



## **ERGEG Comments on the proposal of Guidelines on Congestion Management drafted by the European Commission**

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**11<sup>th</sup> European Electricity Regulatory Forum  
Rome, 2004-09-16**

# Agenda

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- Explanatory Note
  1. Introduction
  2. Economic Efficiency and the Promotion of Competition
  3. Rules on Maximizing the Available Capacity and Capacity Use
  4. Transparency
  5. Revenue Neutrality
- Guidelines on Congestion Management
  1. Efficient Use of Available Transmission Capacity
  2. Mechanisms for Congestion Management
  3. Calculation of Interconnection Capacity
  4. Timetable for Market Operations
  5. Transparency
  6. Use of Congestion Income

# Explanatory Note

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- Several changes in **terminology, wording, and definitions** proposed
- An exact **definition of what information shall be requested from the TSOs** and other market participants is necessary
- Rules on **maximising the available capacity** are considered highly important and relevant for the Guidelines -> proposed to be included in the Guidelines instead of the Explanatory Note
- Evaluation (of the congestion management methods) shall **focus on the effective operation of the allocation methods**

## Explanatory Note *(cont'd)*

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- **Transparency is a key prerequisite** for effectively competitive markets - a congestion management method complying with the Regulation & Guidelines should deliver transparency accordingly
- Regular **evaluation of the congestion management methods** by regulators -> consultation with involved stakeholders, transparency
- Use of **congestion rents for investments in specific projects** -> in case of TSOs belonging to a holding, compliance with the regulation and guidelines to be verified by the regulator
- Regulators' decision on **merchant lines investors' compliance** -> separation from market activities, market power aspects

# Guidelines

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- **Coordinated approach** to congestion management of structural congestion and coordination of **exchange of information**
- Further emphasis on:
  - ◆ Capacity **firmness** & TSO obligations
  - ◆ **Nomination** & timetable for market operations
  - ◆ Organised markets & bilateral transactions
  - ◆ Obligations, financial consequences & responsibilities
- Penalties and liability -> Approval by the relevant regulator(s)
- **Re-assignment** (“use-it-or-loose-it”) -> Degree of competition and market power issues to be considered with special attention concerning re-assignment

## Guidelines *(cont'd)*

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- Requirements on **long & short-term aspects** need to be considered in light of the actual market developments (e.g. markets with only short-term allocation)
- **Harmonization** of congestion management procedures on different interconnections
- Usage of a **common network model** when calculating the interconnection capacities
- Intermittent congestion -> restriction only for the time when the congestion exists
- The effect of **operational measures** within a control area (e.g. redispatch) on other control areas, must be taken into account by the TSO(s)
- Avoid limiting cross-border interconnection capacity for solving congestion within a control area

## Guidelines *(cont'd)*

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- Basic concepts on coordination of TSOs involved in resolving a structural congestion are proposed
- Additional transparency requirements proposed on **actual load flows, demand forecast** and **generation**
- Congestion management **revenues distribution** to be established and supervised by the regulators
- **Use of congestion revenues** for:
  1. Guaranteeing the actual **availability** of the allocated capacity
  2. Network **investments**
  3. An income to be considered in the process of calculating the **tariffs**
- **Reporting** on an annual basis by 30 June each year
- Treatment of **merchant lines** proposed in detail