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**Further actions for the development
of regional markets
Contribution by EURELECTRIC**

**XIIth Florence Forum
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Context

The liberalisation package:

- Provides common regulatory principles
- Sets clear opening dates
- Puts an end to the uneven market developments
- Contributes to creating a level playing field

- Does not address wholesale markets per se
- Does not address inconsistencies with other policies

Is an integration facilitator but does not show the way

How do we get to a pan European market?

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EURELECTRIC road map towards a pan-European market

- **Objective:**

**Create a sufficiently harmonised
market framework**

- **Means:**

- **Use regional markets as an intermediary step, BUT care should be taken that they do not develop in different directions**
- **Use expansion of liquid wholesale as a driver for market integration**



Expansion of wholesale markets

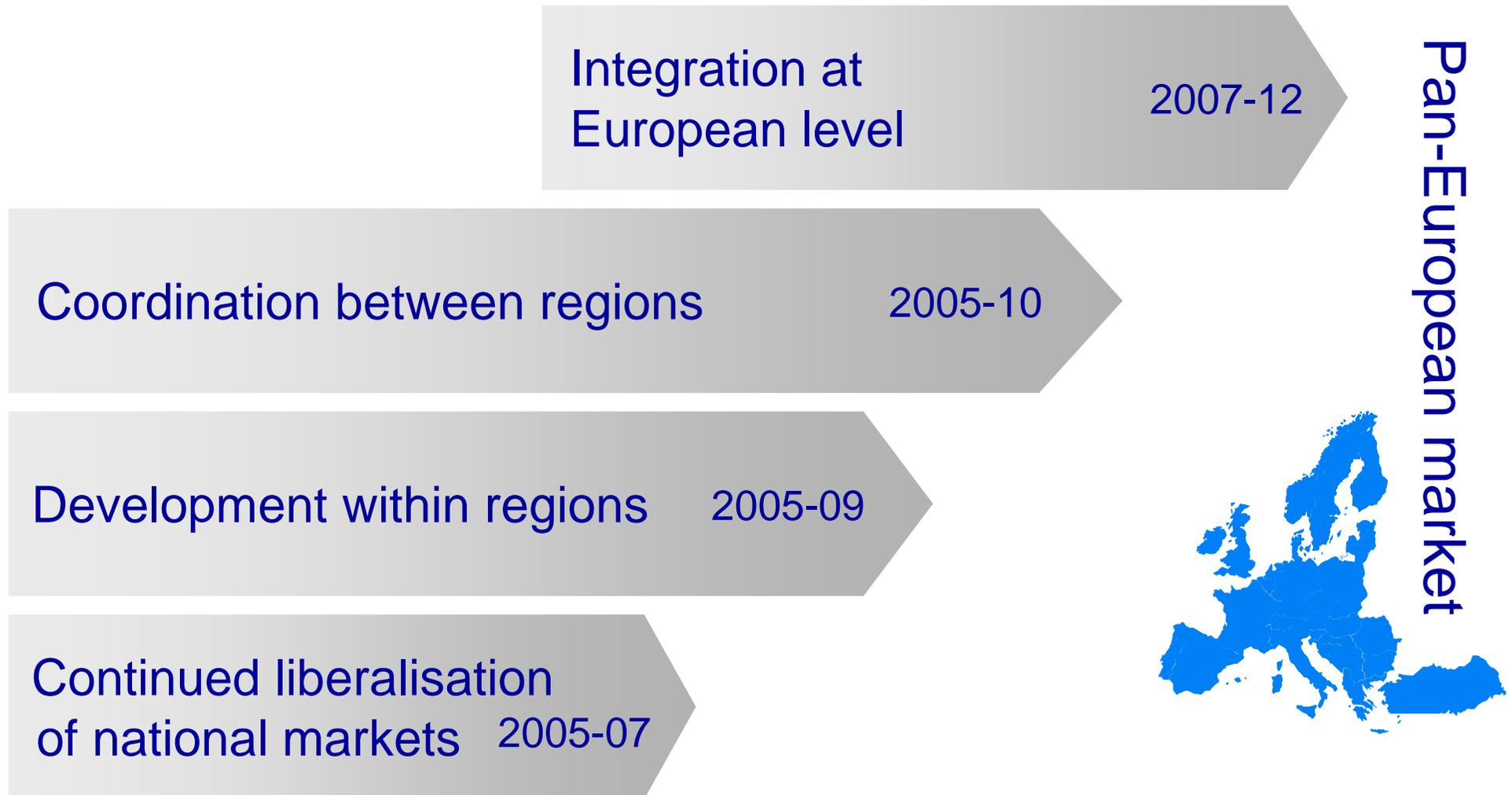
- Will enhance price convergence
- Will increase the number of market players
- Will alleviate concerns of market concentration
- Will stimulate liquidity on the trading markets
- Will stimulate the need for common rules on transparency
- Will reinforce trust in price formation and markets' abilities to deliver

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Prerequisites for a European wholesale market

- Liquid day-ahead and forward markets and open balancing and intra-day markets with trustworthy prices
- Sufficient number of market participants in the day-ahead and forward markets on both demand and supply side
- Transparent access to common sets of market information
- Set of sufficiently harmonized market frameworks to allow cross-border trading on all markets
- Coordinated and market-based mechanisms to manage congestion
- Develop interconnection where economically feasible
- Solid co-operation between Regulators, TSOs and power exchanges

