

**COMMENTS ON THE PROPOSAL OF
GUIDELINES ON TRANSMISSION TARIFFS
DRAFTED BY THE EUROPEAN COMMISSION**

- (1) The European Commission has proposed guidelines on tariff harmonization for generators in Europe. The main purpose of these Guidelines is to level the playing field within Europe in order to minimise the possible distortions of generation competition in the short run.
- (2) In order to apply correctly the guidelines, the definition of the parameter 'national average G' has to be given first. As long as the aim is only to set an upper bound of the basic G in each relevant area, the current definition for 'national average G' can be implemented easily. But if it becomes necessary to narrow the basic G range, for ensuring the convergence within an area, the definition of the 'national average G' would have to be re-examined carefully, since: the threshold of 5000 hours per year can penalise plants or areas with a shorter annual use of the authorised power capacity.
- (3) ERGEG considers that a small G charge is unlikely to distort generation competition, in particular within the European "continental plate". Setting a maximum G average tariff at 0.5 €/MWh on European continental plate seems appropriate with regard to the current state of competition. This will prevent divergences in G tariff detrimental to fair generation competition within this region.
- (4) Other regions are already engaged in harmonisation process, such as the "Nordel" zone, Great Britain and Ireland. As complete harmonisation can only be achieved in the long run, at early stages the current system should be kept in place. To that end, the proposed amendment of the Guidelines (see Annex) is compatible with the existing transmission tariffication systems in the above mentioned countries.
- (5) Removal of the international supply contract based charges is a major achievement in the integration of the electricity market. It allows a fair competition between generators located in different countries.
- (6) Harmonisation of a Basic G only, without any additional locational signals, can only be a first step toward the implementation of sound locational signals. In addition to the Basic G, the location of new power plants and competition between generators can also be influenced by many other factors, including, typically, the entire G charge and the connection charges. Therefore, it is also important to do further work on these issues.

Brussels, August 10, 2004

ANNEX : MODIFIED DRAFT GUIDELINES (EREG Proposal)

1 Harmonisation

- 1.1. The annual national average 'G' is a weighted average, based on generation: the value of the 'annual national average G' is an arithmetic average of all the hourly tariffs of the year, including off-peak and peak-tariffs, and the different seasonal variations. When the tariff includes a 'capacity' fee, the 'annual national average G' has to be calculated for a generator assuming that it is injecting electricity during 5000 hours per year at its declared power capacity.
- 1.2. The value of the 'annual national average G' relating to use of system charges G' must be within a range of 0 to 0.5 €/MWh, with the exception of the cases in 1.3 to 1.5 below.
- 1.3. The value of the 'annual national average G' within the Nordel system (Finland, Norway, Sweden and Denmark) will be at maximum 0.85 €/MWh.
- 1.4. The value of the 'annual national average G' within the GB system will be at maximum 2.5 €/MWh.
- 1.5. The value of the 'annual national average G' within the Republic of Ireland and within Northern Ireland will be at maximum 2.5 €/MWh.
- 1.6. Other charges relating, for example, to initial connection to the network, losses, and other ancillary services need not be harmonised.

2 Removal of international supply contract based charges

With the exception of charges resulting from market based congestion management methods, charges for access to networks applied to producers and consumers shall be applied regardless of the countries of destination and, origin, respectively, of the electricity, as specified in the underlying supply arrangement. This includes all import, export and transit fees.

3 Reporting

National regulators will submit the details of the charging structure of their TSOs to the Commission on 30 November 2004 and on the occasion of any amendments to the tariff structure relevant to these guidelines.

Brussels, August 10, 2004