



## **CEER Position on the Proposal for a Directive concerning measures to safeguard security of electricity supply and infrastructure investment**

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**11<sup>th</sup> European Electricity Regulatory Forum  
Rome, 2004-09-17**

# Agenda

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- Summary
- Article 6: Network investment
- Article 7: Investment in cross border interconnectors infrastructure
- Article 5: Maintaining the balance between Demand and Supply

# Summary

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- The CEER fully supports the principle that security of supply, underpinned by appropriate investment in infrastructure, is a key objective for the successful operation of the internal market. Consumers' interests will be best served where electricity supplies are secure and reliable.
- Therefore the CEER supports the broad aims of the December 2003 Commission Proposal concerning measures to safeguard security of electricity supply and infrastructure development.
- However, the CEER has a number of comments and proposals regarding the approach and potential effect of the Proposal. These particularly concern the development of interconnector infrastructures.

# Article 6: Network investment

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The measures proposed by the Commission in Article 6:

- Add little to the scope of requirements on Member States and powers for regulators and repeat elements already in the electricity Directive.
- Give priority to investment decisions that for example reflect demand side management measures. This is at odds with competitive generation markets, where generation mix will be market determined.
- Increase uncertainty surrounding the aims of TSOs and regulators, and the promotion of non-discriminatory provision of network access, investment, and generation markets.

# Article 7: Investment in cross border interconnectors infrastructure (I)

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The CEER believes that:

- the TSOs should be responsible to pursue cross-border investments as they have to do for internal investments, after they have considered the available market signals and the inputs and requests from the market agents, taking into account the possibility for merchant provision of interconnectors.
- investments shall be overseen by regulators acting locally and where appropriate together, willing to sanction appropriate remuneration in the case of regulated investments.

# Article 7: Investment in cross border interconnectors infrastructure (II)

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The CEER believes also that ...

- grid investments, if they are to be efficient, must be made on a non-discriminatory basis and without emphasising one generation technology over any other.
- Article 7 of the Proposal has the potential to increase regulatory uncertainty rather than diminish it, because for example it introduces new criteria which the TSOs are to take account of in making new investments, and uncertainties through the role of the Commission.

# Article 5: Maintaining the balance between Demand and Supply (I)

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- The development of deep and liquid organised energy markets, including competitive balancing markets and full transparency of information, should provide the primary mechanism to enable and produce the necessary short term production responses from generators.
- However price signals alone cannot be used for deciding investment in transmission grids and/or power plants. Indeed, forward investment decisions concerning transmission and/or generation capacity shall also include consideration of demand and supply forecasts, interconnection projects, assessment of risks for various fuels (demand side response shall also be properly incorporated).
- These elements also need to be provided in a clear framework of roles and responsibilities of all stakeholders, including governments, regulators, TSOs and investors.

## Article 5: Maintaining the balance between Demand and Supply (II)

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- It is important also that security of supply issues are continuously monitored and assessed
- Inappropriate intervention in the market to achieve generation adequacy might well have the effect of reducing the willingness of market parties to invest if they know that 'adequate' capacity will always be procured through non-market methods.