

# **GEODE POSITION ON EUROPEAN ELECTRICITY MARKETS**

**CONTRIBUTION TO DG-TREN REPORT  
ON IMPACT OF ELECTRICITY AND GAS  
DIRECTIVES**

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# **CURRENT SITUATION OF EUROPEAN ELECTRICITY MARKETS**

- **Europe divided into many geographic electricity sub-markets**
- **TSO's operate in a rather isolated way**
- **Existence of bottlenecks limiting trade and market development**
- **Increasing market power of dominant generating**
- **Vertically integrated companies**
- **Insufficient number of market players at national level**



# NECESSARY IMPROVEMENTS IN THE PROCESS OF MARKET OPENING (I)

- **CROSS-BORDER TRADE AND CONGESTION:**
  - Congestion must not be used as an excuse for dominant players to keep national markets closed
  - GEODE supports re-dispatching or counter-trading mechanisms as adequate to manage congestions → Good experience in Nordic countries
  - Explicit auctions are very complex systems. Local and regional players can not afford to deal with them. It requires access to information only available to TSO's
  - Effectiveness of implicit auctions is still unclear



# **NECESSARY IMPROVEMENTS IN THE PROCESS OF MARKET OPENING (II)**

- **STRONGER COOPERATION BETWEEN TSO's:**
  - To facilitate cross-border transactions
  - Establishment of a single European TSO



# NECESSARY IMPROVEMENTS IN THE PROCESS OF MARKET OPENING (III)

- **UNBUNDLING:**
  - Transmission operation needs to be separated from other activities
  - Every TSO must be effectively unbundled from other activities of a vertically integrated company →to avoid conflict of interests
- **ADEQUATE TARIFFICATION SYSTEMS:**
  - Costs for fulfilling distributors functions and obligations have to be included in tariffs to create incentives for investments
  - GEODE supports a system based on rewards rather than a system imposing penalties



# **NECESSARY IMPROVEMENTS IN THE PROCESS OF MARKET OPENING (IV)**

- **INTERCONNECTIONS:** have to be improved in quantity and quality:
  - Lack of necessary liquidity in energy exchanges does not exist in sufficient numbers
  - The target from EC of increasing interconnections between 10-20%, should be higher in MS with high level of concentration, specially in generation



# NECESSARY IMPROVEMENTS IN THE PROCESS OF MARKET OPENING (V)

- **COMPETITION POLICIES: have to be reinforced**
  - Dilute market power of dominant generating vertically integrated companies
  - Prevent abuse of dominant market positions



# **NECESSARY IMPROVEMENTS IN THE PROCESS OF MARKET OPENING (VI)**

- **BALANCING REGIMES:** could be a barrier to new market participants:
  - All market players must be able to take care of their own balancing arrangements
  - Regulatory bodies should assert their authority to trans-national balancing zones
  - Balancing regimes shall be fully market based and organise in cooperation between TSO's and power exchanges





# NECESSARY IMPROVEMENTS IN THE PROCESS OF MARKET OPENING (VII)

- **POWER GENERATION:** competition has to be stimulated in the generation market:
  - **GEODE suggests:**
    - National level : one to four market dominant players
    - Many difficulties for new IPP to build new power capacity, due to market control by the existing generators. The creation of a European single market will dilute the market power of generators, permitting new IPP to invest in a more competitive framework



# **REINFORCEMENT OF MEASURES TO PROTECT INTERESTS OF CUSTOMERS**

- **TO ENABLE CUSTOMERS TO CHOOSE BETWEEN SUPPLIERS, THE MARKETS MUST:**
  - Include sufficient number of players applying transparent prices and conditions
- **TO REINFORCE THE POSITION OF DISTRIBUTORS AS KEY OPERATORS IN A WELL FUNCTIONNING, LIBERALISED ENERGY MARKET:** establishment adequate tariffication systems that create incentives to invest.
  - Distributors assure quality of service and the right to choose suppliers
- **TO ESTABLISH WELL FUNCTIONNING SWITCHING PROCEDURES**

