

Implementing the 3d package from the point of view of Electricity and Gas Companies

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1. Market integration: developing a European Market

- Problems:
 - Separation between the congestion management/capacity allocation schemes and the operation of the national networks. This puzzle will not deliver a single market.
 - Even integrating the current capacity allocation mechanisms will be difficult: different approaches in different borders, which are now difficult to integrate. Somebody will have to adapt, a single system cannot integrate all the existing mechanisms
 - Lack of an efficient decision making procedure to deliver results: the experience of the Project Coordination Group
- What the third package should deliver:
 - Guidelines/codes: an efficient rulemaking mechanism which should deliver
 - o A target market design model, which will have to go beyond borders and affect the way things are organised in each country. What is the role of power exchanges?
 - o Concrete steps to get there, involving cross border balancing, intra day, day ahead and forward markets, capacity calculation and common principles for governance
 - o Involving all stakeholders in making it happen, not only through consultation
 - o With somebody with decision making capabilities to deliver a binding result (ACER/Commission)
 - Common system operation organisations: regional coordination of TSOs needs to go beyond auction offices and into system operation and planning

2. Unbundling: dealing with the conflict of interest

- The Directive offers all the possibilities: Good implementation is crucial, some criticism of unbundling models refer to bad implementation (the example of the Scottish TSO). Need to give the adequate powers to an ISO
- Ownership unbundling is not a panacea.
 - Conflict of interest between TSO and supply activity is clear. Need for some kind of unbundling.
 - But ownership unbundling and creation of a TSO/transmission company is not enough.
 - Conflict of interest between system operator and transmission company: investment, operation (maintenance disconnections)
- Proposal: take advantage of the possibilities of the Directive

- System operation and ownership of transmission assets do not need to be linked. Do not create a monopoly where one does not exist (and it is not efficient)
- An ISO with some transmission assets, but without monopoly on transmission development, can offer the best compromise:
 - o A company with assets, which can be given incentives
 - o Other transmission owners, potential developers of transmission assets, who can have a strong interest in certain assets being built generators or distributors can have significant interest in certain elements of the transmission grid)
 - o In any case, planning (and operation) powers concentrated on the system operator, not on the transmission owners
- The German opportunity
 - The divestiture of the transmission grids of some German companies offers an opportunity to create the embryo of a German TSO
 - Mixing system operation and asset ownership will not work: there is no way of guaranteeing that all the grids for sale will be purchased by the same entity
 - But the opportunity exists to create a system operator, who would be the owner of one of the networks for sale and the operator of the others

3. Incentives and risk allocation

- Adequate incentives and risk allocation for TSOs are a pending issue
- Objectives of the incentives:
 - Dealing with the conflict of interest: aligning the objectives of a transmission owner with those of the system as a whole
 - Delivering market integration: regional planning and operation
 - Developing the network (for market integration and RES)
- Elements of an incentive scheme:
 - Interconnection capacity: maximizing its use, ensuring firmness
 - A system focused on interconnections only will not be enough: the incentives scheme should focus on the whole operation activity of the TSO within its national borders. All the incentive schemes of different TSOs should be harmonised. A job for ACER.
 - Incentives both for network planning and development (to foster integration) and operation (reduce balancing costs, maximize availability of the grid, reduce cost of constraints)
 - Allocate risks properly. Incentives shouldn't impose unacceptable risks on TSOs. Most of the time they could be positive incentives, rather than penalties. A negative example: the obligation on German TSOs concerning RES integration.