

50Hertz-Transmission Paper on the ERGEG Consultation “Strategy for delivering a more integrated European energy market: The role of the Regional Initiatives”

50Hertz Transmission is a transmission system operator in Germany and participates in three regional initiatives (CEE, NE and CWE region). We welcome the opportunity to give feedback on the ERGEG consultation paper and may present our view at the issues raised by the regulators as follows:

Questions - set 1

There is no ‘blueprint’ for achieving a single energy market, and yet activity towards that goal is taking place across a number of levels. Do you consider that a high level/strategic vision is needed to set the overall direction of market integration? Should this vision be the same in gas and in electricity? How do you think it should be formed, and who should be involved? Which sort of forum do you think would be appropriate for the development of such a strategic vision? Do you see a risk that developing a strategic vision may delay implementation in the regions under current structures, or that it could facilitate progress?

The regional initiatives play an important role in the process towards a single European energy market. We consider the development and implementation of a vision as a key element and tool for the day-to-day work of the regional initiatives. The vision should address both, the ultimate goal and milestones. This ensures that stakeholders stay focused and is helpful in implementing the necessary measures. The vision to be developed should be set against the “cornerstones” of a single European energy market, inter alia maintaining system balance and security of supply, non-discriminatory grid access for all kinds of electricity generators, immediate grid development, full integration of energy from renewable sources, free and fair competition in the electricity market as well as research and development. Regulators and TSOs should, through their organisations ACER and ENTSO-E, take the initial action to draft such a vision and consult with the relevant stakeholders, similar to the Florence Forum.

Questions - set 2

Member States have an important role in establishing a legally binding cross-border regulatory framework, as well as in relation to their own Member State's interests. Work in the Regional Initiatives will be very relevant. Do you agree that Member States should be more closely involved in the work of the Regional Initiatives? If so, how should this happen?

As signatory party to the “Memorandum of Understanding of the Pentalateral Energy Forum on Market Coupling and Security of Supply in Central Western Europe” and active party of this group we have made notable positive experience with this kind of co-operation. We therefore support the activities of a similar forum for the Central Eastern Europe region. In general, we support a stronger involvement of Member States and National Regulatory Agencies in the work of the regional initiatives to integrate inter alia aspects of convergence of legal frameworks as well as grid development as a precondition for the development of the energy market. However, consideration must be given to an adequate distribution of roles and responsibilities between Members States / NRA's and TSO's. Member States should in the first place deliver input to the work of the regional initiatives and should avoid adapting a role which may be used to push unilateral interest at the cost of other Member States or regions.

Questions - set 3

There are currently 7 electricity regions in the ERGEG Regional Initiative, and 3 in gas whereas the overall target is to create a single region – the Single European market. How should the number of regions in the ERGEG Electricity Regional Initiative evolve towards a single market? Should the number of regions be reduced? And / or should specific topics firstly be merged across the regions? Which regions do you think should be merged or topic areas reconfigured, and what criteria should be used in reaching a view? How many regions should result initially, and what topics might be reconfigured?

Based on the vision to be developed and taking into account the different grade of maturity of the diverse markets realistic targets and timeframes should be set individually for each of the regions. At the same time it should be ensured that the regional initiatives can exchange their experiences and learn from each other. Consideration should be given if regional initiatives which are more advanced than others could set a standard in order to allow other regional initiatives to copy already tested solutions to a maximum extend and avoid divergence of

regional developments as well as loss of time. Of course mutual trust and a high standard of communication would be a prerequisite. Altogether, a structured process of determining targets, timeframes and standards might be helpful. Dependent on the grade of target achievement there will appear opportunities of merging regions or reconfiguring topics, which we in general support. Ultimately, the regional initiatives should make themselves redundant. At the moment we do not think that preconditions for the merger of regions are already met.

Questions - set 4

Not all regional market projects are part of the ERGEG Regional initiative, and yet the achievement of a single European energy market is the goal of all such regional projects. Do you agree that the regional market initiatives which are outside of the ERGEG Regional Initiative should be incorporated in some way in the overall approach to achieving a single European energy market? How do you think this should happen? If you disagree, what role do you think these initiatives should have and how do you think convergence of European markets should be achieved?

50Hertz Transmission is part of an initiative of eleven TSOs aiming at increasing the awareness of the importance of maintaining the security of supply for the European society (TSC). We contribute to this goal through better communication between the TSOs, better training of the control centre personnel and regular contacts with governments and regulators to underline the importance of this issue. From our perspective it is important to note that initiatives like the TSC as well as other regional market initiatives which are not part of a ERGEG Regional Initiative should be regulated in a way which is proportionate to the size and scope of work of the initiative; formal rules and reporting lines should only be put in place when and to the extent necessary and redundant work should be avoided. At present we do not see a benefit in merging TSC with other regional initiatives and regulators should not pursue such merger. Of course TSC is in general open to further TSOs subject to the approval of the existing partners. However, we would not rule out the option of merging “other” initiatives with ERGEG regional initiatives, if they aim at the same direction and resources may be focused.

Question 5

Could ACER improve co-ordination across the regions in a better way than is proposed in this paper?

We welcome the proposal that the regional initiatives be centrally coordinated by ACER in the suggested way and have no further comments at this moment.