

Developments in European Regulation

Rodney Doyle, Commercial and
Regulation, EirGrid
18th October 2006

Overview

- European Regulators Group for Gas and Electricity (ERGEG)
- Regulatory Working Group Arrangements and Initiatives
- Specific Regulatory Proposals and Requirements
- Market Participants Possible Role
- Next Steps

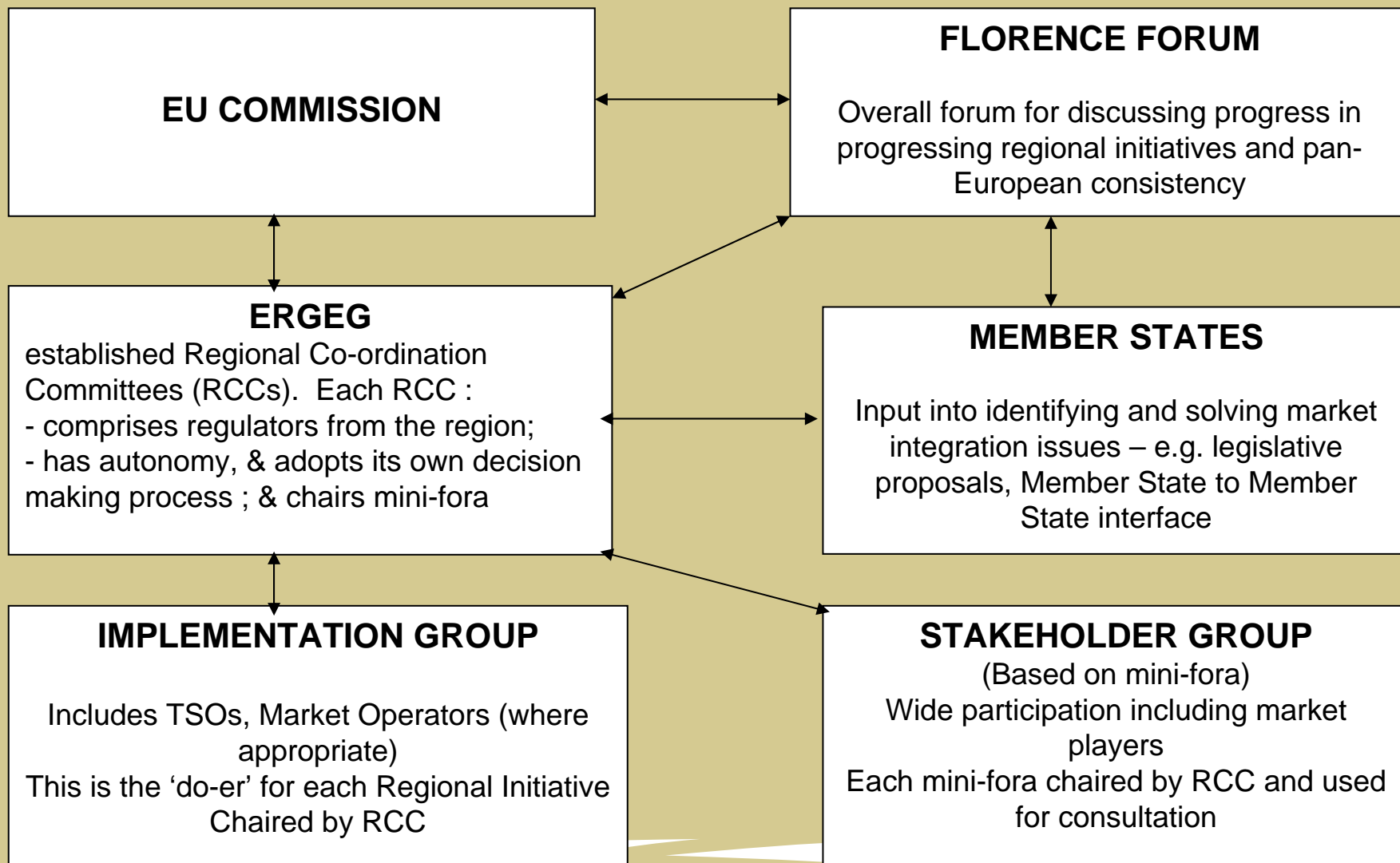
Regulation Changes

- Changes are being proposed in the regulation of Gas and Electricity
- The regulation changes affect all market participants

ERGEG

- European Regulators Group for Electricity and Gas (ERGEG) was established as an Advisory Group to the European Commission
- ERGEG considers the consolidation of internal energy market and the application of Directives
- All national regulators of the EU member states become members automatically

