

CONGESTION MANAGEMENT

*... moving towards the
integration of an efficient Internal
Electricity Market in Europe*

- ETSO believes that the new Guidelines are a positive step forward towards the implementation of the Regulation and, therefore, towards an efficient IEM
- The new Guidelines are globally in line with the previous ETSO Vision on Congestion Management

Comments on the CM Guidelines ^{2/3}

- The Guidelines stress the main roles of TSOs regarding the allocation of available capacities
- ETSO welcomes the new text of the Guidelines which implicitly defines *market based* mechanisms

Comments on the CM Guidelines ^{3/3}

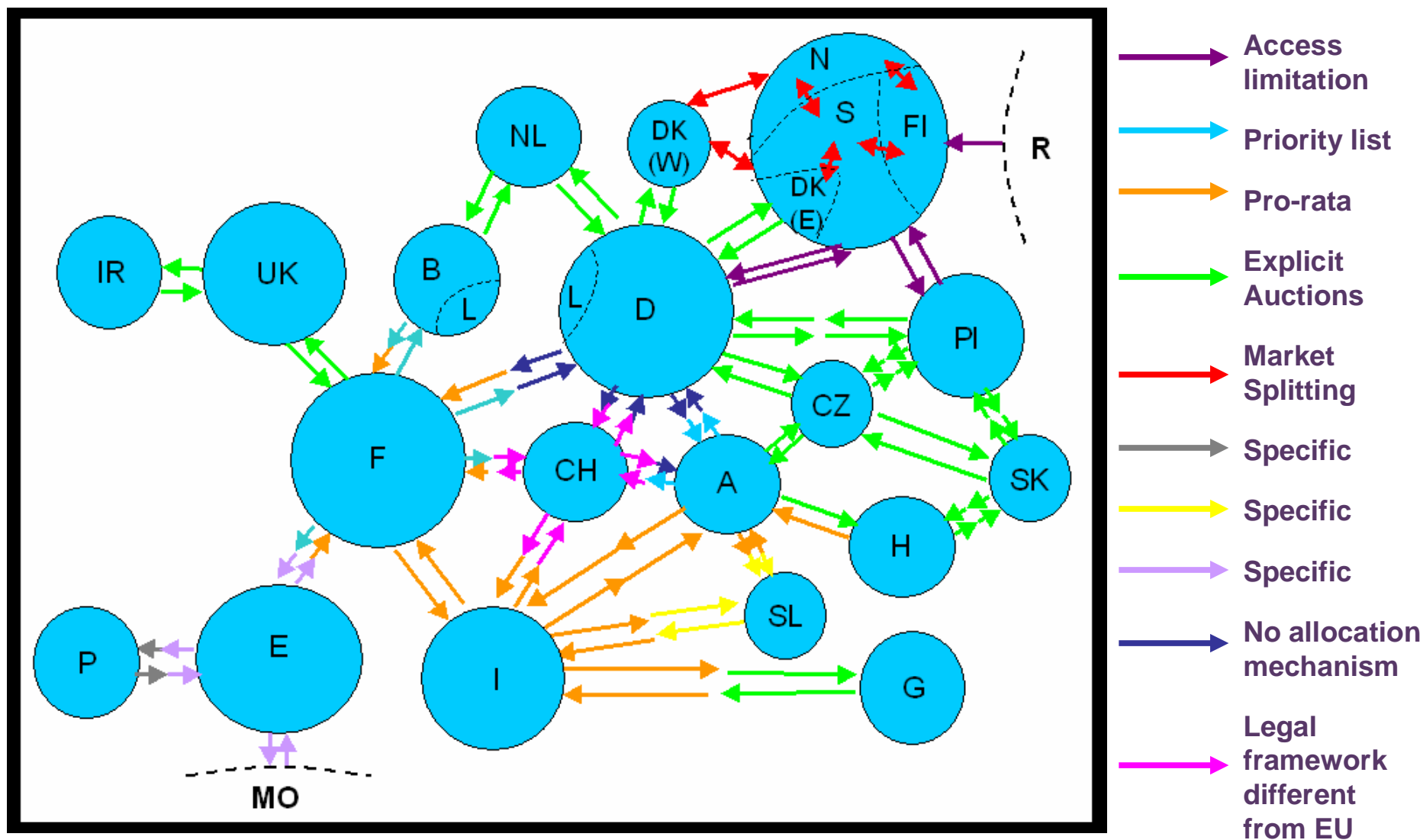
- However, ETSO feels that some of the issues raised by the Guidelines may still need to be completed or reviewed before practical application
 - Rights and Obligations of TSOs and Market Participants should be **balanced** and designed for an overall economic optimum
 - Market design harmonisation should be addressed by Regulatory Authorities when inconsistencies between neighbouring countries prevent efficient Congestion Management
 - Discussions still necessary on the definition of the regions where "single multilateral allocation procedure" shall be applied



Cross-border electricity exchanges in meshed AC power systems

- ETSO still observes major misunderstanding of key concepts such as the relationship between physical flows and commercial exchanges ...
 - ETSO has published a short explanatory note on this issue
 - Sound “flow based” modelling provided by TSOs takes into account the physical law governing the relation between flows and exchanges
- ...and still excessive expectations on harmonisation of TSOs’ procedures compared to other key issues
 - specially if compared to the gains that will derive from the minimum harmonisation of the variety of market designs in Europe
 - *“capacities: a chicken and egg story”*: **the generation pattern is required to calculate capacities... but capacities are needed for trading purposes that finally determines the generation pattern!**

Minimum harmonisation of existing regulatory frameworks



Minimum harmonisation required

- The variety of the different regulatory or governing arrangements appears as one of the main challenges to the development of the IEM
 - 10 types of allocation procedures in Europe (e.g. from access limitation to auctions)
 - it may lead to the implementation of two different allocation procedures on the same border (e.g. the peninsular case at the French-Spanish border)
- TSOs can provide sound network models and optimise the market's efficiency ... as far as the minimum harmonisation requirements are promoted!