Road Map to a European Electricity Market: parallel approach





Continued liberalisation of national markets (by 2007) – I

Developments and actions	Involved Parties
Implement Directive 2003/54/EC	Governments
Develop guidelines under the cross-border Regulation	Commission/ Regulators
Where absent, establish a framework for day-ahead, forward, intra-day and balancing markets on a national or already regional level	Governments/ Power Exchanges/ Market Participants/ Brokers/ TSOs/ Regulators
Where wholesale markets already exist, encourage demand-side participation in day-ahead markets	Market Participants (especially large consumers)



Continued liberalisation of national markets (by 2007) – II

Developments and actions	Involved Parties
Determine market transparency and information exchange	Market Participants/ TSOs/ Power Exchanges/ Regulators
Where long-term power purchasing agreements are not in line with market liberalisation, terminate PPAs as far as possible	Governments/ Regulators/ Market Participants
Abolish remaining price regulation and price caps (for wholesale and retail markets)	Governments/ Regulators
Facilitate authorisation procedure for new investment in generation and transmission lines	Governments/ Regulators/ other relevant authorities/ TSOs



Developments within regions (by 2009) – I

Developments and actions	Involved Parties
Develop regional day-ahead, forward, intra-day and balancing markets notably through common trading principles and common products	Governments/ Power Exchanges/ Market Participants/ Brokers/ TSOs/ Regulators
Harmonise market transparency and provision of data within regions	TSOs/ Power Exchanges/ Market Participants/ Regulators
Introduce regional transmission charging principles	TSOs/ Regulators



Developments within regions (by 2009) – II

Developments and actions	Involved Parties
Manage grid congestion through market-based methods to achieve enlarged markets and a single regional price if no structural bottlenecks exist	TSOs/ Power Exchanges / Market Participants
Co-ordinate planning processes for new interconnectors	TSOs/ Regulators
Co-ordinate security standards on a regional basis, e.g. emergency actions, operational reserve levels, cross-border flows	Market Participants/ Governments/ TSOs



Developments within regions (by 2009) – III

Developments and actions	Involved Parties
Develop generation investments based on market price signals, and, if any, harmonised incentives for generation investment within regions	Market Participants/ Governments/ Regulators
Harmonise market-based support for renewables	Commission/ Governments
Enhance co-operation within the regions	Regulators/ TSOs/ Power Exchanges/ Market Participants



Co-ordination between regions (by 2010) – I

Developments and actions	Involved Parties
Manage congestion through coordinated and transparent market-based methods to achieve as large price areas as possible	TSOs/ Power Exchanges/ Market Participants
Improve utilisation of the transmission capacity on existing interconnections	TSOs/ Power Exchanges
Co-ordinate system planning processes with a regional and ultimately European perspective	TSOs/ Regulators



Co-ordination between regions (by 2010) – II

Developments and actions	Involved Parties
Co-ordinate security standards between regions	Commission/ Governments/ Regulators/ TSOs
Enhance co-operation between regional markets	TSOs/ Power Exchanges/ Commission/ Regulators/ Market Participants



Integration on European level (by 2012) – I

- **Final goal:** create as large price areas as possible in Europe and ultimately – if possible – one single price area

Developments and actions	Involved Parties
Establish a framework for day-ahead, forward, intra-day and balancing markets at a European level	Power Exchanges/ Market Participants/ Commission
Introduce a common transmission charging framework	Regulators/ TSOs
Implement common principles for network investment	Commission/ Regulators/ TSOs



Integration on European level (by 2012) – II

Developments and actions	Involved Parties
Foster new grid investments to reduce grid congestion between European regions if economically justified or for reasons of security of supply	TSOs/ Regulators / Market Participants
Co-ordinate security of supply issues on a European basis, including planning and operational requirements (operational reserve rules)	Commission/ Governments/ Regulators/ TSOs
Ensure that a European market-based system for renewables is in place	Commission/ Governments

How to move forward?

- **Implementation of the liberalisation package across the EU**
 - **Achieve further market development through close co-operation of all stakeholders**
 - **Encourage and monitor regional initiatives (e.g. co-operation between FR, BE and NL)**
- Mini Fora: should become an essential tool in integrating markets**



Reinforce the role of the Mini Fora – I

- **Refocus work scope on the integration of markets**
- **Main work items**
 - **TSOs:**
 - Congestion management
 - Balancing market rules
 - Responsibility for provision of information
 - Gate closure
 - **Power exchanges**
 - Basic rules for power exchanges, e.g. trading times
 - Harmonisation of products
 - **Information availability and exchange**



Reinforce the role of the Mini Fora – II

- **Participation of all market actors indispensable**
- **Involvement of Member States very important since political impetus is key to market integration**
- **Commitment of all stakeholders necessary**



Reinforce the role of the Mini Fora – III

→ Launch a new round of Mini Fora

- **Goal:**
 - **Make progress on market integration**
 - **Elaborate a work plan with detailed proposals**
 - **Report to the Commission**
- **Frequency: 2 Mini Fora a year**



**Thank you
for your attention!**



Representing the European Electricity Industry