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EFET[1] contribution to the European Electricity Regulatory Forum

Answers to the European Commission questionnaire

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1. Introductory remarks

No EFET comments.

2 Internal Energy Market: implementation of and compliance with the Third Energy Package

2.1. Electricity network codes and guidelines: what has been done - what is missing? [14.45 – 16.00]

Key questions for discussion:

1. Once adopted, what are the main challenges concerning the implementation of network codes and guidelines?

2. What other significant areas are not covered yet by network codes/guidelines?

3. In your view, is the process for the development of network codes and guidelines fit for purpose in the future? If any, what elements of such process should be revisited?

4. Are there any positive elements that can be brought forward from the gas network codes development?

1. *Once adopted, what are the main challenges concerning the implementation of network codes and guidelines?*

Documents originally intended to be market-facing codes have ended up as market related guidelines. The main reason is that TSOs did not manage to agree a sufficient level of harmonisation nor a sufficient degree of discipline among themselves. On the contrary in many cases, the draft Codes/Guidelines are worded in such a way that existing diverging

[1] The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent more than 100 energy trading companies, active in over 28 European countries. For more information, visit our website at www.efet.org.

approaches are being legitimised. It follows that the main challenge in implementation will be converting prospective harmonising and guaranteed access rules into real obligations, which bind not only market participants but also TSOs on a pan-European basis. It is illustrative that in the case of the Connection Codes, TSOs have been able to come up with detailed and harmonised conditions e.g. for generators. Codes however should be "interface documents" that lay down rights and obligations of grid users / market participants but also of TSOs.

The European Stakeholder Committees, and subject-specific expert groups, proposed to be set up by ACER should be established as soon as possible. It is important that the role of the European Stakeholder Committees and expert groups should not be restricted to *sharing views* on guidelines implementation and monitoring. The committees and expert groups should take concrete and motivated actions based on a fair and well-balanced consideration of all stakeholder interests. Information and exchange of ideas is fruitful and necessary, but experience of the drafting of network codes has shown to market participants that their input was rarely followed up by concrete, motivated decisions. Any conflict arising at expert group level should be reported to the European Stakeholder Committees.

2. *What other significant areas are not covered yet by network codes/guidelines?*

We believe there remains a large number of unresolved questions with the existing network codes and guidelines, therefore the focus should be on adoption, implementation and enforcement of existing and planned market facing guidelines.

However, there are at least two areas which require urgent consideration, as they currently undermine and distort the internal market:

- We believe there is a strong case for a binding guideline on integration of renewable sources under the current Target Model (see Q9-11). A good starting point for a draft could be the existing Congestion Management Guidelines at Annex 1 of the 2009 Cross-border Regulation.
- There needs to be a more efficient and 'collective' approach to ensuring security of supply across borders. The proliferation of a wide-range of different capacity remuneration mechanisms is fundamentally undermining the internal market. We believe there should be regulation or guidance governing the design and implementation of CRMs to ensure minimum distortion of the market. Above all, if it is indeed necessary to introduce a capacity mechanism, it should not be a substitute for a well-functioning energy market.

3. *In your view, is the process for the development of network codes and guidelines fit for purpose in the future? If any, what elements of such process should be revisited?*

No. The poor quality and lack of compliance of the draft network codes with the Framework Guidelines is, in the view of EFET, largely the result of the decision-making process at ENTSO-E (submission to the GM of every draft network code, consensus approval sought at the GM), which leads to a de facto veto right of every single TSO on the content of network codes. The sophisticated consultation process fails to deliver results as market participant suggestions are in large part ignored without appropriate justification. Overall, the process leads to TSOs – consciously or not – defending the status quo or only pushing for reform that would preserve their individual operational or technical interests.

Examples such failures include:

- No consensus to standardise issuance of forward transmission rights;
- No yielding on timing and criteria for granting financial firmness of forward transmission rights;
- No real attempt to drive a common methodology and timetable for balancing and procurement of reserve;
- Extensive and imprecise definitions of what constitutes an Emergency situation;
- No effective leadership in the coordination of Balancing Pilot Projects;
- Limited willingness to develop a continental/ regional CMM for intraday capacity booking, pending readiness of PXs' SOB platform;
- Reluctance to develop common cross-border re-dispatch and countertrade arrangements;
- No harmonisation of generation adequacy assessment methodology.

