



CEER Position on the Role of Regulation in Security of Supply

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Security of Supply – the CEER View

- The work of CEER related to Security of Supply is based on the EU directives, on the Green Paper and on the ongoing discussions with other stakeholders in the IEM
- CEER adopts the following definition :

“Security of Supply means that customers have access to the electric* energy at the time they need it with measurable quality and with the market price they can afford to pay.”

- The CEER is fully aware of the high responsibility of regulatory authorities in assuring Security of Supply

* Presently the focus is on electricity, in the future gas will be included in the work

Security of Supply – the CEER View *cont'd*

- CEER notes that compared to other parts of the world Europe is currently enjoying a high degree of Security of Supply
- CEER is convinced that the free market, operating within a sound regulatory framework, has the potential of delivering both a high degree of Security of Supply and competitive pricing in the short, medium and long term
- Experience further shows that Security of Supply problems often result from inadequacies in the regulatory framework or shortcomings in the free market
- CEER therefore is committed to continue working with all stakeholders to closely monitor the Security of Supply situation

Security of Supply – the Scope

Short-term

Operational Security

- operation
 - planning
- standards, rules

Congestion Management

- short term congestions

Long-term

Network Infrastructure

- transmission
- distribution

Generation Adequacy

- long term investment signals
- licensing and building delays

Dependency: Gas and other primary energy sources

External impacts: Strategic and geo-political issues

New Roles and Responsibilities



Overall Responsibility of vertically integrated companies

Generators

Traders

TSO's

Congestion Management

DNO's

Wholesale

Retail

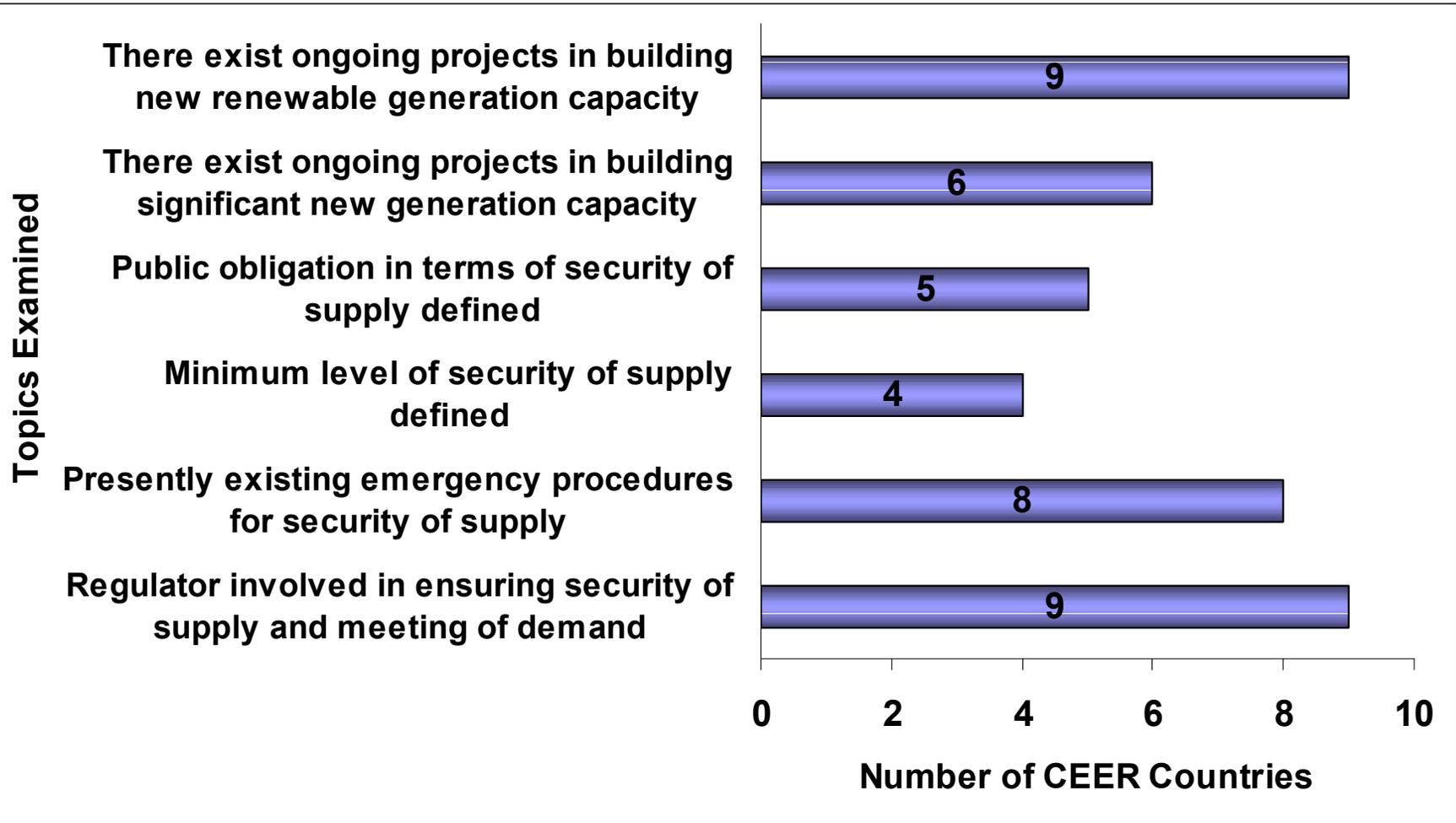
New Roles and Responsibilities

- In the liberalized electricity market, the roles and responsibilities of all relevant stakeholders in relation to Security of Supply need to be re-assessed and redefined
- CEER believes that:
 - ◆ Security of Supply is more effectively addressed within the framework of a large integrated market where the members comply with the common principles and rules
 - ◆ The resources needed for assuring Security of Supply are optimized in a larger integrated market
 - ◆ There is a need for common and harmonized Security of Supply criteria across the IEM
- Especially, a close co-operation and exchange of information on the current situation and ongoing developments is necessary among all stakeholders

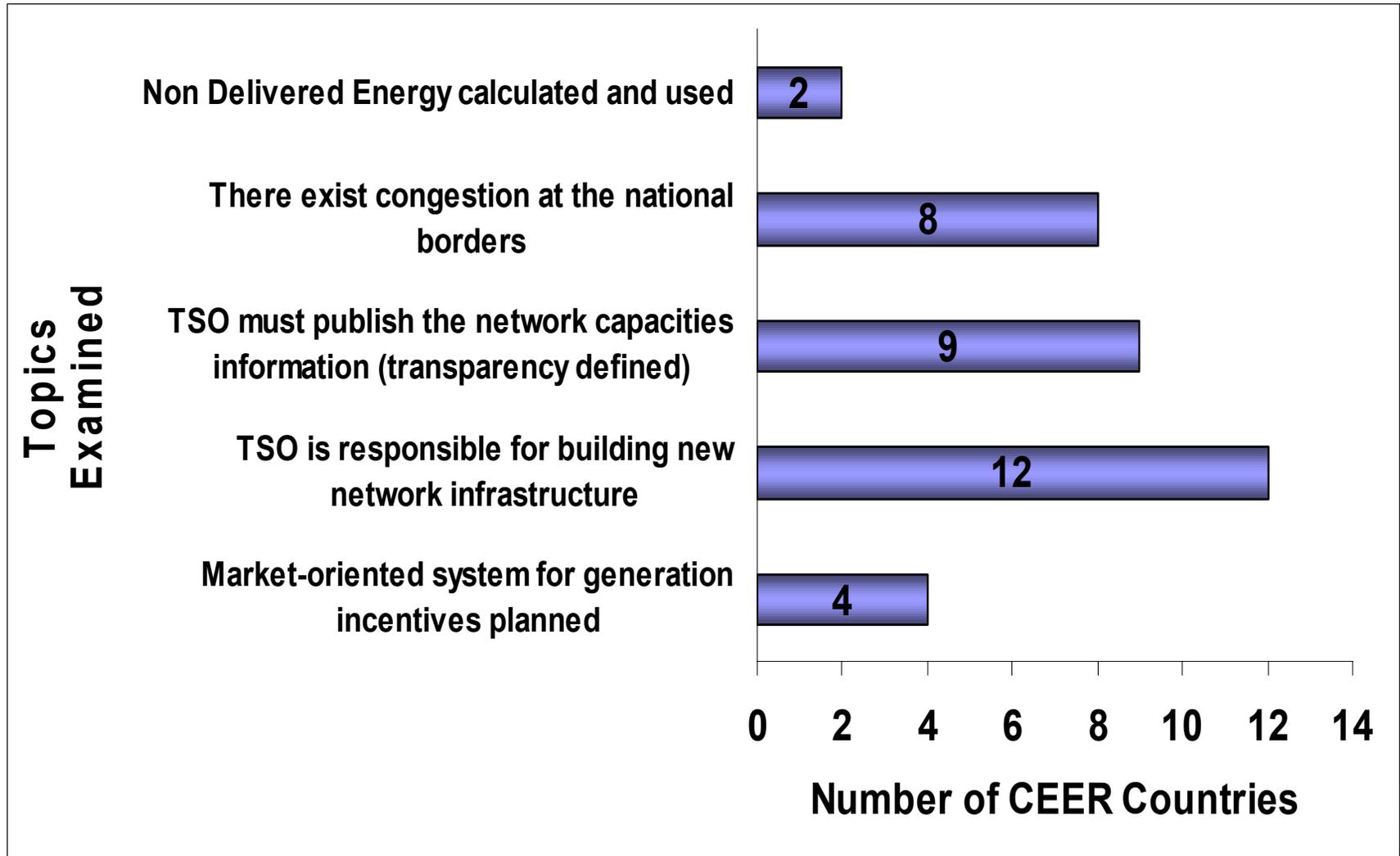
CEER Objectives in Dealing with Security of Supply

