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<%@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 %>
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INTERNATIONAL FEDERATION OF INDUSTRIAL ENERGY CONSUMERS

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IFIEC Europe

Documents- Electricity

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Commission proposal for regulation 2001/C 240 E/12 dated 28/8/2001:

“ Conditions of access to the network for cross-border exchanges in electricity”:

The view of the European industrial energy consumers

IFIEC Europe reflects the views of the industrial energy consumers, with membership that constitutes more than 75 % of industrial consumption throughout Europe.

Introduction

IFIEC welcomes the initiative taken by the European Commission to improve the conditions for the cross border exchange of electricity, this is an essential step to create one single, integrated European electricity market.

IFIEC has growing concerns that cross-border trade and congestion management solutions are being proposed. These solutions may introduce new distortions to the electricity market and impact in a very negative manner upon consumers who, ultimately, shall be required to meet both transaction and implementation costs.

As the European electricity market is still fragmented by national borders and even more network operators, and consolidation in the generation sector is much faster than the relative slow increase in co-operation between the TSO's, IFIEC strongly supports the proposal for regulation of the Commission. A quick action and a binding regulation are of a paramount importance.

1. Inter-TSO compensation mechanism's and charges for access to the network

IFIEC welcomes the inter-TSO compensation mechanism as proposed by the Commission. The investment and operation of the interconnectors and the impact of all physical transit flows on the networks must be paid for.

All costs related to this compensation fund must be clearly identified according to art 3.6: all costs should be activity and assets based, and be long term and incremental to the regular network operation without transit. The costs need to be proven cost and not a statistical or pro-rata part of the total TSO-budget. The methodology to evaluate the costs must be transparent, and the costs must be audited routinely.

IFIEC supports the Commissions view (art 4.4 and 4.5) that there will be no specific network charges on individual cross border trade transactions and that therefore a t-factor is not justified:

- Some costs must be allocated to the cross border grid-services (primary reserve, frequency control), and not to the cross border trade of energy.
- Loop flows are not specified and should be paid by all users of the network, not by individual, programmed transactions at the border.
- The total cost of the compensation funds are small to the total operational cost of the grid operators: some 1 % of the estimated network costs.

2. Harmonisation of national network charges (art 4.2)

Many countries or TSO's apply different methodologies to determine costs for local network charges (G and L), creating price signals that can be discriminatory for generators and consumers in one or more countries.

The first priority should be harmonisation of the tariff structure, the second priority should be a fair sharing of all network costs to all users, taking into account the relative weight of import/export in a TSO-zone.

3. Allocation of interconnector capacity

As there can be large differences in market price for electrical energy between some countries, there is a high probability of large scale and continuous congestion at some borders, for example Germany – Netherlands, France – Italy...

IFIEC strongly opposes the use of **capacity auctions** as described in the IFIEC Position Paper on Congestion Management of 15 of February 2001. Auctioning with a limited number of large or even dominant players (on one or even both sides of the border), and without a minimal transparency and a minimal liquidity of the electricity markets at both sides of the borders, will always have a tendency to maximise the prices and to minimise capacity.

Market splitting, as in Nordpool, is not yet possible in many areas of Europe: there may be insufficient liquidity and some TSO's are not ready yet. Before the Nordpool-method can be applied, another market-based solution is needed to allocate and manage the cross border capacities.

An IFIEC method is being finalised: optimising cross-border trade at minimal cost, see box. As the electricity markets becomes gradually mature, the IFIEC method will result in a situation that is similar to Nordpool.

The IFIEC method on cross border trade:

- a coordinated method, considering electricity flows, permitting one step allocation between two countries or control-area's
- the maximal use of the cross border capacities, due to complementary re-dispatching
- no cost for the available capacity, but market based directional signal for congested borders
- allocation of daily, monthly and yearly capacities, without restrictions
- promoting long term investments; using the income for cross border capacity
- giving clear signals with regard to global cross border cost and local production too high prices

The existence of a transparent and liquid **electricity market** at both sides of a border is a condition that is critical before any cross-border capacity can be allocated in a fair and market-based way. In some countries, these 'open' markets do not exist yet (sometimes even in combination with a local dominant generator), putting serious doubt on whatever allocation mechanism. IFIEC urges the Commission to stimulate the creation of spot markets and to take, if necessary, specific ex-ante actions in case of dominant generators / traders.

The allocation and management of cross border capacity could generate an **income for the TSO's**. These rents can be used by TSO's (art 6.6) for guaranteeing the actual capacity, for network investments or reduction of charges. These rents should not be used as profits for the TSO's.

4. Information

The TSO's should publish all available data on cross border capacity, including historical data and facts, real time values, and data useful for planning (maintenance, ATC values). The website of Nordpool is a good example of transparency on the network operation, both technical and economical, while respecting the confidentiality of some data.

IFIEC insists that, as proposed by the Commission in art 5 and 11, all TSO's publish as soon as possible all this information. Today, the quantity and quality of information on the network is highly different from one TSO to another.

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