The Commission should insist that Framework Guidelines developed by ACER are more closely followed in the subsequent elaboration of codes and binding guidelines. Attention is needed to the governance of ENTSO-E. It is not acceptable that the first draft of a code cannot be consulted on before it receives two thirds majority approval by an association of TSOs. When it comes to later re-drafting of texts the comments and wishes of TSOs should be transparently submitted to a statutory coordination body, not subsumed within revised texts opaquely re-issued by an association of TSOs.

Experience has also shown that the Comitology process can take quite some time and that TSOs and NRAs quite intensively discuss the drafts with the EU Commission. Market participants are largely absent during this process, which is remarkable as their presence would be essential to partially compensate for the fact that the draft Codes are already biased towards the TSOs.

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4. *Are there any positive elements that can be brought forward from the gas network codes development?*

We believe that a large part of the difficulties in the electricity network codes drafting process is attributable to the reluctance of TSOs to depart from existing arrangements and their lack of understanding of the benefits coming from truly pan-European arrangements. The drafting of the gas network codes has been smoother, partly as the topics seemed less controversial, possibly also thanks to a greater transparency in the governance structure of ENTSO-G and GIE. However, we observe that the drafting of the gas tariffs network code has proved more complex and controversial than the previous ones (CAM, CMP), which are likely explained by the same fundamental reasons as those highlighted in our answers to questions 1 to 3 for the electricity side.

2.2. Update on (early) implementation projects (forward, day-ahead, intraday)

Key questions for discussion:
5. What are the main obstacles in the implementation of the CACM Regulation (e.g., definition of capacity calculation regions)? How can these be tackled?
6. What can be done to provide for the smooth implementation of the agreed European intraday platform? How can consistency be ensured with local implementation projects?
7. Beyond the balancing network code, on what elements would we need more harmonisation to allow for an effective cross-border balancing market to develop?

5. *What are the main obstacles in the implementation of the CACM Regulation (e.g., definition of capacity calculation regions)? How can these be tackled*

First and foremost, we observe that the process of adopting the CACM guideline has lasted far longer than initially expected, to the detriment of the market as a whole. We call for a swift adoption of the CACM guideline.

Any real network code(s) emerging from the text of the CACM binding guideline should eliminate the term "allocation constraint" and all the complications arising from its use. A code obliging all TSOs to follow uniform rules for the re-dispatch of generation plant will be needed. Such a code should be preceded by TSOs' establishment of procedures and compensation rules for cross border re-dispatch.

Also the implementation of the bidding zone review process remains problematic. There is still limited understanding of how the efficiency of bidding zones should be measured. Too much focus is still put on avoiding congestion costs and loop flows, without proper assessment and understanding of the impact of these on overall costs. Also the impact of bidding zone sizes on market functioning is so far largely ignored due to quantification difficulties.

Finally we see on-going challenges in the proper implementation of flow-based market coupling (FMBC). FBMC has been put into operation in the CWE region, however without transparent justification of the “external constraints” and without proper economic justification of the labelling of internal lines as critical branches. We also note a tendency of

TSOs to reduce cross-border capacities allocated in the forward time frames. This tendency should be stopped, as capacities allocated in the forward timeframe should be allowed to increase to reflect the merits of FBMC. We also observe that since the go-live of FBMC, little capacity is available for the intraday market at the borders of smaller bidding zones (BE, NL). We encourage the FBMC project parties to organise the re-calculation of the flow-based domain post day-ahead clearing (taking into account updated forecasts of wind, sun, etc.).

6. *What can be done to provide for the smooth implementation of the agreed European intraday platform? How can consistency be ensured with local implementation projects?*

While EFET believes that the cross-border intraday platform based on a Common Management Module (CMM) and a shared order book (SOB) is the right way forward to integrate intraday markets throughout Europe, we cannot fail to be disappointed with the lengthy and burdensome process that has led to repeated delays in the delivery on the XBID platform.

Intraday markets have been held captive of this "project-centric" approach and the delay in the finalisation of the Common EU intraday platform has lead to the postponement of necessary, no-regret market design improvements to facilitate cross-border intraday access to interconnections (CMM component of the project). The achievement of market integration for intraday in a timely manner requires additional efforts. In particular, there now needs to be parallel work on the side of TSOs and cable operators, for which increased coordination and flexibility is needed, as a preliminary condition for intraday markets to develop. This includes:

- TSOs should propose intraday products, consistent with the balancing period, at every bidding zone border;
- Intraday transmission capacity should be free of charge;
- Cross-border gate closure time should not be further than one hour away from real time, and coordinated with local intraday gate closure time;
- Access to cross-border intraday capacity allocation must meet market needs, in such a way that intraday cross-border electricity sales can be completed immediately whenever cross-border transmission capacity remains or becomes available.

