

**19th EU ELECTRICITY
REGULATORY FORUM
– FLORENCE FORUM –**

FINAL CONCLUSIONS

13 – 14 December 2010

FLORENCE

Convitto della Calza

Internal Market

- 1) The Forum took due note of the presentations:
 - ERGEG report on the status of work on draft framework guidelines on capacity allocation and congestion management
 - ENTSO-E and EuroPEX presentations on the development of the enduring day-ahead market coupling initiatives towards European single price coupling, including the CWE/ITVC, NWE and PCR initiatives.
 - AHAG Intraday Project Group, chaired by ENTSO-E, presentation on the current status of work and the existing initiatives.
 - The European Commission presentation on the work on Day-Ahead and Governance Project Group.
- 2) The Forum welcomed this work on capacity allocation and congestion management and emphasized its importance for the establishment of a robust framework for single price coupling.
- 3) The Forum welcomed the good results of the recent CWE-Nordic coupling. The Forum agreed that price coupling in north-west Europe (CWE, Nordic regions and GB) should be developed and implemented by end 2012 as a first step for pan European price coupling. The forum stressed that the work on governance should continue, for intraday and day ahead market coupling.
- 4) The Forum called for all stakeholders to ensure that intraday solutions were compatible with the wider European target model solution. To this end a shared order book function and capacity management module should be developed and implemented by end 2012. The intraday target model is to be specified in the CACM framework guideline developed in early 2011, followed by a network code. The Forum supported this being a European platform.
- 5) The Commission will convene a meeting with the Agency, ERGEG, ENTSO-E, and EuroPEX to address the key barriers to the implementation of the roadmap for intraday with a view to achieving a clear result in the first quarter of 2011.
- 6) The work of the AHAG should continue with new terms of reference under the leadership of the Agency which will establish a follow up group in early 2011 to bring all stakeholders together so as to pursue work on the development of the target model to focus on the coherence and timely implementation of the various initiatives to achieve the target model.

- 7) CEFIC highlighted the importance, using the flow based method, to optimise enlarged price zones while bids may be better localised. .
- 8) Implementing these European solutions is of crucial importance because of the impact of integrating RES. National or regional developments should be designed to support EU wide day ahead and intraday markets, for example when developing incentives to ensure the availability of transmission capacity. The involvement of Member States in advance of the starting of the Comitology process is therefore of critical importance. The Commission will continue to hold regular meetings with Member States, with the participation of representatives of the Agency and ENTSO E as required, on the development of framework guidelines and network codes. National regulators will also keep their Member States informed of developments.
- 9) ERGEG reported on the development of solutions for long term allocation of capacity rights and in particular the importance of a single auction platform to perform long term allocation at Regional level. The Commission informed the Forum that it will launch a study on this topic in 2011. The Forum welcomed this work and recognised the importance of ensuring progress on this work area, and ensuring cross regional harmonisation by regions using existing platforms to auction long term capacity where possible.
- 10) The Forum thanked ERGEG for preparing the 3rd Compliance Monitoring Report. Compliance with the Electricity Regulation and the Congestion Management Guidelines has improved but is not yet fully complete. The Agency and national regulatory authorities have a very important role in ensuring coherent application of congestion management rules, using their powers under the third package. The Commission reminded about the ongoing infringement procedures based on Regulation (EC) No. 1228/2003.
- 11) The Forum thanked ERGEG for the pilot framework guideline on grid connection. It provides a good basis for launching the drafting of the related network code(s) and thus serves as a basis for setting the standard minimum requirements that all the grid users need to comply with. The Forum thanked ENTSO for their work on the Grid Connection pilot code and requested them to continue their work on this. The Commission indicated they would officially write to ENTSO E to request them to begin work on a network code.
- 12) CEFIC underlined the need for ENTSO E and ERGEG to take into account the impact of network codes on industrial networks, with necessary and appropriate specific rules.
- 13) EWEA stressed the importance that the Grid Connection codes are to the benefit of network users. They set out that: the codes should be as precise as possible without arbitrary page limits; codes should avoid divergent national approaches

- and should allow flexibility; one approach to addressing these concerns could be to structure the final codes for network connection as a relatively short binding Regulation with a normative annex.
- 14) The Forum took note on the update by ERGEG and ENTSO-E on the preparation of draft framework guidelines and network codes on system operation. The Forum welcomed the statement by the Commission that it would write to ERGEG before the end of 2010 giving it a formal mandate to start work on the system operation framework guideline.
 - 15) The Forum took due note of the ACER, CEER and ENTSOE work programmes for 2011.
 - 16) The Forum supported the workplan for 2011 and the initial priorities proposed by the Commission for 2012 for the work on guidelines and codes. (Framework guideline priorities for 2011: Balancing, Grid Connection, Capacity Allocation, Congestion Management, System Operation; for 2012: tariffs, incentives to increase cross border trade, investment incentives for TSOs).
 - 17) The Commission underlined the importance that the work to be determined for the period 2013/2014 should concentrate on essential elements for achieving the effective functioning of the internal market by 2015.
 - 18) The Forum supported the process through which the Commission intends to set priorities for guidelines and codes. This process includes a public consultation each year in February and the priorities are finalized for the following year by the end of March.
 - 19) The Forum welcomed the announcement by ERGEG that it was reviewing the experience of preparing pilot framework guidelines and would report to the next meetings of the Florence and Madrid Forums.