Elements of the organisational framework



Regional Initiative - Objectives

- Ultimately to create single electricity market
- *via* interim step of regional markets, and building on and fostering integration as a market driven process

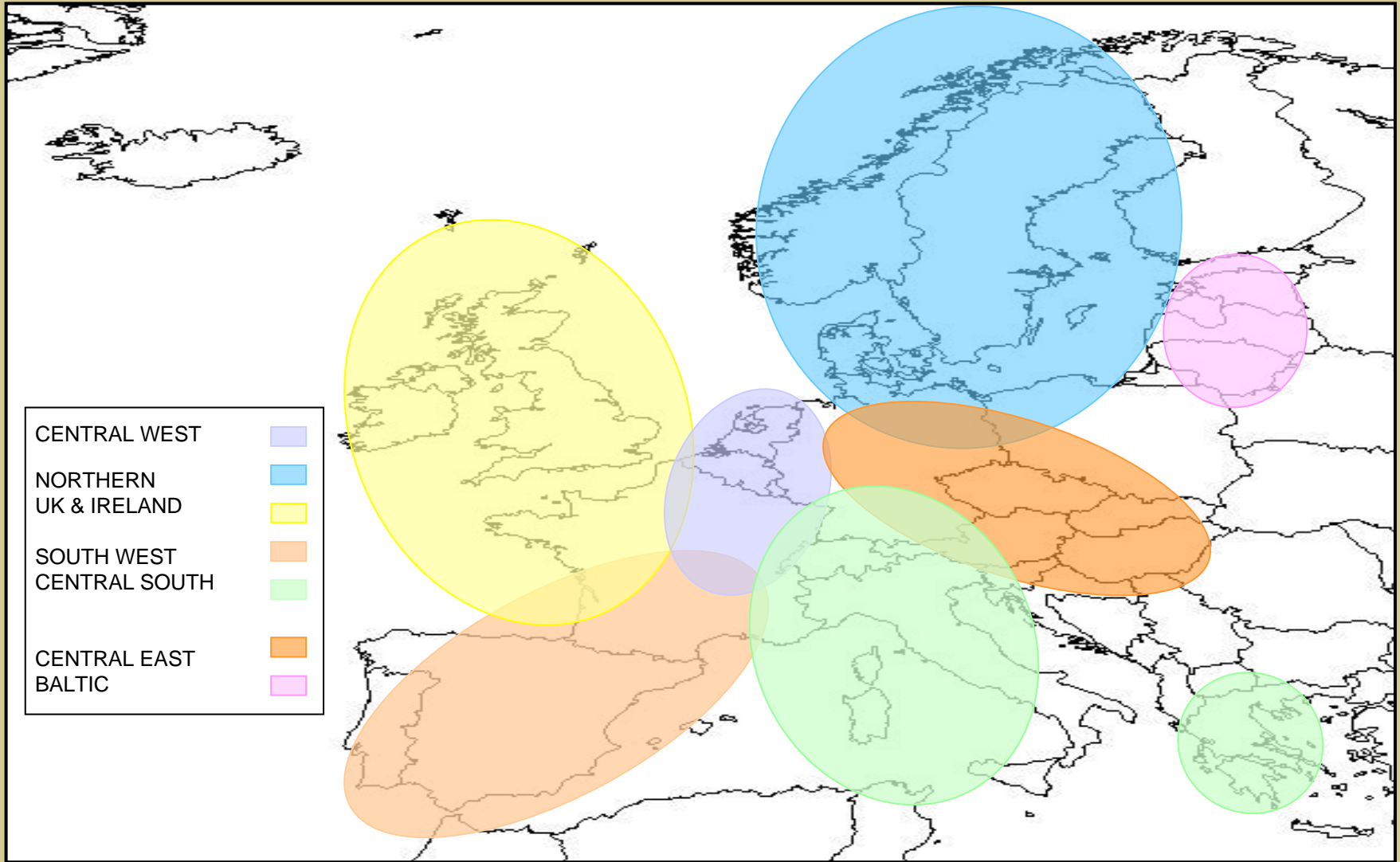
Hence Regional Initiative has objectives to :

- Establish (better) functioning regional markets
- Identify and publish priority areas
- Establish and publish action timetable
- Identify who should take action
- Monitor and foster progress

