

XXVIII EUROPEAN ELECTRICITY REGULATORY FORUM

FLORENCE

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CONCLUSIONS

Network codes and Guidelines:

1. The Forum agrees that the arrangements to be put in place by the electricity network codes and guidelines are an essential prerequisite for fully realising the benefits of the internal energy market, and therefore calls on the Commission and Member States to prioritise their adoption.
2. The Forum welcomes the commitment of the Commission to present to the Electricity Cross-Border Committee before the end of the year all network codes and guidelines on which, to date, ACER has made a positive recommendation. It recognises the significant efforts that have gone into their development from all parties, but that this will need to continue if they are to be adopted in a timely manner. As to the guidelines on balancing and emergency and restoration, the Forum takes note that this work is on-going but the presentation to the Electricity Cross Border Committee will be done once the results of the public consultation on the market design initiative have been assessed.
3. The Forum emphasises the need to focus on the transformation from early implementation to implementation of legally binding requirements once each network code and guideline has been adopted. In particular, it calls for timely and consistent implementation across the Union and for this to be an on-going priority, with the full involvement of stakeholder committees based on the terms of reference proposed by ACER and ENTSOE.
4. The Forum noted concerns on governance and welcomes discussion at the next Forum.

Early implementation:

5. The Forum congratulates the parties involved in the successful launch of flow-based market coupling in Central Western Europe. The Forum urges continued efforts regarding implementation of the CACM guideline in order to make timely and good-quality progress in capacity calculation and in day-ahead and intraday market coupling. The Forum stresses the need to coordinate the regions applicable for capacity calculation and security cooperation and to avoid too many and too scattered regions to emerge.
6. The Forum welcomes confirmation from project parties that the key implementation contract for intraday market coupling is in the process of being signed and notes the widespread support for timely development of the project. The Forum encourages project parties to develop an ambitious plan to deliver local implementation projects

(LIPs) as quickly as possible, including developing them in parallel to the core solution in full compliance with the target model. The Forum notes the importance of involving stakeholders throughout the process.

7. The Forum encourages TSOs to continue implementing harmonised long-term capacity allocation procedures, including establishing a single capacity allocation platform.
8. The Forum stresses that hedging instruments in forward energy markets are vital for risk management and must be fully financially firm to qualify as a perfect hedge. It recognises that transmission rights can only be classified as fully financially firm if curtailment leads to compensation based on a calculation of the contemporaneous market spread. The balance of risk that market participants and tariff payers should take should be harmonised and determined by regulatory authorities.
9. The Forum stresses the importance of developing the balancing market and welcomes the development of balancing pilot projects. It welcomes the progress made on establishing the Balancing Stakeholder Group, and encourages all parties to actively engage in the process with the aim of moving towards a harmonised and integrated approach, with a reasonable number of balancing products.

Third Energy Package:

10. The Forum supports the Commission's aim to monitor full implementation of the existing rules in Member States. In particular, independent and strong national regulatory authorities are of paramount importance for the efficient integration of the internal energy market.

Challenges to market operation and integration of renewables:

11. The Forum agrees on the importance of renewables to the European energy mix, but emphasises the need for market-based support schemes that keep distortions to a minimum. In particular, it stresses that the goal is for renewables to be subject to the same rules as conventional generation and to compete with conventional generation without support.
12. The Forum welcomes the work being undertaken in the market design initiative in order to make the market fit for facilitating the integration of renewables and addressing existing market distortions. It stresses the two-way relationship and that renewables must be fit for the market and the market fit for renewables. In particular, it highlights that there are a number of market distortions that must be addressed in order to provide for the right price signals for investment.
13. The Forum emphasises that when integrating renewables into the market, electricity system costs and end-consumer prices should be affordable and safeguard competitiveness of European industries.

Flexibility:

14. The Forum emphasises the growing importance of flexible demand and supply in energy markets as the share of variable generation sources grows. It stresses the need for the energy market to properly value flexibility and encourages the Commission in its market design initiative to focus on improving the efficiency of markets so that price signals encourage the development and deployment of the different sources of flexibility needed in different market timeframes, especially intraday and balancing.
15. The Forum notes the growing number of sources of flexibility, including new technologies and market products that have the potential to offer cost-effective solutions to upcoming challenges, for example electricity storage. It emphasises the need to remove barriers to their deployment, and also the need for new innovations.
16. The Forum congratulates all the parties involved in the Smart Grids Task Force for the consensus achieved among all stakeholders and notes the set of recommendations for a standardised framework for Demand Side Flexibility in Europe.

Generation and system adequacy and CRMs:

17. The Forum recognises the need to formulate an appropriate policy response to the increasing prevalence of state intervention in the electricity markets. It recognises that common, credible system adequacy assessments undertaken on a regional basis, the setting of clear system adequacy standards, and an energy market design which maximises the benefits of cross-border integration are essential components of an effective policy response.
18. The Forum acknowledges the Commission's upcoming market design communication as well as the sector inquiry into capacity mechanisms. It calls for full and active engagement from all parties in both of these processes in order to support the development of policy and legislative responses that sufficiently address the future challenges in European energy markets and prevent distortive effects of capacity mechanisms.

Strengthening the secure system operation at regional level:

19. The Forum welcomes the work being undertaken in the framework of the system operation network codes in terms of Regional Security Coordination Initiatives as a positive step in the direction of more coordinated and integrated system operation and urges ENTSO-E to pursue timely the actual implementation of the initiatives.
20. The Forum urges the Commission to further consider how regional cooperation should further evolve to cope with the challenges the power system faces and compels ACER

and ENTSO-E to support the process. In particular, the Forum highlights the importance of further exploring issues such as the scope of functions, the geographical scope and the decision making responsibilities of future regional cooperation structures.