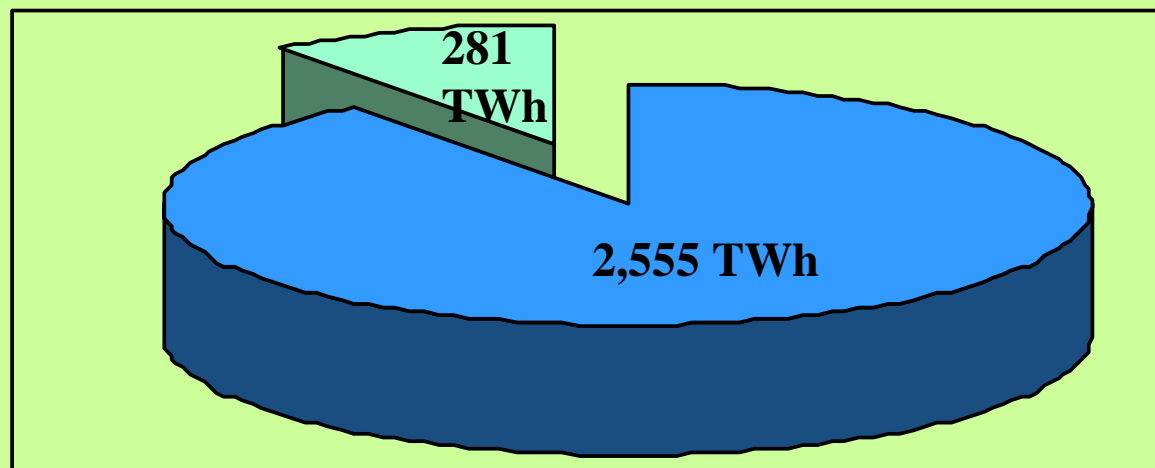
Cross-Border Trade

Congestion Management

- o Congestion Management is of the greatest importance for the development of a single European market
- o Congestion must not be used as an excuse for dominant players to keep national markets closed
- o GEODE supports redispatching or counter trading mechanisms as adequate management tools to control congestions
- o Explicit auctions are very complex systems, local and regional players can not afford to deal with them. Implicit auctions are a better option in the longer run since they permit better utilisation of the existing capacity (good experience in Nordic countries exist)



Quota of congestion on the total EU electricity consumption



- Electricity Consumption EU 25
- Congestion EU 25

Cross-Border Trade

Balance Power Regime

- o Inhomogenous regime is a barrier to new market participants. A homogenous regime is required.
- o All market players must be able to take care of their own balancing arrangements within certain rules.
- o Regulatory bodies should assert their authority to transnational balancing zones
- o Balancing regimes shall be fully market based and organised in cooperation between TSO's and power exchanges



Competitiveness and internal market

European Regulator

- o GEODE generally welcomes the idea of a European Regulator to look at cross-border issues



Summary

- GEODE considers the Green Paper as a good basis for debate on the main issues affecting the energy market.
- On GEODE's point of view the Main issues are:
 - Harmonization of the balance power regime in Europe
 - Transparency and availability of information's
 - Congestion Management through a fair and non-discriminating mechanism
 - Introduction of a European Regulator