On this last point, we welcome the announcement made by the concerned TSOs at the last XBID User Group meeting to quickly progress on the BE-FR-NL borders. However, further progress is needed and we call for the implementation of both explicit and implicit access to interconnections in intraday in order to develop intraday markets and increase liquidity until a viable integrated continuous intraday trading solution is in place.

A possible intermediate solution could be the rollout EPEX Spot and DBS on the full CWE region. This would allow progressing more rapidly towards a liquid and integrated implicit CWE intraday market, as DBS should in any case be implemented as a fallback solution during the temporary period and is thus necessary to progress on the Local Implementation Plans (LIPs).

7. *Beyond the balancing network code, on what elements would we need more harmonisation to allow for an effective cross-border balancing market to develop?*

EFET believes that considerable work is still required from to complete the drafting of the balancing network code to ensure that the code complies with the Framework Guidelines and fulfils the basic principles of efficient functioning and harmonisation of balancing markets and safeguard of the intraday timeframe.

Regulators and the European Commission should pay close attention to the balancing pilot projects as they are likely to pave the way for the future balancing target model. ENTSO-E and ACER have so far exercised limited scrutiny on these voluntary projects. For instance, the pilot project on the development of standard products foresees the possibility of linked bids, which risks resulting in the development of an exponential number of standard products, thereby defying the purpose of the exercise.

2.3. Update on enforcement of the Third Energy Package

Key questions for discussion:
8. *What should the key priorities be for implementation and enforcement of existing EU energy legislation?*

Key priorities for EFET regarding the implementation and enforcement of existing EU energy legislation are the following:

- Allow free price formation in wholesale markets and remove explicit and implicit caps/floors;
- Remove remaining transaction-related transmission tariffs (e.g. export linked tariffs in parts of SEE);
- Ensure the allocation of financially firm transmission capacity in forward timeframes by all TSOs (including those who refuse to do so currently);
- End discriminatory congestion management practices, which favour national transactions or national feed-in arrangements and effectively discriminate against equivalent transactions arranged across borders;
- End national arrangements which remove dispatch discretion from generators and force them to run or offer power to the market at times specified by TSOs or regulators for so-called system reasons. EU guidelines implementing the target model need to make it clear that central or compulsory bidding and dispatch is not justified other than by reference to strictly circumscribed anti-trust, public service or security considerations;
- Eradicate all regulated end-user energy prices, except in cases of fuel poverty.

3. Electricity market design on-going initiatives

3.1 Challenges to market operation and integration of renewables

Key questions for discussion: *9. What market distortions should be addressed as a priority? How?* *10. What are the major obstacles for full integration of renewable energy generators into the wholesale market? How can these be tackled?* *11. How can regional convergence and cooperation in support schemes be further promoted? What would be the advantages or disadvantages of shifting towards support mechanisms for renewables focused on investment aid instead of operating aid?*

9. What market distortions should be addressed as a priority? How?

The diversity of renewable support schemes currently in place in many Member States is no longer compatible with the completion of the single electricity market. Therefore, new EU legislation is needed to make that clear. Specifically, we believe there should be:

- Balancing responsibility for all types of generation, including renewables;
- Removal of priority dispatch and priority grid access for renewables – flows should follow prices and not be prioritised based on feed-in of specific technologies;
- Cross-border validity of the attributes of renewable electricity, for entitlement to financial support when imported / exported across borders. Furthermore, we believe that more needs to be done to promote the use of 'Guarantees of Origin' as a mechanism for trading renewable electricity across borders;
- Phasing out of fixed feed-in tariffs, as they effectively segregate renewable generators from participating in the market;
- Finally, a clear strategy for the gradual phase out of direct financial support for renewables, based on the maturity and economics of technologies, facilitated through a move to more competitive allocation of support. There should be more focus on enhancing and strengthening the carbon price signal in the EU ETS as the most effective and efficient way of incentivising investment in low-carbon electricity.

10. What are the major obstacles for full integration of renewable energy generators into the wholesale market? How can these be tackled?

