



Association of Power
Exchanges – EuroPEX

EuroPEX POSITION REGARDING TECHNICAL CONSTRAINT SOLUTION BETWEEN DIFFERENT ELECTRICAL SYSTEMS (MANAGEMENT OF CONGESTIONS)



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**EuroPEX position regarding technical constraint solution between
different electrical systems (management of congestions)**

First of all, the improvement of the infrastructures so as to eliminate permanent technical constraints on them should be encouraged, and the justification should not be based on the money that could be obtained from the auction of the rights to use this infrastructures:

- If investments in new interconnections, domestic or international, would be based on expected incomes from explicit auctions of them, once the interconnection is in place, prices between the electrical areas tend to be the same, and the transport company realizes that part of the expected incomes will disappear.
- Explicit auctions imply to consolidate price differences between electrical areas. Especially if the objective of the transport company is to raise money from the energy market, precisely, for an amount similar or equal to the price difference.
- If networks are reattributed as a regulated activity, its income should be incompatible with other incomes from activities in competition.

While they exist, EuroPEX believes that solving the technical constraints in the border between the different electrical systems of the member states segmenting the electric energy market between the energy market itself and a separate market for the available commercial capacity, is not a good approach, and in any case does not go in the line of promoting a unique interior electricity market.



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As with the access tariff issue, any kind of approach should go in the direction of the final solution, therefore the technical constraints between the electrical systems of the different member states, should be solved in the same way, as the rest of the technical constraints within the future integrated European network, will be solved.

In line with the thoughts of the previous Florence Forum proposals, EuroPEX supports the so called “market splitting”, as the most desirable solution for the technical constraints problem.

Proposed transition between the present situation and the market splitting final solution, in case that implicit auctions are not accepted in some markets as an immediate solution.

The solution of the congestion problem should be governed by some principles:

- It should not fragment the energy market in different separated markets of different products, that, at the end, all of them are needed for transacting electricity between the different systems.
- The procedures should be simple to apply.
- Since network congestions are always a consequence of the net flow between the two electricity flow directions, any solution given to the congestion problem should take full advantage of the **netting** possibilities.
- The proposed solution should never assign permanent rights for the capacity. The method should maintain the principle of “use it or loose it” that implies the **free** use by someone else of the capacity, in case the previously assigned agent does not utilize it at the end.



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- Capacity auctions, either implicit or explicit, should not have a minimum price, in case there are less potential users than capacity available.
- The information flows to all market participants of the congestion situation, indicating prices and capacities available should be established.
- Temporarily, explicit auctions in advance could be acceptable **only** in case the following additional principles are respected:
 - Explicit capacity auctions will not be mandatory.
 - If there is no congestion, explicit capacity auctions will not be applied.
 - The objective of the capacity auctions is to solve the technical constraints in the border between two member states electrical networks, in no case should be confused with a source of income for any party involved.
 - The capacity should be auctioned by market operators, and capacity auctions should be **combined** with energy auctions as much as possible.
 - The netting possibilities of opposite direction flows should always be used.
 - Never an explicitly auction will involve maximizing the auction revenues or benefits.



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If the above indicated principles are not respected, explicit auctions are not considered acceptable in any manner, because it will not be possible to organize them in a way that contributes to the internal market well functioning.

The current proposed regulation establishes some principles on which the solution for congestions in the borders between member states should be based. It indicates:

“In view of this situation, a harmonized Community framework on tariffs for cross-border transactions and on the allocation of available interconnection capacities is necessary.

The electricity directive does not contain specific rules for cross border transactions. However, this does not mean that this issue can be solved by relying exclusively on national measures. It was in the logic of a gradual approach to implementing the internal electricity market that specific issues remain to be addressed after the principal strategic implementation choices have been made by the Member States. Experience has confirmed the assessment made by the Commission already at an early stage that the issue needs to be addressed through joint action at the Community level.”

EuroPEX also agrees that the main aspects of the solution to the problem should be included in the regulation and with sufficient level of detail, so as to ensure the success of the convergence process towards a unified treatment of the whole European network as a unique electrical system.