



EREGEG Regional Initiatives Three Years down the line

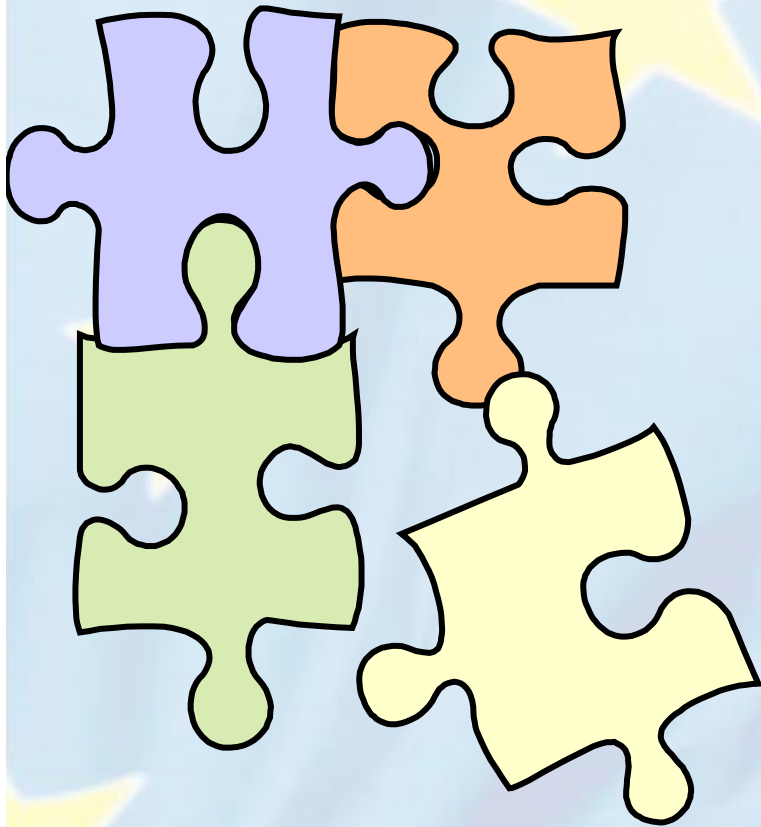
Florence
29 January 2010

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- **Creating a single EU energy market: an ambitious challenge**
- **Regional initiatives process**
- **Looking back: main achievements in RIs**
- **Looking ahead: main challenges for ERIs?**



The ambitious challenge



- **From 27 national energy markets ...**
 - With various energy mixes, various market and institutional designs and arrangements
 - Interconnections originally designed to enable TSOs mutual assistance
- **... to a single EU energy market,** providing for a « Sustainable, Competitive and Secure Energy », as well as for solidarity between Member States



Regional initiatives process

- 7 ERIs and 3 GRIs launched by the European Commission and European regulators in 2006 to accelerate market integration
- **A necessary and natural interim step towards the single EU energy market**
- A very useful tool for **promoting dialogue and mutual understanding** between regulators, TSOs, PXs, market players, governments and the Commission
- Principle: **voluntary process** aimed at dealing with concrete issues in close collaboration with stakeholders
- Priority issues:
 - Interoperability of national systems
 - Improved access and development of interconnections
 - Transparency
 - Investment and security of supply



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Main achievements in GRIs

- Active role of GRI in enhancing coordination during the Russian-Ukrainian **gas crisis** of **January 2009** (South-South East region). **Security of Supply** as the main priority in the region. Analysis of lessons learnt in cooperation with the EC
- **Open Season** for developing new capacity in the **Spain-France interconnections**. First phase completed (development of Western Axis from 2013) and second phase started (Eastern Axis from 2015) (South region)
- Remarkable progress in **transparency** (information availability). Successful completion of a project on **transmission** (daily capacities and flows). New project on **storage** currently ongoing (North-West region)



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Main achievements in ERIs

- **Allocation methods**

- **Long term:** single point of contact with harmonized auction rules (CASC-CWE)

- **Day-ahead:** implicit methods becoming more prevalent across Europe (Nordpool, TLC, MIBEL and more than 10 ongoing projects)

- **Balancing:** Implementation of reciprocal exchange of balancing offers through a TSO-TSO model between France and England operational since March 2009 (BALIT)

- **Capacity calculation:** improvement of TSOs' coordination for data exchange and grid security analysis in real-time (CORESO, SSC, TSC)

- **Transparency:** a common vision of detailed requirements for Production, Consumption, Network in 5 regions (CE, CS, CW, N & SW)



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Assessing the ERIs

- The ERIs' process: success or failure?
 - ➔ A reference model for CM has progressively emerged within the RI framework. This reference model has recently been confirmed and significantly improved by the PCG work
 - ➔ Successful projects are progressively taking an inter-regional dimension
 - The extension of CASC-CWE to CSE
 - The extension of market coupling
 - Extension of TSO-TSO model for balancing trade
 - ➔ No serious risk of divergence between regional projects
 - ➔ The fact that some regions are lagging behind is a natural consequence of the regional (step by step) approach
- The ERIs' process has been – and should continue to be in the short & medium term – an important vehicle for progress towards the creation of a single EU energy market



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Improving the RIs

- The third package defines a new regulatory framework
 - ➔ Increased coordination requirement, both between TSOs and Regulators (ENTSO and ACER)
 - ➔ Harmonization and enhancement of Regulators' powers and competencies
 - ➔ New tools (incentive regulation, Framework guidelines and Network codes) to promote the development of cross-border trade
- In the shorter-term, some open-questions will have to be addressed in order to keep the strong momentum and facilitate the implementation of ongoing projects:
 - ➔ Need for a strategic vision?
 - ➔ Changing the geographical dimension of regions?
 - ➔ Stronger involvement of National Governments?
 - ➔ More top-down guidance to coordinate ongoing projects?
 - ➔ Improving organizational procedures?



Next steps

For further information on the regional market integration process visit ERGEG website: www.energy-regulators.eu

- Public consultations:
 - Strategy paper on the future role of RIs (ongoing until 31 January 2010).
 - Progress report (closed on 31 December 2009)
- Forthcoming publication:
 - Benchmarking report on medium and long-term electricity transmission capacity allocation rules

Thank you for your attention!

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