



IFRI Energy Breakfast Roundtable

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The 3rd Package; New Tasks & New Tools for European TSOs and their Associations

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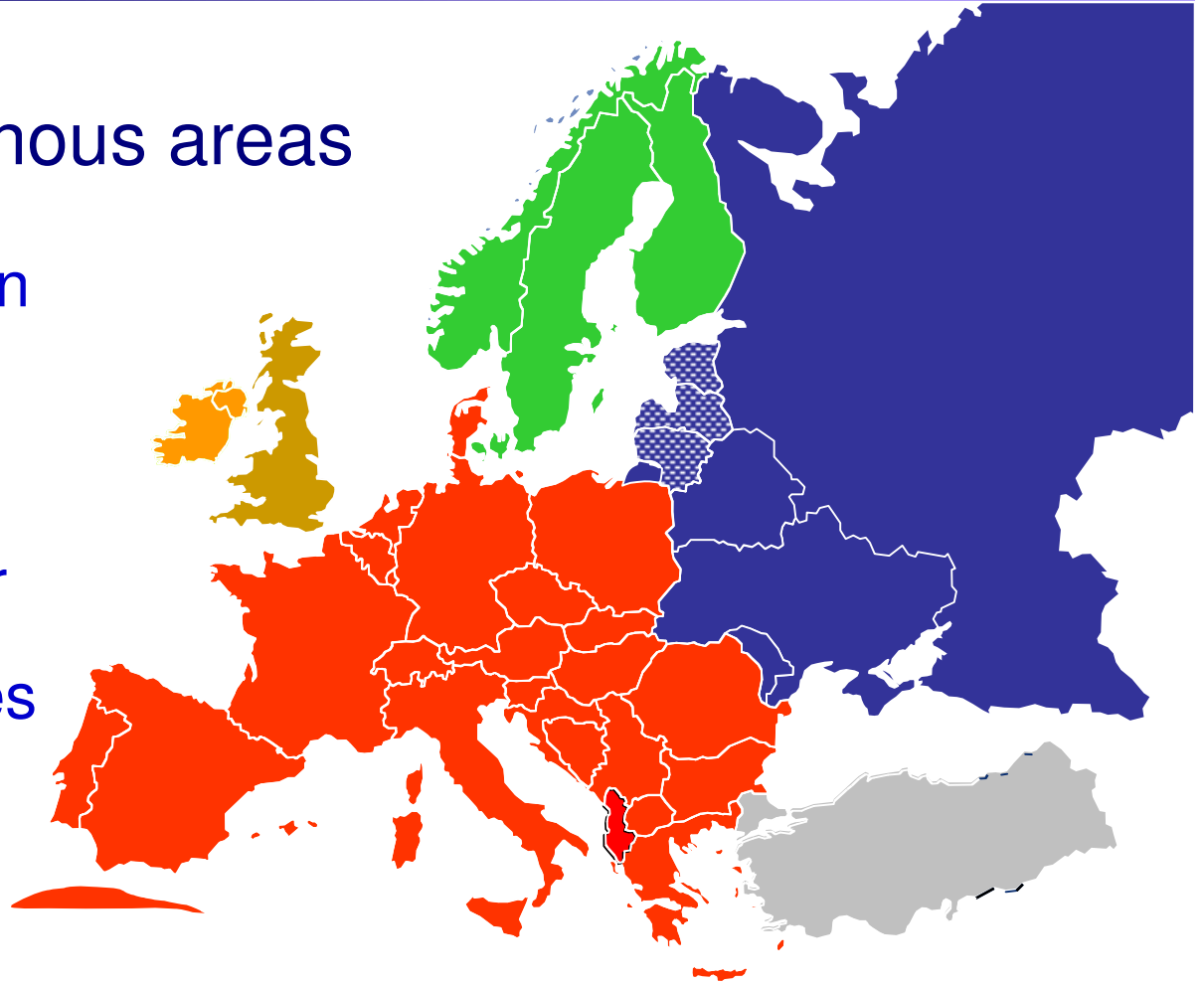
Chairman of the ETSO Steering Committee

European Transmission System Operators - ETSO



- Several synchronous areas

- Installed generation
> 650 GW
- Consumption
3,000 TWh/year
- Physical exchanges
300 TWh/year



