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Comments concerning draft guidelines on Transmission Tarification and draft guidelines on congestion management.

The Norwegian Electricity Industry Association (EBL) is a trade association representing approximately 260 generators with a yearly production of about 117 TWh (99% of the total generation in Norway), suppliers and distributors with 2,1 million network customers (92 % of the countries total network customers).

The main purpose of EBL is to deal with industry-related economic and political issues on behalf of its members, to provide a good framework and conditions for the industry in respect to financial, legal and technical issues. Internationally EBL represents Norway in Eurelectric.

The development of common European rules and regulations, to secure a common platform for trade and competition in the electricity sector, is of imperative importance. Hence, EBL welcomes ERGEGs proposals on transmission tarification and congestion management. We salute ERGEGs choosen process of public hearing, giving EBL the opportunity, on behalf of our members in transmission, distribution and generation utilities, to comment on the draft guidelines.

In general we support the drafted guidelines. Our comments focus on aspects that in our point of view are of vital importance for the development of a well functioning Nordic and European electricity market.

We would like to stress the importance of national Regulators enforcing the principles as part of their home regulatory regime and as part of their ERGEG co-operation within the EU.

Draft guidelines on transmission tarification

With an increasing coupling between physical power systems and energy markets in Europe, the need for common principals on tarification and harmonized tariff levels between

generators competing in the same markets are vital for securing a level playing field for competition. On this background EBL supports the main conclusions in the draft guidelines.

We would, however, like to underline the importance of future elaboration on the following issues:

- The creation of one tariff range for European generators to avoid distortion of competition.
Norwegian generators are presently at the maximum level, 0,7 €/MWh, which is proposed for the Nordel area.
- Harmonization of tarification principles for both G and L charges on all voltage levels including locational signals at a European level.

Draft guidelines on congestion management

Paragraph 1.8 states that co-ordinated allocation procedures for allocation of capacity to the market shall be applied latest from first of January 2007 for several areas. We fail to see why co-ordinated procedures for allocation of capacity to the market should be implemented as late as January 1. 2007 for the Northern Europe area. In our point of view this should come into force as soon as possible and no later than January 1. 2006.

EBL's view is that implicit auctions by market splitting is the most efficient way of handling transmission congestions (draft guidelines paragraph 2.1). Many years of experience with this model within the Nordel area has shown the effectiveness of this solution. We are, however, frequently experiencing situations where internal congestion situations have been resolved by reducing trade capacity to neighbouring countries.

In our point of view the proposed 3.8 is unclear and imprecise. The use of the term "*technical viewpoint*" gives too much room for interpretation and can undermine the main intentions of the guidelines. In the explanatory note to the proposed guidelines for tariffs, chapter 2 section ii European locational signals, it is stated that locational signals shall be given through the implementation of market based congestion management methods for interconnectors.

"Under the regulation, all Member States will be required to participate in the inter-TSO compensation mechanism and to implement market based congestion management methods for the interconnectors. This will lead to a large increase in the impact of locational signals, especially short-term locational signals, at European level relating to the siting of generation and consumption".

Moving internal bottle-necks to the borders of the neighbouring countries leads to sub optimal solutions as inefficient use of physical available transmission capacity and distorted or misleading locational signals, and should not be permitted unless for severe operational security reasons. Operational security should not be limited to the physical system within one country, but should take into account the effects on security in the neighbouring systems. Actions taken in one country to uphold operational security should therefore not be allowed to reduce operational security in the neighbouring countries.

Paragraph 3.8 further states that "*The methodology and projects to achieve the long-term solutions shall be described and transparently presented to all the users by the TSOs*". In our opinion this statement is vague and tolerates governments and regulators passing

responsibility endlessly to each other and becoming a pretext for doing nothing, leaving this important issue unresolved.

On this background we have the following proposal for modification of paragraph 3.8:

3.8. While defining optimal network parts for congestion management, TSOs shall be guided by cost-efficiency and the lowest negative impacts on market. In that sense, TSOs shall not restrict trade capacity on the borders of their own control area in order to prevent internal congestions. In any case, if the congestion within the control area limits the interconnection capacity, it must be only to the extent that it is justifiable for reasons of common operational security in the market area, including security in neighbouring countries. The methodology and projects to achieve solutions concerning operational security shall be described and transparently presented to all the users by the TSOs.

This concludes our remarks to the proposed guidelines. If there are any needs for further clarification regarding our comments do not hesitate to contact us.

Best regards
The Norwegian Electricity Industry Association

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