- **Developing the regulatory framework for assuring (*short- and long term*) Security of Supply in terms of generation adequacy and network capacity with an emphasis on**
 - ◆ harmonization between national grid codes and
 - ◆ ongoing development of new UCTE standards
- **Ensuring that appropriate incentives for investment are in place**
- **Monitoring the Security of Supply situation locally and globally**
- **Identifying possible measures to cope with barriers to competition hampering Security of Supply**
- **Promoting demand side management measures where appropriate**

Security of Supply – Survey in the CEER Countries



Security of Supply – Survey *cont'd*



Ongoing and Planned Activities

- **Within the CEER a number of projects and activities are in place on CBT, Congestion Management, Infrastructure, etc. that all have an impact on Security of Supply**
- **A first Survey on the current situation of Security of Supply in the EU has been completed**
- **A first CEER Position Paper on Security of Supply has been completed**
- **A comprehensive study on Security of Supply will be conducted over the next year**
- **Discussions with other stakeholders in the IEM have been initiated**
- **An exchange of information between CEER and NARUC was initiated**

Ongoing and Planned Activities

- **Principals and Guidelines for Security of Supply will be developed**
- **Monitoring the Power balance**
 - ◆ **The UCTE Power Balance 2001 shows that more detailed and regional data are needed to perform a meaningful analysis of generation adequacy**
 - ◆ **CEER will propose a common monitoring project to the UCTE Power Balance Group**
 - ◆ **This is expected to result in an input for any necessary regulatory actions to be undertaken in the market (e.g. investment incentives, etc.)**

Planned Activities *(cont'd)*

- **UCTE Security and Reliability Standards**
 - ◆ In a common internal electricity market, common technical security and reliability standards should be applied in comparable environments
 - ◆ Whereas the ongoing UCTE work on new standards provides a basis for establishing the technical Security of Supply framework in the IEM, the further refinement and uniform application of these new standards will require co-operation of all stakeholders
 - ◆ The need for harmonization especially refers to national grid codes that will have to comply to the UCTE standards as the minimum set, or minimum „common denominator“
 - ◆ CEER proposes to work with UCTE, to discuss the application of the proposed new UCTE standards in the IEM especially regarding their interrelation with the market development

Conclusions

- **CEER is committed to contribute to the actions agreed at the Florence and Madrid fora**
- **The development of an overall long-term strategy for Security of Supply in the IEM has the highest priority**
- **Establishing common principles for Security of Supply, similar to the successful rules of the Internal Electricity Market also at the periphery of the EU, will ease access to the EU market for new suppliers and provide a strong incentive for further investments.**
- **The impact of cross border issues on Security of Supply needs to be considered in full scope and detail**
- **CEER emphasises finally that the full compliance with the existing EU directives on energy is of utmost importance in reaching the objectives of long- and short-term Security of Supply**