Market integrity framework and transparency

- 20) The Forum welcomed the proposal from the Commission for a Regulation for Energy Market Integrity and Transparency and hopes that agreement can be speedily reached with the Council and the European Parliament to allow the new rules to apply in 2012. The Forum supports addressing the practical issues associated with transaction reporting as early as possible.
- 21) The Forum welcomed the progress report on proposals for a trading passport from the ERGEG FIS working group. The Forum also welcomed the intention of ERGEG to fully consult on the options it develops to address future requirements for trading licensing. The purpose should in any case be simplification and the reduction of bureaucracy.

- 22) EFET underlined the importance that electricity markets can develop under suitable regulation that is relevant to energy markets. EFET highlighted that if all energy traders were regulated as financial institutions, liquidity would decrease as trading would be costly and burdensome.
- 23) The Forum welcomed the advice of ERGEG on a Comitology guideline on fundamental data transparency and supports the ERGEG proposal for ENTSO-E to create an EU wide transparency platform. The Forum welcomed the intention of the Commission to develop a legally binding fundamental data disclosure framework for electricity in 2011.

Infrastructure development

- 24) The Forum welcomed the Commission's Communication on energy infrastructures for 2020 and beyond and endorsed the priorities and new development planning method proposed. It underlined the important role of the Florence forum, regulators and network operators in the upcoming work aiming at the preparation of a new European energy security and infrastructure instrument and its complementarities with the preparation of future ten-year networks development plans.
- 25) The Commission, regulators and TSOs agreed to work closely on improved cost allocation for complex infrastructure projects.
- 26) The Forum also supported the proposal to set up a dedicated "Electricity Highways Platform", led by the European Commission in cooperation with ENTSO-E and the Regulators and with the involvement of all relevant stakeholders.
- 27) The platform should focus on establishing generation scenarios, assessing ENTSO-E's concepts of pan-European grid architecture, analysing consequences of deployment, supporting necessary research and development and designing an appropriate legal, regulatory and organisational framework.
- 28) The platform will be managed with the help of a steering committee composed of the Commission, ENTSO-E and ACER and, as needed, specific working groups to prepare the work and consultations of this platform. The steering committee will start organising work in early 2011. Eurelectric stressed their interest in being closely involved in the work of the Electricity highways platform.
- 29) The Forum invited ENTSO-E to present, during the 20th Florence Forum, its proposals for an "Electricity Highways Roadmap" addressing the topics to be covered under this platform and establishing a concrete work plan.
- 30) The Forum recognised the contribution of the ERGEG opinion on the ENTSO-E pilot ten year network development plan to the implementation of the Third Package and addressing Europe's infrastructure needs.

- 31) ENTSO-E stressed the need for clear binding target dates for permitting of new infrastructure and highlighted the necessity to take into account the changing risk profile of TSOs as a result of massive new investment.
- 32) GEODE regretted that, apart from Smart Grids and District heating and cooling, the infrastructure package did not address DSO investment needs in more detail. IFIEC emphasised the problems resulting from the existence of different regulatory approaches for new interconnections. IFIEC also advocated a fairer allocation of network costs between consumers and producers. EURELECTRIC stressed the importance of grid user financing of the development of the grid and the need to allow a reasonable rate of return'
- 33) The Forum welcomed the presentation by CENELEC and underlined that standardisation should be seen as an integral part of the internal market and take full account of its regulatory fast paced development.

Acer and ACER work program

- 34) The Forum congratulated the Agency on the conclusion of the seat agreement with the Government of Slovenia and the progress made towards being fully operational on 3 March 2011.
- 35) The European Parliament informed the Forum about the establishment of the ACER Contact Group.

Regional Initiatives

- 36) The Forum welcomes the European Commission's Communication on the future role of Regional Initiatives. The Forum recalled that the role of Regional Initiatives was to contribute to the completion of the internal market.
- 37) The Commission calls on all stakeholders to engage in the consultation being undertaken in conjunction with this Communication. The deadline for responses is 15 February 2011.
- 38) ERGEG presented its status report highlighting that different regional projects can offer regional targets for achieving the internal market target model by 2015.

Any other business

- 39) ENTSO-E informed the Forum about the adoption of its draft statutes for the opinion of the Agency and the Commission.
- 40) The Forum took note on ERGEG's presentation on the work plan of ICER, which has established four working groups: security of supply, climate change,

affordability, regulatory training and best practice. The next World Energy Regulatory Forum will take place in Quebec from 13-16 May 2012. The Forum welcomed the announcement by the Commission that it had awarded a grant of €30 thousand to ICER to support training.

- 41) EuroPEX reported to the Forum on how VAT fraud could impact on energy markets. Following a Commission letter earlier this year both ERGEG and ENTSO-E will present interim measures to address these concerns in the near future.