

## CONCLUSIONS

### **XVth European Electricity Regulatory Forum Florence, 24-25 November 2008**

1. The XVth meeting of the European Electricity Regulatory Forum took place in Florence on 24 and 25 November 2008. The forum was attended by representatives of the Commission, the ministries and regulators of the Member States and all interested stakeholder associations. Moreover, there were representatives of Norway and the third country Switzerland.
2. The Commission informed the forum about the next forum to take place on 4 and 5 June 2009. The electricity cross-border committee will take place 16 December where in addition to ETSO winter outlook report ITC compensation consultation document will be presented by the Commission. The Commission informed about creation of two working groups on the Baltic region.

#### **Presentation and discussion of the 3<sup>rd</sup> package proposals**

3. The Commission presented the state of play concerning the ongoing negotiations with the Council and Parliament on the Third Package. The Council has now come to a common position, second reading should start early 2009.
4. ERGEG presented its consultation documents on core questions for the practical implementation of the 3rd Package. ERGEG said it was fully committed to quick implementation as soon as the Package is adopted by Council and Parliament. There will be a workshop in Brussels 11 December and the consultation end 31 December 2008.
5. ETSO informed about the process creating ENTSO-E. A formal creation of ENTSO-E is expected 19 December 2008. A clear definition of roles is needed; the challenges are big, and there should be room for innovation and flexibility. ETSO welcomes the co-operation with all stakeholders in particular Member States and national regulatory authorities.
6. The Forum welcomed the ERGEG consultation and called for concrete actions.

#### **ETSO and Europex study on a coordinated model for regional and inter-regional congestion management**

7. ETSO and Europex presented a report on "Development and Implementation of a Coordinated Model for Regional and Inter-Regional Congestion Management", made in the context of the mandate given at the Florence forum in September 2007.
8. The Forum welcomed the ETSO and Europex report on the Development and Implementation of a Coordinated Model for Regional and Inter-Regional Congestion Management. The Report presented two main options on how the market could be integrated, in particular at the day-ahead level: one is dome coupling, the other option aimed directly at harmonisation via price coupling.
9. The Chairman invited comments from the Member States concerning their preferred option and their willingness to change the existing practices. Member States indicated there should be benefits for consumers, that they should be

involved, that today's bottom-up approach should be taken into account and that the approach should be flexible enough to accommodate future developments.

10. The stakeholders recalled other aspects of the market that should be addressed. The Chairman concluded that it was important to decide on which elements should be included in the ETSO Europex project and which should be addressed outside of it.
11. The Forum invited ERGEG to establish a Project Coordination Group of experts, with participants from EC, Regulators, ETSO, Europex, Eurelectric and EFET, involving Member States' representatives as appropriate, with the tasks of developing a practical and achievable model to harmonise interregional and then EU-wide coordinated congestion management, and of proposing a roadmap with concrete measures and a detailed timeframe, taking into account progress achieved in the ERGEG ERI. In addition the Forum welcomed the proposed Market Integration Design Project involving TSOs and Power Exchanges to address the practical design issues. This work is to be overseen by the Project Coordination Group and report to the Forum.

### **Regional Initiatives**

12. Forum participants welcomed the 2<sup>nd</sup> Electricity Regional Initiative Coherence and Convergence Report, which reaffirmed that the 7 electricity regions are working in ways which foster regional market integration. The report showed that progress on achieving harmonisation of regional market arrangements has taken place. However, the report noted the risk that progress in regions could be disjointed as regions have different priority levels and timings for the priority issues, namely congestion management, transparency and balancing.
13. The lead regulators of each region informed the Forum of the progress made and of current challenges in the regional initiatives. The Forum stressed the importance of regional initiatives and strongly emphasised the need for their continuation. In this context, cross border balancing markets should be paid greater attention and be investigated in a workshop early 2009.
14. The Commission and ERGEG informed the Forum about a possible peer review and of a study by a consultant which would provide a critical assessment of regional initiatives and would look at the ERI identified priority issues that would need a top-down approach, building upon the ERGEG report's recommendations, and contribute to the work of the project coordination group to achieve compatibility.
15. The Forum welcomed this study, stressing that it should not stop progress on regional initiatives and should aim at establishing a concrete roadmap and timetable.

### **Incentives for electricity network infrastructure investment**

16. The Forum took note of the study by Frontier Economics and Consentec. The stakeholders stressed that the incentives are important to develop the basis for sharing costs and revenues. The authorisation process needs political impetus and has to be much faster and predictable.
17. It was also stressed that a European financing scheme could be considered and, if so, that the process should be transparent.

## **Generation and system adequacy forecasting**

18. ERGEG and ETSO presented their work, requested by the XIVth Florence Forum, highlighting objectives and necessary improvements to perform pertinent EU System Adequacy Forecast. The Forum encouraged ERGEG and ETSO to continue cooperation and supported the idea of a plan to prepare an enhanced pan-EU System Adequacy Forecast and 10-year investment plan by June 2010. In this context, the Commission drew the attention to the six areas where it would envisage that further investment is needed.
19. Stakeholders recalled that the large scale integration of RES should be made compatible with the operational arrangements that apply to other types of generation. The challenge of grid planning in the context of free location of power plants has to be addressed.

## **ERGEG Report on Compliance with Regulation 1228/2003**

20. ERGEG presented their 2<sup>nd</sup> report on the compliance of TSOs with the obligations under Regulation 1228/2003 and the Congestion Management Guidelines. The report concluded that a lot of progress since the 1<sup>st</sup> Compliance Report has taken place, especially within the realm of the Regional Initiatives. However, the Regulation and the Guidelines are far from being fully implemented.
21. The Forum welcomed the ERGEG report and noted EFET's study on timeframes and secondary market aspects of auction rules and ETSO's work on transparency. The Forum encouraged regulators and TSOs to speed up implementation of Regulation 1228/2003 and of the congestion management guidelines. The Forum urges the Commission, the Member States and the regulators to ensure compliance with the rules.
22. The Commission informed the Forum that it intended to start, in the next few months, infringement proceedings where appropriate, in case of non-compliance with Regulation 1228/2003 and other relevant EU legislation.

## **Trading transparency**

23. The Forum welcomed the European Commission's initiative to address the issue of transparency and market integrity in European energy wholesale markets at the Forum.
24. The Forum took note with great interest of the progress reported by ERGEG on the work undertaken by the CESR/ERGEG Joint Group on transparency and market abuse. It welcomed the Commission's offer to organise a stakeholder workshop in March 2009 in order to assess in more detail the advice delivered already by CESR/ERGEG on market abuse and their advice to be provided on transparency. The findings of the workshop will be reported to the next Forum. The Forum welcomed that CESR/ERGEG also address in this framework issues related to CO2 trading.

## **Quarterly Report on electricity**

25. The Commission presented its Market Observatory for Energy, which has the ambition to propose a tool allowing the EC to monitor closely the most recent developments in the European electricity markets.