# INTER-TSO COMPENSATION GUIDELINES

## Rome, 16 September 2004

# ISSUES TO TACKLE

- Long-run average incremental costs (LRAIC)
- Transit key
- Loss compensation
- Perimeter countries
- Confidentiality of information
- Procedure and timetable

# LONG RUN AVERAGE INCREMENTAL COSTS (1/2)

- ETSO favours a more standardised way of costing the HN.

- However:

  - Present definition of LRAIC unrealistic and non cost-reflective:

    - all assets costed at replacement value

    - HN costs, and the compensation fund, would increase significantly

# LONG RUN AVERAGE INCREMENTAL COSTS (2/2)

- Electricity sector not comparable to telecom
  - No revolutionary technical development
  - Environmental considerations increase costs
  - New investments more expensive
- An improved definition of LRAIC for the electricity sector needed.
- Until such a definition is accepted, ETSO proposes that regulated costs be used.

# TRANSIT KEY

- Further analysis is necessary before modifying the transit key

    1/8760 Sum hourly (Transit / (Transit + max. of national G or L))

- Introducing generation would significantly change but not necessarily improve the inter-TSO compensation

# COMPENSATION FOR LOSSES

- ETSO agrees with proposed method but not to maximize the transit factor to 15%

- However it is not clear how the market-based price should be defined:

  - ETSO proposes - as a general rule - regional market prices based on the real prices, and

  - exceptions for countries not belonging to a regional market or not having a liquid PX

# PERIMETER COUNTRIES

- ETSO disagrees with the more preferential treatment than existing one, for perimeter countries

- As an alternative to the two treatments proposed (perimeter country or member by agreement), ETSO would prefer a third possibility for the SEE countries:

  – SEE countries operate their own ITC scheme

  – 3rd treatment would avoid double counting of flows

# CONFIDENTIALITY AND PROCEDURE

- The guidelines should :
    - – incorporate a confidentiality statement

    - – clarify the procedure as to who - ETSO or Regulators - shall submit the LRAIC values