



The development of regional markets – CEER/ERGEG views

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Background

- **March 2004** - European Commission set out its vision for the creation of the Single Electricity Market, which envisaged an interim step of establishing regional electricity markets
- **September 2004** – CEER presented its initial views on the development of regional electricity markets at the 11th Florence Forum, supporting the Commission's vision of regional markets
- **June 2005** – ERGEG published a Discussion Paper on 'Creating regional electricity markets' which seeks to achieve common understanding of the issues which remain to be addressed

The Consultation Paper

The June 2005 ERGEG paper:

- Analyses the issues to be addressed to achieve operational regional markets:
 - ◆ drawing on real evidence presented by current regional initiatives
 - ◆ providing a detailed discussion of the technical and regulatory requirements and seeking views on priorities
- Identifies key areas where action is needed
- Proposes mechanisms to achieve the Commission's vision of regional markets
- Consultation closed on 31 August 2005

Issues to be addressed – ERGEG's view

Making transmission capacity available

- A clear and consistent framework is required for:
 - ◆ cross border investment in transmission capacity
 - + planning and development
 - + remuneration
 - ◆ the subsequent management of capacity
 - + incentives on TSOs to maximise available capacity
 - + effective 'UIOLI'
- Financial firmness of access rights need to be considered
- Merchant investment remains possible

Issues to be addressed – ERGEG's view

Availability and control of information

- Market-related information must be made available to all parties within the region on a non-discriminatory basis and in a timely manner
- Effective arrangements for the management of information held by network operators/market operators is critical in ensuring market confidence and successful unbundling

Issues to be addressed – ERGEG's view

Co-operation between network operators

- Interaction and co-operation between TSOs is essential and can deliver real benefits in areas of efficiency/quality of service and is essential for security of supply
- Key areas for co-operation include investment analysis, emergency planning/maintenance and balancing
- Co-operation occurs today (e.g. UCTE and Nordel) but
 - ◆ further co-ordination may be required
 - ◆ arrangements to enable, supervise, and approve such co-ordination may also be required

Issues to be addressed – ERGEG's view

Compatibility of wholesale market arrangements

- Wholesale market arrangements can (mostly) be left to market participants unless there are good reasons for mandating a market
- Compatibility not harmonisation
- Success for wholesale markets is linked to success in other areas - inadequate arrangements for network access/lack of regulatory powers may damage market confidence and inhibit trade across borders

Issues to be addressed – ERGEG's view

Regulatory issues – regulation across borders

- Markets reaching across borders need to be underpinned by a cross jurisdiction legal framework
- Regulatory bodies will need to co-operate in regulating activity within the region
- All regulators within a region must have the necessary powers to regulate activity within their part of the region
- National remits may need to be adjusted to recognise new 'regional' responsibilities
- No need for a single regulator or EU measures

Emerging conclusions

- Network issues are key to success and will require action
- Delivery of regional markets will require:
 - ◆ government support
 - ◆ effective liberalisation of national markets
- Regional solutions will vary so case study approach should be used to identify the appropriate solution for each region
- Not necessary to introduce “ideal” regional market solution at the start – markets can be further developed over time

Regional case studies – a practical approach

- Identify the issues to be tackled in establishing specific regional markets and deliver market design
- Need to ensure regions develop in a way that will not hinder subsequent moves to a Single Electricity Market
- Regions should initially be based on the existing mini-fora areas, but other groupings may volunteer/emerge
- Need to consider governance arrangements for case studies: group membership, organisation and structure and the consultation process

Next steps

- ERGEG consultation closed 31 August 2005
- Develop ERGEG views on governance of case studies, and consult appropriately
- Conclusions paper by the end of 2005
- Aim to commence case studies in early 2006