We believe there is an important and necessary role for the Commission to provide firm guidance to Member States to facilitate better coordination and harmonisation of renewables across Europe. There needs to be a 'culture shift' whereby renewables policy is no longer a 'national' matter but something that is cultivated on a pan-European basis. This will ultimately lead to better outcomes for all consumers.

There is a question as to how to integrate existing renewable generation that remains excluded from the wholesale market on the basis of legacy contracts (for example, 10- or 20-year FiT contract). We believe that policy makers should find an approach that is mutually beneficial for both generators and consumers. Generators should be incentivised to participate in the market, up to the value that their participation brings to the system as a whole. The German model of offering generators the opportunity to choose 'Direct Marketing' instead of a feed-in tariff is an example of how existing generation can be 'brought into' the market. However, we note that there are risks of 'overcompensation' and therefore the mechanism should be designed to avoid this.

<u>11. How can regional convergence and cooperation in support schemes be further promoted? What would be the advantages or disadvantages of shifting towards support mechanisms for renewables focused on investment aid instead of operating aid?</u>

We believe that the central instrument to encouraging support in investment in low-carbon technology should be the EU ETS. It promotes the most cost-efficient form of abatement and does not distort the internal energy market. The fact that the price signal in the EU ETS has been weak has only served to support the proliferation of a wide range of national renewable support schemes. Therefore, the focus should be on structural reform of the EU ETS to ensure it regains relevance as the primary means for supporting low-carbon technology.

In the meantime, moving to operating aid could better facilitate the integration of renewables into the market. However, regardless of whether support is on investment or operation, the focus should be on ensuring the allocation of support is competitive. On this point, we note that both the UK and Germany have moved to competitive tendering for new support. The UK's 'Contract for Difference' and Germany's 'Direct Marketing' support mechanisms are forms of operating aid that also encourage the participation of generators in the market; therefore, it does not follow that moving to investment aid is the only solution to this problem.

Moving to more competitive allocation also ensures that support is necessary and proportionate, provided that 'overcompensation' is avoided and the schemes allow for RES-E imports. As such, we believe that more competitive allocation is complementary to a clear strategy to phase-out all financial support for renewables, based on the maturity and economics of technologies.

3.2 The flexibility challenge

<u>Key questions for discussion:</u>
12. What are the stakeholders' views of the current draft electricity balancing code? To what extent can future flexibility challenges be addressed through this tool?
13. How can small and large consumers be encouraged to be more active in providing and benefitting from flexibility? What market barriers prevent demand participation?
14. What should be the roles of TSOs, DSOs and other existing or new players as regards flexibility?
15. What role can electricity storage play in delivering flexibility to the market? What are the shortcomings?
16. What else needs to be done in order to ensure flexibility can be provided within the market?

<u>12. What are the stakeholders' views of the current draft electricity balancing code? To what extent can future flexibility challenges be addressed through this tool?</u>

A harmonisation across bidding zones of balancing periods, procured reserve profiles, contracts for reserve, imbalance settlement arrangements and proper imbalance pricing would assist the development of pan-European primary and secondary markets in balancing timeframe products. But liquid intraday and forward markets (OTC as well as exchange based) are equally important in the drive to correct valuation of flexible capacity and trading of very short duration products.

Flexible capacity has many aspects and is not limited to intraday and balancing time frames. Capacity may for example not match system needs if it is not able to continue deliver (or take) energy for a longer period of for example several days or weeks.

We welcome the improvements to the draft Balancing code that have taken place since the last Florence Forum. In particular, we welcome the insistence on the integration of balancing markets, the preservation of the intraday market, and the consolidation of the conditions for standard and specific products. But we believe there are a number of fundamental flaws that need to be addressed:

- Procurement for reserves should be market based. An obligation with a secondary market should not be accepted as a market based procurement by the TSO. A primary market will allow for a level playing field for all market participants. Furthermore, whilst TSOs/DSOs are responsible for procurement of ancillary services (including flexible products) they must never be the suppliers of these services competing with market players;
- There should be no reservation of cross-zonal capacity for balancing purposes by TSOs. All capacity should be allocated to the market, to allow participants the full opportunity to balance their positions;
- Price caps and floors should be avoided; as it impedes the incentives for market parties to balance their positions;
- TSOs should not be obliged to move the intraday Gate closure time away from real time to avoid overlap with the balancing market. Participants should be allowed to self-balance their positions as close to real time as possible.

