



## **GEODE POSITION ON THE EUROPEAN COMMISSION DRAFT GUIDELINES ON CONGESTION MANAGEMENT**

### **A. COMMENTS TO THE EXPLANATORY NOTE**

#### **I. PRINCIPLES**

**GEODE** agrees with the principles of the draft guidelines on congestion management and with their targets: economic efficiency and promotion of competition, maximized use of capacity available, transparency to network users on a non discriminatory basis, secure network operation and largely revenue neutral mechanism from the point of view of system operators.

#### **II. RULES ON MAXIMISING THE AVAILABLE CAPACITY AND CAPACITY USE**

**GEODE** thinks that to set up a European single electricity market means to consider the different countries involved as a real single market with no borders. As everybody knows, today the borders are still there and the lack of capacities in some borders are being used by big companies as a way to close the markets and to keep their dominant positions in regional or national markets.

Therefore, it would be necessary to reinforce more the independency and the role of the TSO's. The function of the TSO's should be to make the electricity system work and available to any player/consumer. The total cost and benefits coming from this activity must be subject to the regulator and payed by provided and confirmed transmission tariffs.

The electricity system should be managed by a European body joining all TSO's. With total independency of the commercial interest. One subject is managing the electricity system

- which should be strictly technical and subject to regulation

and another subject is supplying

- which is commercial and subject to competition.

The function of the TSO's is to make any agreed transaction feasible. The total cost to keep the system going should be charged to all consumers.

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<sup>1</sup> This position paper follows the structure of the European Commission Draft



As a first step **GEODE** agrees in making available to market participants the maximum capacity of the interconnection and/or cross-border transmission networks. **GEODE** favours the principle of “use-it-or-lose-it” to contribute to solve network congestion problems. Any allocated capacity that will not be used shall be reattributed to the market, in an open, transparent and non discriminatory manner.

**GEODE** asks for a good and efficient coordination of congestion management procedures and system operation within TSO`s to set up an integrated European single market. The allocation of capacity at the level of an interconnector shall be coordinated between the TSO`s involved.

**GEODE** considers absolutely insufficient, the minimum coordination expected by the Commission, consisting in exchange of information and the optimization of the locations. The role of the TSO`s must go far from that: secure any transaction within the players, being at the same time, the safeguard of the operation of the system.

**GEODE** agrees with the principle asking TSO`s to net the capacity requirements of any power flows in opposite direction over the congested interconnection line in order to use this line to its maximum capacity.

### **III. TRANSPARENCY**

**GEODE** stands for information transparency on a nondiscriminatory basis to assure the well functioning of the electricity market. This information should include information on short-term forecast and longterm forecast and realised system load by market time unit (1h) and information on the generation capacity in operation.

**GEODE** considers that reservations of capacity have to be regarded very closely (daily) as they are a way to close markets. Therefore TSO`s shall publish estimates of available transfer capacity for each day, indicating any available transfer capacity already reserved with for cost horizon of at least one week.

### **IV. REVENUE NEUTRALITY**

**GEODE** agrees with the principle that TSO`s should not unduly benefit from the revenues collected as a result of applying congestion management mechanisms. However, it is very difficult to assure that TSO`s are going to give a proper way to the incomes coming from the users of the interconnectors.



The best way is to consider the management of congestions as a cost and not a benefit. To that, the way, in our opinion, would be to implement a system of redispatching, in which, permitting to fulfil transactions within players, the costs would be a real pressure to the TSO's. This would give a signal to the TSO's putting pressure on them to solve congestions.

The costs to balance the system, using redispatching mechanisms, should be charged to TSO's. Then Regulators should recognise these total costs and include them into the transmission tariffs.

## **B. COMMENTS TO THE GUIDELINES ON CONGESTION MANAGEMENT**

### **I. MECHANISMS FOR CONGESTION MANAGEMENT**

**GEODE** considers that TSO's should have the obligation to make possible any agreed transactions. No transaction should be denied by using redispatching mechanisms to solve any congestion. Therefore **GEODE** disagrees with the Commission guidelines that assume the possibility of denying transaction in certain cases.

The costs of using redispatching mechanisms, should not be supported by the parties involved in the transaction, but for all consumers, based on the principle that all consumers get the advantages of creating a single European market. The costs should be controlled and approved by the regulator, and included all of them in the transmission tariffs, being socialised within all consumers.

The draft of the Commission proposes some mechanisms where commercial transactions need to be constrained:

- mechanisms may allow for capacity allocations both integrated for long term and short term transactions.
- a mechanism for an intraday allocation of interconnector capacity should be established.
- network users shall be required to pay for allocated capacity according to a methodology based on the relevant value they have placed on that capacity.

**GEODE** agrees with the implementation of these mechanisms as a first step, but we fear that in practise they will not be sufficient. **GEODE** considers that in real terms it has to be accepted that just the companies linked to TSO's have information and capacities to deal with the allocation mechanisms proposed in the guidelines. Then, for **GEODE** this mechanisms



will be used by TSO's to keep on their national markets closed and preventing real competition at European level from going on.

**On existing long term contracts, GEODE** supports the rule of the Commission guidelines:

- a) that should have no preemption rights when they come up for renewal.
- b) that capacities not being used, and covered by longterm contracts, should be available to other market players, based on the principle use-it-or-lose-it.

## **II. CALCULATION OF INTERCONNECTIONS CAPACITY**

**GEODE** agrees with the principle that TSO's shall publish a general scheme for calculation of the total transfer capacity, subject to approval by the regulator of the involved Member State concerned. But, as it has been mentioned in the above paragraphs, that all transactions should be fulfilled in any case.

**GEODE** considers that, as long as there is no European single market working, TSO's should not be allowed to decide the method how capacity must be distributed in case of network constraints at several interconnectors, because it could be used as a way to close markets. The regulators should define these methods used by TSO's.

The guidelines propose that redispatching costs necessary to optimise the crossborder flows shall be paid by the congestion revenue for the border/s in question. **GEODE does not agree.** The cost of redispatching should be supported by the system through transmissions tariffs. This is, in our opinion, the only way to create a real European single market with enough players competing and opening the existing closed national markets.

## **III. TIMETABLE FOR MARKET OPERATIONS**

As long as there is no European single market working, **GEODE** agrees with the principle that TSO's shall publish a general description of the method applied for maximizing the capacity available to the market based upon the electrical and physical realities of the network, but subject to regulators approval.

## **IV. TRANSPARENCY**

**GEODE** considers totally that all the requirements for TSO's to guarantee transparency of their information, as the obligation to publish all relevant data related to network availability, network access and network use including a report were congestion exists, its reason, methods applied for



managing the congestion and the plans to cope with it in the future, to publish all relevant data concerning cross-border trade according to the best possible forecast. However, in our opinion, these transparency requirements will be asked at a minimum standard.

## **V. USE OF CONGESTION INCOME**

As it has already been mentioned, it is very difficult to assure that TSO`s are going to give a proper way to the incomes coming from the users of the interconnectors. To avoid it, **GEODE** stands for giving a signal putting pressure to TSO`s to solve congestions, considering the management of congestions as a cost and not an income.

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