



Association of Power
Exchanges – EuroPEX

**EuroPEX POSITION REGARDING
THE “ETSO PROPOSAL FOR A
TEMPORARY CBT MECHANISM”,
THE CEER PROPOSAL FOR
“INTER-TSO PAYMENT SCHEME”
AND THE NETWORK ACCESS
TARIFFS IN THE EUROPEAN
NETWORK**



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EuroPEX position regarding the “ETSO proposal for a temporary CBT Mechanism”, the CEER proposal for “Inter-TSO payment scheme” and the network access tariffs in the European network

Introduction

In this notes the EuroPEX position will be described with respect to

- The proposal from ETSO for a “Temporary CBT Mechanism”
- The proposal from CEER for an “inter-TSO payment scheme”
- The EuroPEX position with respect to the network access tariffs in the global European network.

The ETSO interim proposal starts by copying the conclusions of the 7th Regulators forum in Florence (May 2001), and explicitly states that payments on exports “did not find enough support at the Forum”. The interim proposal includes a payment on declared exports that is obviously against the Florence Forum opinion.

EuroPEX opinion is that the solution given to this “Inter-TSO payment scheme” (the CEER name for the subject is better than the ETSO name “CBT Mechanism”) should be in the direction of creating an environment for participants similar to the one that would exist if all the European interconnected network was already treated as an integrated unique network, and be no more costly to them. In such a network, losses would need to be taken into account. This should include the potential for injections of power or extraction of consumption can reduce losses and could attract payment, not a charge.



Description of the final solution for the Inter-TSO payments proposed by CEER

The principles expressed by the CEER (European Regulators) that should govern the final inter TSO payment scheme are:

Inter-TSO payments scheme

1. *The inter-TSO payment scheme should only consider losses and new investments*

As an underlying principle, no other costs should be attributable to cross-border transmission beyond the costs of losses and justifiable new investments.

2. *The allocation of inter-TSO payments or revenues on national network tariffs should be harmonised* payments and revenues from this scheme should be allocated to all network users and be fully compliant with the general principles for transmission network tariffication. As a result, it is recommended that payments be debited to all L's in importing systems and all G's in exporting systems and to use revenues to credit all L's in exporting countries and all G's in importing countries. In so much as the system allows any flexibility, it is important that selective allocations are forbidden: surpluses (deficits) must be applied to all G or all L or both.

3. *New investments considered under the inter-TSO payments scheme require unambiguous rules* Unambiguous rules should be developed in order to identify those reinforcements which are – totally or partly – justified on the basis of loop flows and transits. Such investments will be referred to as CBT investments.

One or more TSOs may propose an investment for consideration as a CBT investment. The responsibility to make planning decisions about CBT investments should be clearly allocated to one or more parties, which will be commercially accountable for that decision. The costs of the CBT investments should be shared among those parties benefiting from them, according to rules yet to be developed by CEER and ETSO. New CBT investments should, in the first instance, be funded through congestion rents. There may also be a role for the European Commission's Trans-European Networks (TENs) programme where expected congestion are insufficient or there is market failure and private finance cannot be raised.

4. *Infrastructure costs for clearly defined existing networks*

TSOs operating systems which are used for transit or loop-flows may have part of their existing network costs compensated by other TSOs. This can be achieved either via the inter-TSO payment scheme as an exemption from guideline 5 when incremental flows from CBT are is proportionately large in comparison to domestic consumption and precisely because of their peculiar situation, or through bilateral or regional arrangements. The compensation mechanism must not distort trade within the internal market.



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ETSO should propose to regulators the harmonized rules upon which exemptions should be based. Regulators will assess the rules and the proposed exemptions in relation to the distribution of the total L & G tariffs across Europe and to the benefits the exempted network offers to all network users. To be exempted the volume of transits alone will not be regarded as a sufficient criterion. In addition, a large proportion of network flows will have to be from external parties for a TSO to be able to claim an exemption. An evaluation of the benefits to the TSO claiming exemption that may be derived from the existence of the interconnection and transit flows should also be taken into account.

Comparison between the ETSO interim solution and the principles of the regulators (CEER).

The ETSO interim solution has very little in common with the principles expressed by the regulators:

- Losses cost are not taken into account (ETSO interim solution) **vs** principle number 1 that require losses to be the basis for computing the cost to be paid (CEER principles).
- It includes payments for all the network elements, not only for new investments (ETSO interim solution) **vs** principle number 1 that calls of justifiable new investments (CEER principles).
- It implies a charge to declared exports (ETSO interim solution) **vs** principle number 2 that request that payments or revenues be allocated to all network users (CEER principles).

Advantages and disadvantages of the adoption of an interim solution that has very little in common with the principles expressed by CEER

Advantages

According to ETSO, the adoption of the interim solution will contribute to increase international trading. However there is not any kind of justification of this assumption.



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Disadvantages

Adopting an interim solution so different from the target solution will not help in the discussion of the final solution:

- Today all companies/member states discuss the final solution starting from today's situation.
- The solution proposed by ETSO will modify the current situation in the wrong direction, according to the CEER principles and the Florence Forum conclusions, therefore adopting it will contribute to make the discussion of the final solution even harder. Chances are that those companies/member states that are benefited with the interim solution will not be interested in the development of the final solution.
- Moving from the interim solution to the final solution will, undoubtedly, mean losing money for some companies/member states.
- The interim solutions, since it charges exports, will discourage exporters and trade.
- The proposed solution implies revealing commercially sensible information regarding who has declared an export.

Work to be done towards the final solution

EuroPEX wishes to offer ETSO and CEER all the possible cooperation in the work to be done towards the final solution definition of the inter-TSO payment scheme.



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EuroPEX proposal for the network access tariffs in the European network

The final solution to be adopted for the global network access tariff should be in line with the following principles:

- The structure of the tariff should be the same independent of the member state electrical network in which you are connected.
- The tariff itself could be different in the different member states but not the structure of it.
- The tariff should be defined trying to integrate the different electric energy markets avoiding any possible fragmentation in different markets of different products such as capacity in border lines, etc...
- In the internal energy market there should not be mechanisms that go against price convergence and arbitrage. Organized electricity exchanges promote this kind of transactions and could, by themselves or with the adequate coordinating mechanisms between them, without the requirement of any kind of monopoly rent. Therefore, there should be no payments associated to the concept of “exporting energy”, since this concept should not be relevant in the internal market.
- The main guiding principles of cross border tariffication should be included in a Community regulation at sufficient level so that all member states have to adopt it.

Based on the above principles, EuroPEX strongly believes that the network access tariffs ground rules, and the intermediate steps to achieve it, should form part of the new Directive and/or Regulation.