To ensure a level playing field, a minimum level of market design alignment should be formulated:

- Bidding obligations
- Pricing methodology (Pay-as-Cleared / Pay-as-Bid)
- Ramping remuneration

Without such alignment, bid prices / activation will be distorted. Close cooperation with NRAs should ensure that this alignment is achieved before go-live.

However, we would also like to note that harmonisation is not a goal in itself. Appropriate and differentiated implementation timelines per control area may be foreseen if required. The impacts, costs and potential side effects should be carefully assessed.

13. How can small and large consumers be encouraged to be more active in providing and benefitting from flexibility? What market barriers prevent demand participation?

The limited involvement in wholesale power markets of even quite large consumers is a matter of mystery and regret ever since the advent of liberalisation of the sector. Probably more market volatility and significant price rises in hours of scarce supply will have to be seen before many more consumers are attracted to true participation in the market. At the margin the removal of regulatory and grid access barriers facing industrial users of electricity, together with better access to intraday purchasing arrangements, may help.

14. What should be the roles of TSOs, DSOs and other existing or new players as regards flexibility?

All market participants (of any type) should compete on a level-playing field. The proper valuation in the market of flexible capacity is the key. Policymakers should resist the temptation to create special privileges, regulated or otherwise. Meanwhile the functional and financial unbundling of the transmission businesses of integrated energy companies remains paramount. Policy makers should focus on improving the market design instead of promoting certain types of flexibility.

15. What role can electricity storage play in delivering flexibility to the market? What are the shortcomings?

Latest published studies suggest that even in ten or twenty years time up to 97% of electrical storage capacity in Europe – excluding natural reservoirs – will come from pump storage. The economics of building pumped storage will not improve until their flexibility is better valued. Higher valuation seems unlikely to transpire until supply becomes scarcer and new types of peak pricing emerge.

16. What else needs to be done in order to ensure flexibility can be provided within the market?

The emergence of flexible capacity relies on a number of elements:

- Decision-makers should not be scared of scarcity and increased price volatility; trading of more sophisticated forwards and options will only flourish after volatility is seen to transpire in the market;
- Efforts to harmonise wholesale market arrangements across borders in all timeframes (especially intraday and forward) should be pursued;
- The integrity of the OTC market should be preserved to ensure that a vast array of options remains to market participants to value flexible capacity in the market;
- Smaller market participants should not be driven out of markets through the imposition of inappropriate financial sector regulation.

3.3 Restoring proper investment signals in the power system

Key questions for discussion:

17. What can be done to ensure that Member States rely on resources outside their borders as a contribution to their security of supply?

18. What would be the added value and the challenges arising from a common assessment of generation adequacy at regional and/or at Union level?

19. How can adequacy assessments and their results provide a basis for a decision on the need for CRMs? How can it be ensured that CRMs, if needed, are the most competitive and least distortive for the market? What features of CRMs could be made common at regional and/or at Union level?

17. What can be done to ensure that Member States rely on resources outside their borders as a contribution to their security of supply?

A common approach to assessing system adequacy will contribute to a more 'collective' approach to ensuring security across borders. But first and foremost, there needs to be greater clarity and 'firmness' with regards to what happens in a situation where there is a period of simultaneous scarcity across bidding zones:

- CACM and FCA codes must ensure that forward rights and day-ahead markets are fully firm;
- Preventative cross-zonal capacity curtailments by the TSOs should be prohibited;
- TSOs wanting to hedge their system risks (or congestion risks) should buy back transmission rights.

Regulators and governments should focus on the following fundamental improvements to electricity market design:

- Clarify of rights and duties of TSOs in times of scarcity especially in case of scarcity situations in several markets: reduction of import/export capacities shall never be allowed for reasons of balancing demand and supply;

- Integrate renewable energy into the power market design (wholesale market and network infrastructures);
- Develop and improve intraday markets by moving gate closure to H-1 and facilitating cross-border exchanges to make the maximum use of interconnector capacity;
- Develop and improve balancing mechanisms, also on a cross border basis;
- Allow free price formation in wholesale markets and remove explicit and implicit caps/floors;
- Extend real-time metering to enable demand response;
- Remove unnecessary operational requirements and restrictions on generation companies;
- Ensure a stable and consistent energy policy framework for decarbonisation based on ETS.