7 Electricity Regional Energy Market Projects

Region	Countries	Lead Regulator
Central-West	Belgium, France, Germany, Luxembourg, Netherlands	Belgium
Northern	Denmark, Finland, Germany, Norway, Poland, Sweden	Denmark
UK & Ireland	France, Republic of Ireland, UK	Great Britain
Central-South	Austria, France, Germany, Greece, Italy, Slovenia	Italy
South-West	France, Portugal, Spain	Spain
Central-East	Austria, Czech Republic, Germany, Hungary, Poland, Slovakia, Slovenia	Austria
Baltic	Estonia, Latvia, Lithuania	Latvia

7 Electricity Regional Energy Market Projects



Initial Priority Issues Identified

- A number of key themes are already identified by the ERGEG work programmes for 2006:
 - Congestion Management guidelines – implementation/ monitoring
 - Guidelines on Good Practice – Transparency and Information Management
 - Guidelines on Good Practice - Balancing
 - Cross Border Issues – Compatibility of national legal and other conditions including market rules
 - Cross-border infrastructure
 - Inter TSO co-operation

Priority Focus

- First focus is on ‘interfaces’ between the national markets
- Hence first priorities :
 - Congestion Management – implementation of CM Guidelines
 - Co-ordination of auctions on interconnectors
 - Balancing markets – reciprocal access
 - Wholesale market transparency
- Longer term might include :
 - Further investment in interconnectors
 - Imbalance pricing
 - Regulatory framework
 - Transmission pricing

Balancing Market Aims

- Provide TSOs with access both to a more diversified generation technology mix
- Provide further opportunities to offset deficit and surplus net generation positions, (help to minimize balancing costs)
- Increase competitive pressures so that possibilities for the exercise of market power in any one balancing markets are reduced
- Contribute to sharing reserves and security of supply
- Where TSOs have compatible balancing mechanisms, each TSO will be able to call balancing power from neighbouring TSO in a market based way, and so contribute to the reduction of the risk of supply interruption

Transparency GGP, What should the aims be?

- Achieve “Balance” in the GGP
 - Current emphasis on TSOs as providers of information.
 - Should adequately reflect the accountabilities falling to the source/owner of the information.
- Clearly distinguish between
 - Market related data (for publication)
 - Data for operational and planning purposes (TSO to TSO)
- Ensure data does not convey market power

Where does it fall short?

- Clarity of roles for data supply, exchange and publication
 - Source / Owner
 - User / Beneficiary
 - Provider / Aggregator
- Highlight uses of data by TSOs
 - Primary use to operate and achieve system(s) security
 - Secondary use to pursue optimal use of the existing transmission infrastructure (CM Guidelines)
 - Tertiary use (yet important) to facilitate and inform the market
- TSOs are highly dependent on the quality and availability of data from other market participants (particularly Generators)

What is Required?

- Benefits of centralised collation, ratification and publication of data.
 - TSOs best placed to facilitate
 - Develop and harmonise data exchange standards
 - Develop mechanisms for recovery of costs
 - Proposal of ETSO Transparency Conference in fall 2006
- Need for an over-arching data confidentiality/legal framework to facilitate data exchange and publication
- Adoption of inherently transparent market mechanisms/designs (i.e.. mechanisms where data is open and revealed in real time)

Congestion Management Requirements

- A common coordinated congestion management method and procedure for the allocation of capacity to the market at least yearly, monthly and day-ahead to be applied by 1 January 2008
- Currently being incorporated by TSOs
- Both SONI and EirGrid discussing the requirements with the regulatory Authorities
- SONI and EirGrid have agreed methods to incorporate the requirements
- Likely to be a consultation on the methodologies the TSOs use to incorporate the requirements

Market Participants Role

- Participate in the steering group
- Provide submissions on the GGP's
- Push for changes that facilitate transparent market operation

Actions and Timetable

- On the 4 priority topics being pursued :
 - TSOs asked to investigate, write documents with proposals by late summer 2006
 - Public consultation is expected to follow, including at 2nd Steering Group meeting
 - Implementation of preferred proposals to be mapped out following consultation
- Regulators themselves collaborating on imbalance pricing and transmission tariffs
- Medium term – consideration of further infrastructure investment, regulatory framework, imbalance pricing

Next Steps

- EirGrid will Continue to participate in the ERGEG regional group
- EirGrid will continue to support Transparency
- Assess with CER actions required as a result of the congestion management requirements
- Check out WWW.ERGEG.COM

Summary

- New Regulations being consulted on that affect you and affect us
- New Regulations proposed on:
 - Transparency
 - Inter TSO Balancing
- New Regulations approved on:
 - Congestion Management

END



Annual Customer Conference 2006

Croke Park Conference Centre, Dublin

18th & 19th October 2006

