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# **Cross Border Tarification**

**Discussion paper:  
Harmonisation of G and L**

**Florence Forum  
21-22/2/2002**

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## **Need for Harmonisation**

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- 1. Important differences between Transmission Tariffs**  
the highest = 3.5 times the lowest  
without the extremes: 1 to 2.
  - 2. G: the key factor to avoid distortions of competition between generators**  
actually  $G=0$  (5 countries of which 2 provis.)  
and G: from 0.24 to 2.32€/Mwh (10 countries)
  - 3. L always higher than G**
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## Possible Options

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1. **No harmonisation**  
=>  $G=0$  at the end ?
  2. **Harmonisation in percentage terms**
  3. **Fixed Value of G**  
 $G = 0$   
or  $G \neq 0$
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## Possible options (1) : No Harmonisation

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- ◆ No harmonisation creates distortions of competition
  - ◆ Complaints from generators where  $G \neq 0$
  - ◆ At the end, (? Years) 'natural or chaotic alignment' to the lowest  $G$ , ie  $G=0$ .
  - ◆ Time and Resources consuming
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## **Possible options (2) :** **Harmonisation in percentage terms** **(eg: G=25% L=75%)**

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- ◆ **Remaining distortions of Competition due to differences between overall tariffs**
  - ◆ **No harmonisation envisaged between capacity and energy charges**
  - ◆ **Definition and Monitoring problems**
    - ✦ Based on which Reference Case ?
    - ✦ or on total revenue?
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## **Possible options (2) :** **Harmonisation in percentage terms** **(ex: G=25% L=75%)**

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### **♦ If fixed percentage between TSOs Revenues**

- ✦ favors generators of net exporting countries and is unfair for generators of importing countries
  - ✦ because more generators contribute to the same part in exporting countries and less generators contribute in importing countries
  - ✦ ex: G (Fr) ~21% and G (It. & NI) ~29%
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## Possible Options (3a)

### Fixed value of G

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#### 1. $G=0$

- The easiest one, but extremely simplistic
  - Already in place in some countries
  - If locational signals : negative values of G in some regions
  - In exporting countries, network developments for exports paid by national consumers
  - no charge for generators, who use the network, seen as unfair
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## Possible Options (3b) Fixed value of G

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### 2. **G= fixed value #0** (*the Basic G*)

a proposed figure could be close to 25% of an average European Transmission Tariff

could be composed of a fixed capacity and energy component each covering 50% of the total

**Places all generators on a strictly equal footing**

**More likely to remain positive after application of locational signals (+ or -)**

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## **Locational Signals to be added (+ or -) to the Basic G**

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- 1. National Locational Signals** capacity & losses  
national average should be zero €
  - 2. International Locational Signal** (eventually)
    - \* additional charge to G in exporting countries  
and corresponding reduction of L
    - \* additional charge to L in importing countries and  
corresponding reduction of G

=> reduces the difference of prices between  
the exporting and importing countries.
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## **Conclusion: Overall G**

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### **BASIC G**

- + - National Locational Signals**  
capacity & losses
  - + - International Locational Signals (eventually)**
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