

XXVII. EU ELECTRICITY REGULATORY FORUM

FLORENCE

27-28 November 2014

CONCLUSIONS

Regulation on Capacity Allocation and Congestion Management (CACM)

1. The Forum welcomes the joint efforts of the Commission, ACER and ENTSO-E to improve the text of the CACM Guideline and to find acceptable solutions on the remaining controversial issues in this text. The Forum considers that the main elements for adoption are in place and urges Member States and the Commission to find a common position on the outstanding questions and encourages them to work towards obtaining a favourable opinion from the Committee on the CACM Guideline before the end of this year.

Early implementation

2. The Forum congratulates the project parties for the coupling of Romania to the '4MMC' project. The Forum takes note of the postponement of moving to flow-based methods in CWE, and encourages every effort to prepare the implementation in early spring. The Forum welcomes the coupling of the Central South region to the Multi-Regional Coupling Project ('MRC') early next year. The Forum takes note on the progress made in coupling the CWE and CEE regions and encouraged the project to move ahead in view of implementation in 2016.
3. The Forum supports early implementation of market rules including the establishment of harmonised allocation rules for long-term capacity allocations.
4. The Forum acknowledges the efforts made by the parties to develop a common platform for intraday market coupling. The Forum further welcomes the recent opening of a constructive dialogue with the users and encourages the parties to intensify the exchange of views with users in the nearer future.
5. The Forum however regrets that despite all efforts the progress made is disappointing and regrettable with regard to the paramount importance of intraday trading for the development of a well-functioning electricity wholesale market.
6. The Forum insists that the parties undertake all possible efforts in order to overcome the remaining issues, notably the issue of performance standards and the issue of equal treatment and to proceed with the signing of the procurement contract accompanied by a clear and ambitious timeline for the local Implementation Projects by the end of February 2015 at the latest. Should this not be achieved the Forum calls upon the Commission to set up a structure in which alternative solutions can be discussed and developed; the results shall be reported back to the next Forum.

System operation codes

7. The Forum urges the Commission to take and implement the necessary decisions to advance the System Operation proposals and compels ENTSO-E to provide support along the way. The Forum recalls the importance of ensuring stakeholder engagement in this process in advance of comitology.
8. The Forum encourages the Commission, ACER and ENTSO-E to reflect on concrete actions and how security coordination should be taken into account in the network codes approaching comitology.

Generation and system adequacy assessment

9. The Forum emphasises that developing a better assessment of generation and system adequacy in the internal market is necessary to ensure efficient policy responses.
10. In this regard, the Forum welcomes the work being undertaken by ENTSO-E and the Pentalateral Forum on generation adequacy assessment. Regional initiatives such as the Pentalateral Forum show that good cooperation between Member States, NRAs, TSO and stakeholders is possible. The Forum welcomes the intention of the Commission to support this work by undertaking studies on adequacy standards and generation adequacy assessment. The Forum requests the Commission to keep it updated on these developments.

Getting to cross border short-term markets: electricity balancing

11. The Forum recalls the urgent need for, and significant benefits of, well-integrating balancing markets. It welcomes the early implementation projects which will be as critical for the progress as robust and transparent rules aiming at more harmonisation.
12. The Forum welcomes the ongoing process to improve the draft Electricity Balancing Regulation and invites ACER and ENTSO-E to undertake further work on a more ambitious text with a clear deadline for the completion of the process. It calls upon the Commission to identify key elements for more progress and to evaluate solutions which enable a faster integration of balancing markets (for example harmonisation of existing balancing systems) considering on the one hand the increased importance of integrated short-term markets and on the other hand the specific relevance of balancing for system security.
13. Given the importance of early implementation, the Forum encourages ACER and ENTSO-E to strengthen the role of the balancing project stakeholder group and invites ACER to co-chair the group.

Activating Demand Side Response

14. The Forum stresses the importance of ensuring that Network Codes and Guidelines are compatible with an open framework for Demand Side Response participation, including by aggregators acting on behalf of consumers.
15. Given the key importance of flexible price signals that reflect supply and demand, the Forum stresses the importance to assess the benefits, limits and risks of more flexible prices aiming at solutions that reap the benefits of more flexible market prices while avoiding disproportionate effects on consumers.
16. The Forum encourages the Commission, CEER and the Smart Grids Task Force to present a set of recommendations at the next Forum on removing market and regulatory obstacles to Demand Side Response as well as regulatory loopholes that distort incentives. These should also draw on discussions and consultations with stakeholders, including at the London Forum.

Harmonisation progress: Are we getting to an internal electricity market

17. The Forum welcomes the Commission's recent Communication on progress on the Internal Energy Market and its priorities for the coming year. In particular, it supports the Commission's aim to put the majority of Network Codes and Guidelines to a vote of the Electricity Cross-Border Committee by the end of 2015 and to monitor full implementation of the existing rules in Member States.
18. The Forum stresses again that the Internal Market is at a turning point. Political choices will in the near future determine whether benefits from integration can be realised through more integration and whether prices and investments will be driven by demand and supply or regulatory interventions in future. Policy Makers at both the domestic and European levels should therefore fully consider the impacts of potential reform measures on the internal market, taking into account the fact that the internal electricity market is already characterised by a significant amount of state intervention. In order that the market can perform effectively, the Forum stresses the need to integrate renewable energy sources fully into the market arrangements. It reiterates its support for a market-based approach for the internal energy market and for initiatives bringing more convergence for state interventions.
19. The Forum stresses the need to ensure that market arrangements are aligned with changes in the electricity system in the next years. It welcomes ACER's "Bridge to 2025" conclusions, as well as ENTSO-E's and other stakeholders' recent papers on market design. It invites the Commission to consider the proposals carefully in its work priorities for the next years and provide an update at the spring Forum.

Getting the necessary infrastructure in place

- 20. The Forum takes note of the lessons learnt from the first round of cross-border cost allocation (CBCA) decisions and from the first CEF call and underlines the key role of the market and regulatory framework in delivering the necessary investments, and stresses that grants should be the last resort measure.**
- 21. The Forum welcomes ACER's intention to review the CBCA guidance in 2015 and appreciates the Commission's willingness to facilitate discussions between all relevant parties. It asks the Commission to provide guidance to project promoters and regulators on the application of financing instruments.**
- 22. The Forum recalls the importance for ENTSO-E to continue the development of the cost-benefit analysis methodology and monetisation of impacts so as to provide a solid basis for the PCI selection and CBCA decisions.**

The Northern Seas as an integrated energy system

- 23. The Forum takes note of the conclusions of the study Commissioned by the European Commission concerning the benefits of a meshed grid in the Northern Seas region. It invites all stakeholders to reinforce their efforts to develop a coordinated strategy for the North Sea as an integrated energy system. It requests that it be kept informed regularly of progress on this matter.**