These recommendations to improve the energy (MWh) market will enhance the match between supply and demand and encourage the efficient use of all assets (generation, demand-response and storage) across borders.

18. What would be the added value and the challenges arising from a common assessment of generation adequacy at regional and/or at Union level?

We call for an adequacy assessment to be completed at a pan-European level. Adequacy planning, system operations and security of supply questions are highly interlinked and need to be tightly coordinated across borders The current 'national approach' potentially leads to an over procurement of capacity as Member States do not appropriately take into account what capacity is available outside of their borders. A regional assessment is more efficient as it will effectively pool resources over a wider area.

Adequacy assessments should also better take into account market circumstances that could lead generation capacity to leave the market prematurely.

The ENTSO-E Security Outlook and Adequacy Forecast reports are a first step in the direction of such a European approach to adequacy assessment. However, the reports so far only consolidate the analysis of individual TSOs for their respective control area/country. Market participants still expect a truly European adequacy assessment from ENTSO-E, and regulators should support the requests of ACER and the European Commission in that regard.

<u>19. How can adequacy assessments and their results provide a basis for a decision on the need for CRMs? How can it be ensured that CRMs, if needed, are the most competitive and least distortive for the market? What features of CRMs could be made common at regional and/or at Union level?</u>

EFET believes that decision makers and regulators should, as a priority, focus on improving the design of the energy market to ensure capacity is properly valued. At the heart of this is to ensure that prices are allowed to move freely, and without impediment. In particular, explicit and implicit price caps and floors should be removed. During times of system stress, prices should be allowed to rise to reflect the value of scarcity; similarly, when energy is in abundance prices should be allowed to fall (and even go negative) to reflect the value of displacing that generation.

A capacity mechanism should not be considered a substitute for a well-functioning energy market.

Nonetheless, if CRMs are put in place (complementary to a well-functioning energy market), they should at least adhere to the following key principles:

- demonstrably enhance adequacy;
- ensure that capacity prices be the result of competitive process;
- avoid distortion of energy prices;
- not be subject to price regulation;
- allow for trading of capacity products;
- facilitate an active demand side and promote wide consumer engagement through willingness to pay for reliability and/or price stability;
- be non-discriminatory, by taking into account the contribution of non-national generation through interconnection which may decrease local needs;
- be non-discriminatory between new and existing facilities and between different technologies;
- minimise centralised management processes and maximise the scope for independent decisions by market participants about their off-take and delivery obligations, so that market dynamics have a chance to function;
- minimise risk of regulatory failure and of need for redesign (e.g. by avoiding overly complicated mechanisms).

3.4 Strengthening the secure system operation at regional level [14:30-16:30]

<u>Key questions for discussion:</u>
20. Compared to the current situation, what additional competences could RSCIs have in the future? What can be done to strengthen the role of RSCIs? What would be the gains and the shortcomings?
21. What instruments would be best for strengthening the role of RSCIs? Within what timeframe do you see this happening?
22. Looking beyond, do you see a need for a wider integration of system operation at European level in the long term to cope with the challenges of a low-carbon energy mix?

<u>*20. Compared to the current situation, what additional competences could RSCIs have in the future? What can be done to strengthen the role of RSCIs? What would be the gains and the shortcomings?*</u>

While we believe certain elements of inter-TSO cooperation are more easily managed at regional level and RSCIs have proved their added value, the European vision of harmonisation of market rules and functioning should not be lost.

There is still room for progress in terms of inter-TSO cooperation in the form of RSCIs and to streamline the financial arrangements between TSOs (e.g. we would not need the existing, inefficient ITC arrangement if we had a harmonised system in place for charging G and L tariffs for transmission access, possibly with locational charging signals built into the harmonisation on a pan-continental basis).

<u>*21. What instruments would be best for strengthening the role of RSCIs? Within what timeframe do you see this happening?*</u>

No EFET comment.

<u>*22. Looking beyond, do you see a need for a wider integration of system operation at European level in the long term to cope with the challenges of a low-carbon energy mix*</u>**?**

The more integrated the management and operation of HV grids across Europe the better it will be for both power price and generation investment signals. We would hope integrated system management will make it less likely that a TSO withholds transmission capacity between bidding zones out of undue caution or lack of willingness to take on commercial risk. That in turn means it should eventually be easier to eliminate the blockage of interconnection capacity by non-commercial flows of RES-E supported financially on a purely national basis.