Moving towards implementation ^{1/3}

- ETSO believes that efficient market oriented methods for the allocation of scarce capacity are already available
 - the ETSO-EuroPEX proposal is the last example
- Secure implementation is complex but feasible in the appropriate Regulatory framework
- New local projects have been launched
 - always conducted by the concerned TSOs under the framework established by the local Regulators

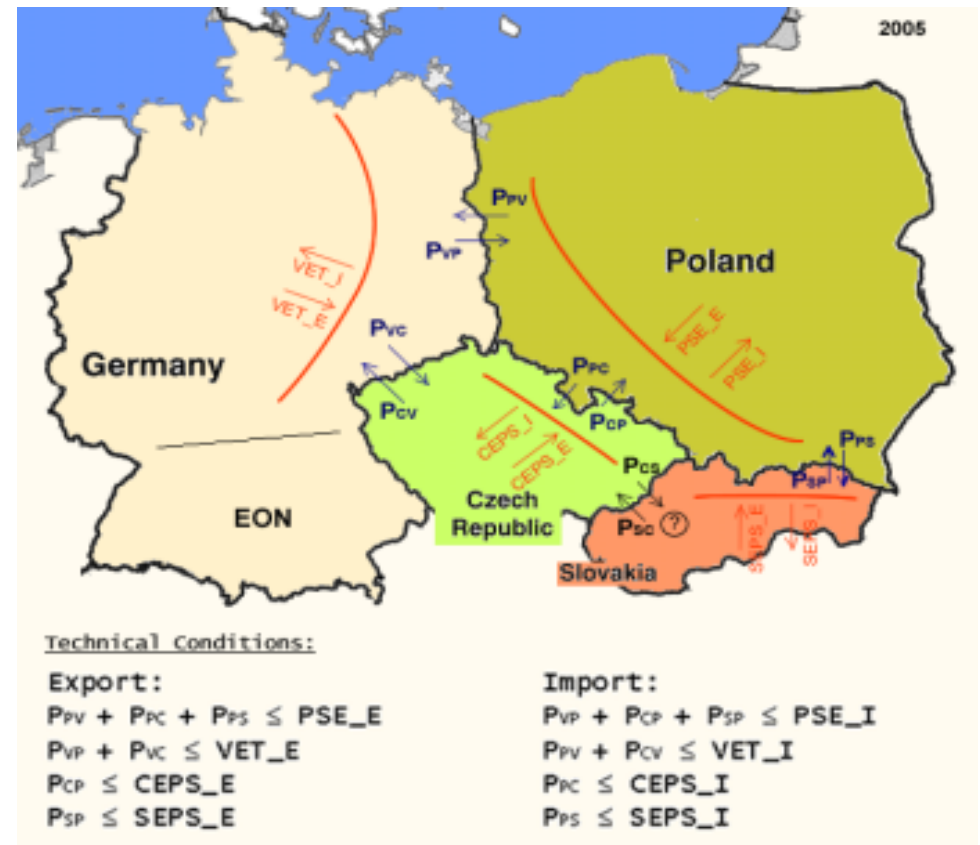
Overview of ETSO's agenda on CM issues:

- Review and update of the ETSO capacity definitions and agreed computation methods
 - towards “Flow-based” modelling of the power system
- Developments in monitoring market power in congested power systems
 - to be considered when designing cross-border congestion management methods
- Still improving TSO efficiency in cross-border congestion management
 - analysis of co-ordinated re-dispatching as either a balancing or an optimising measure



Moving towards implementation ^{3/3}

- One example: overview of the recent project launched by CEPS, PSE-OP, SEPS and VET
 - Based on a joint auction (Y/M/D), first yearly auction XI/2004
 - Coordinated modelling of the network with interdependent NTC assessment
 - Maximum capacity available to the market with secure system operation
 - Significant step towards providing same auction rules in the Region
 - Some issues to be discussed and solved with DG TREN and National Regulatory Authorities



Conclusion

Congestion Management : still a key issue for the creation of an efficient IEM ...

- the EC Regulation is in force since 1st of July 2004!
- high expectations on the publication of the new detailed Guidelines on Congestion Management

... but stronger co-ordination between Member States, Regulators and TSOs is more than ever needed ...

- **at this stage, no sound engineering project is likely to be achieved without a sound regulatory framework**

... and TSOs shall continue to play a key role in this process through ETSO



ETSO invites you to download its recent publications on CM

- Cross-Border Electricity Exchanges in Meshed AC Power Systems, *April 2004*
- “FMC-Flow-based Market Coupling” a Joint ETSO-EuroPEX Proposal for Cross-Border Congestion Management and Integration of Electricity Markets in Europe, *September 2004*
- An Overview of Current Cross-Border Congestion Management Methods in Europe, *September 2004*

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