



## **GEODE COMMENTS ON ERGEG REGIONAL INITIATIVES PROGRESS REPORT – NOVEMBER 2009**

**GEODE** as a European association representing the interest of **energy distribution companies** considers that the **European Single Market (ESM)** is the best way to facilitate better market conditions by making electricity and gas companies compete with each other at the EU level and, therefore, **GEODE** supports ERGEG's Regional Initiatives of market integration at regional level as an interim step to facilitate the completion of the single European electricity market.

**GEODE** welcomes ERGEG Progress report, particularly as regards progress achieved on harmonising regional markets, improvements in transparency and progress on allocation of long-term capacity. We agree with ERGEG that some regions have made more progress than others which is an evidence of the diversity existing between the regions.

At the same time, **GEODE** supports ERGEG proposed actions to be taken at regional level and overall convergence specially focussed on:

- **Short-term capacity allocation**
- **Harmonisation and improvements to Congestion Management mechanisms:** **GEODE** considers that the problem of managing the different European transmission systems should be solved by a regional system operator. In addition to that, correct mechanisms to manage the lack of capacities in the interconnectors have to be set up.
- **Harmonising Transparency:** **GEODE** agrees with ERGEG's Report that transparency is one of the most important features for the liberalisation process and a common approach is of high importance. A transparent market should provide all market participants with necessary data equally. A right level of information transparency will benefit transactions, contributing to create a single European energy market. In that sense, harmonisation of market information in neighbouring power markets is needed and market players in both sides of market borders should be provided with equal information with equal information.
- **Integration of Balancing Markets:** **GEODE** welcomes ERGEG's work as regards Guidelines of Good Practice on balancing markets.

Nevertheless significant progress still needs to be made before the **ESM** can be a reality. **GEODE** thinks **EU priorities** should concentrate on creating the right conditions for the **ESM** especially with regard to cross-border issues that as ERGEG's report shows are still an important barrier for market integration of national markets.



Both the efficient use of existing interconnection and the development of more cross-border transmission capacity will contribute to this goal.

A European single market is first of all a market where, at the level of transmission a transnational flow of energy on equal transparent terms is open to all players without borders. Bottlenecks have to be removed by new interconnection capacity and free access should be guaranteed by Regional System Operators (RSO). As ERGEG's report shows there is also a strong need of setting up incentives for system operators to increase the interconnection capacity in many parts of Europe.

**GEODE** agrees with ERGEG's report that the implementation of the third package has the potential to faster the process to the achievement of a **ESM** as it introduces a new framework including a new Agency to facilitate cooperation between national regulators and between Transmission System Operators (ENTSOs) and will provide binding and enforceable rules within the Regional Initiatives, development of Framework Guidelines and adoption of network codes.

**GEODE** would like to express its concerns on the need that ERGEG ensures cross-regional coordination to avoid that the seven regional electricity markets and the three regional gas markets progress at a different pace, with achievements varying from one initiative to the other, creating divergence.

Barcelona, 30<sup>th</sup> December 2009