```
<%@LANGUAGE="VBSCRIPT"%> <% Dim Recordset1 Dim Recordset1_numRows Set Recordset1 =
Server.CreateObject("ADODB.Recordset") Recordset1.ActiveConnection = MM_ifiec_STRING
Recordset1.Source = "SELECT * FROM electricity ORDER BY volgorde DESC"
Recordset1.CursorType = 0 Recordset1.CursorLocation = 2 Recordset1.LockType = 1 Recordset1.Open()
Recordset1_numRows = 0 %>
```

INTERNATIONAL FEDERATION
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Internal Market of Electricity

Cross border allocation and congestion management

Basic principles

Cross-border congestion management and capacity allocation methods are determinant for
ensuring fair and non discriminatory access to the European electricity network and achieving
a competitive Single Electricity Market.

Critical factors for the successful management of cross-border congestions include :

- avoiding congestion through optimal use of the existing infrastructures and through
  increasing capacity where necessary,
- obligation for unbundled TSO's (Transmission System Operators) to co-operate under
  the scrutiny of CEER (Council of European Energy Regulators),
- absence of market abuse and gaming,
- transparency of real-time information concerning network capacity availability,
- fair and non-discriminatory treatment for all network users.

Given the current "imperfect" market conditions, IFIEC Europe favours a **"Dynamic
Toolbox"** approach to manage cross-border congestions, whereby a mix of techniques is
adapted to different local control area conditions.

The **Dynamic Toolbox** contains two basic types of measures :

1. "soft" measures

Optimisation of the timing of scheduling of c-ordinated allocation,

NTC (Net Transfer Capacity) calculation and optimisation, with regard to TSO risk under the
scrutiny of CEER,

Low-cost optimised investments for de-bottlenecking,

Allocation of "interruptible capacities", in addition to the "firm" ones,

Development of FACTS (Flexible Alternating Current Transmission System).

2. "Financial" measures

- **Rationing :** a temporary solution, in absence of a functional market
- **Market-splitting** : based on pools and well-defined cross-border capacities; pre-requisites are : active TSO cooperation, spot markets, limited market concentrations
- **Co-ordinated re-dispatching** : allocation of additional capacity at minimum cost and frequency; cost-based or market-based pricing, depending on market concentration; pre-requisites are: active TSO cooperation, low price differentials and sporadic congestion
- **Auctioning** : subject to "gaming" by dominant players and non-transparent allocation of revenues; pre-requisite: perfect market conditions. Under current market conditions, IFIEC Europe strongly opposes the extended use of auction mechanisms to allocation capacity of cross-border transmission lines.
- **First-come/first served** (and other "old" systems): generally not acceptable because of existing or potential discrimination among grid users

3. "Structural" measures

- **Rational use of electricity** : implementation of public policies with appropriate economic signals to encourage responsible use of electricity
- **Infrastructure development** : In order to address structural, long-term congestion bottle-necks, IFIEC Europe recommends that optimised projects of new interconnections, FACTS, etc. be elaborated and undertaken as soon as possible.

> From the industrial energy consumer's point of view :
>
> - **The primary features of any cross-border allocation and congestion management scheme must be simplicity, transparency, maximum use of transmission capacity and low cost.**
> - **All revenues received by TSO's in connection with congestion management and capacity allocation measures must be subject to regulatory scrutiny. The funds should be used to reduce congestions.**

<% Recordset1.Close() Set Recordset1 = Nothing %>