A long process of building a toolbox (market) to pursue the (changing) political goals

➤ *competitiveness*

➤ *A €150 bn yearly market with huge possible savings*

➤ *over €1000 bn of investments to come by 2030*

➤ *security of supply*

➤ *sustainability*



- TSOs role is threefold
 - secure an efficient operation of power systems and networks
 - efficient development of the infrastructure
 - ensure that physical reality and commodity markets operate seamlessly and reliably as if electricity could be traded like any other commodity
- TSOs are not market actors and have no incentive to intervene in the market or distort prices



- No consensus among ETSO members
- ETSO expects from the legislator that, whatever the solution, it will guarantee and finally give trust in the full independence of TSO



- TSO cooperation = major realisations
 - Increased transmission capacity between Member States
 - Building regional markets (the Nordic market market ; coupling between F, NL, B...)
 - Suppressing cross-border fees (Inter TSO Compensation)
 - Outlook for generation adequacy (Winter + Summer)
 - Operational handbook in the UCTE Area
 - Developing together with Power Exchanges an efficient spot market for Europe
 - Free and open access to improve market transparency, such as the ETSOVista data platform (www.etsovista.org)



- Key Success Factors
 - Binding TSO Membership in ENTSO-E to accelerate the development and implementation of technical and market codes
 - Clear mandate in line with market expectations and in consultation with ACER and the Commission
 - TSOs will be able to focus on transparent objectives
 - TSOs will speak as "one voice" for all IEM issues
- All existing TSO associations have agreed to set up ENTSO-E ahead of the 3rd package adoption



- Annual generation adequacy outlooks
- Network operation tools
- Annual report
- Annual work programme
- 10-year investment plan
- Rule-setting: Develop draft Technical and Market codes through stakeholder consultation



■ To be drafted by TSOs

- “Pure” technical codes
- Cross-border capacity allocation (implicit or explicit)
- Congestion management
- Tariffs & Inter TSO Compensation
- Day ahead-, intraday- and balancing markets
- Settlement incl. gate closure
- Secondary market for capacity and Financial Transmission rights
- Transparency
- Data exchange

■ Not to be drafted by TSOs

- Codes without any impact on TSOs technical responsibilities and operation (ex. rules on financial instruments such as ‘futures’)
- Codes without any involvement of TSOs during implementation or operation (ex. rules specific to power exchanges or trading between market parties)

On-going dialogue between CEER and ETSO for better understanding

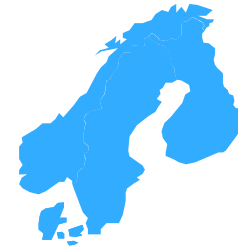


- TSOs do not contemplate to become a self-regulated monopolistic industry
 - Neither as TSO: already regulated on a national basis
 - Nor as ENTSO-E: 3rd package gives ACER the powers
 - to approve or reject each rule or code proposal before it is implemented by TSOs
 - to monitor the way the rule or code is applied
- The Agency has also the right to impose decisions on National regulators
 - Monitoring ensured by European Commission
 - Comitology process to address Member State concerns



A parallel approach to European market integration

Further development of the regional market



Coordination between the regions



Integration at the European level



- Increased investments in transmission infrastructure is a key to an integrated sustainable electricity market
- Two main issues frustrate increased interconnectivity across the EU today:
 - The increasing difficulty to obtain permits
 - The "regulatory gap" as there is currently no requirement for regulatory authorities to consider issues outside their Member State borders
- ETSO welcomes mandate to national regulators to cooperate at European level

But: further measures facilitating and accelerating authorisation procedures are desperately needed



7 Key Messages

- **Unbundling**: whatever the solution, ETSO expects it will guarantee and finally give trust in TSO's full independence
- **Key for rapid progress**: binding TSO Membership in ENTSO-E and a clear mandate from the Commission and ACER
- **Technical & Market codes**: a ENTSO-E responsibility once TSOs are involved in design, implementation or operation
- **ENTSO-E is not a self-regulating body** in the 3^d package
- **ENTSO-E consultation**: transparent and continuous process for broad understanding and support
- **Regional markets**: ENTSO-E will have tools for improving coherence between markets
- **The missing link**: faster authorisation procedures!





Thank you for your attention!

