



**EWEA**

THE EUROPEAN WIND ENERGY ASSOCIATION

# **EWEA response on the ERGEG Draft Strategy Paper: Role of the Regional Initiatives**

## **EWEA response on the ERGEG consultation on a draft strategy for delivering a more integrated European energy market: The Role of the Regional Initiatives**

The creation of a more integrated European energy market is of utmost importance for the wind energy sector. For an efficient integration of wind energy into the European energy network, transmission capacity is essential, but this factor alone is not enough. Along with an adequate physical infrastructure, integrated electricity markets and rules are required that lead to an efficient allocation of these transmission lines that takes into account generation from variable and decentralised generation sources, such as wind power. EWEA acknowledges that regional initiatives (RIs) will play a role in the path towards a single electricity market and hereby provides its view on this matter, as the deployment of renewables, particularly wind power, and the integration of European electricity markets are mutual drivers.

### **1. A strategic vision to set the overall direction of market integration**

Before 2006, all markets in Europe were national markets, with exception of the Nordic market. The voluntary uptake of RIs, along with further intergovernmental initiatives was therefore an important first step on the path towards a competitive and truly integrated electricity market in the European Union. During the ongoing implementation of the 3rd Liberalisation Package these initiatives will continue to play an important role and their scope has now shifted from a purely voluntary approach to a legally binding one. As rightly outlined in the consultation document, there is still no "Blueprint" for achieving a single energy market, but only a framework with newly established bodies on a European level such as ENTSO-E and ACER, and main deliverables such as Framework Guidelines and Network Codes. The RIs must therefore be part of this new legislative framework, at least for the time being, without compromising the envisaged top-down measures of Framework Guidelines and Network Codes.

However, the 3rd Package mentions the development of regional markets as a stepping stone to a single market, and up to now seven regional electricity markets over the last three years have developed at different speeds in a voluntary manner. There has been various progress in different regions, and prominent achievements include the creation of two regional auction offices, the development of regional transparency reports and several new market coupling projects. On the other hand, several obstacles and delays have emerged as well. Structural weaknesses include different levels of national regulators and stakeholder involvement, as well as poor project management in some regions.

EWEA agrees that a high level/strategic vision is needed to set the overall direction of market integration and to close to gap between the current bottom-up approach of the RIs and the top-down approach which will be applied during the implementation of the 3rd Package. Such a strategic vision should importantly include an ambitious timetable and milestones when RIs can subsequently merge and lastly converge into a single European market. It should be clearly stated that RIs are not a goal in itself, and any risk that RIs become too strong and consequently an obstacle for the establishment of a single market should be avoided. Such a strategic vision should furthermore by no means delay any progress in the regions which are further advanced, but on the

contrary, help to overcome some of the weaknesses in regional market integration as outlined in the previous paragraph.

EWEA is confident that important input for such a roadmap will be provided by the Commission and urges the European Energy Regulators to duly take into account the outcomes of the recent Commission study. The Florence Forum is the appropriate format to elaborate the final strategic vision with the European Commission leading this process, in close collaboration with the European Energy Regulators and relevant stakeholders. The overall aim should be to define a Reference Model on the basis of the study outcomes in order to develop a strategic view and outline various features to ensure both market model harmonization and convergence, including the introduction of a EU-wide network model, common pricing mechanisms for implicit auctioning, harmonised gate closure times and tightly coupled regional markets. Moreover, a single central auction office could be established in the EU.

EWEA calls for a swift development and implementation of a forthcoming Reference Model in order to streamline the RIs' progress into a single internal market.

## **2. The role of Member States and intergovernmental initiatives**

The 3rd Package outlines the role of the Member States in establishing a legally binding cross-border regulatory framework through comitology. The consultation paper rightly points out the challenge to ensure that these binding arrangements are put in place so that there is a sufficient level of oversight of European and regional activity so that the two layers are properly coordinated. EWEA welcomes therefore the suggestion to enhance dialogue with Member States representatives and in addition increase the level of information on the RIs available to the EP and the Energy Council.

However, the enhanced involvement of Member States representatives should be seen in a most pragmatic way as next to the RIs there are relevant intergovernmental Initiatives, such as the Pentalateral Energy Forum which has now initiated the so-called "North Seas Countries' Offshore Grid Initiative" and the Nordic market with its recent intended expansion to the three Baltic States. The closer liaison with Member States representatives must not emerge in any potential conflict of interest with the above mentioned intergovernmental initiatives.

EWEA would therefore welcome if particular RIs could keep assisting the progress of regional projects, especially if the RI is well established and developed in its region and avoid any cumbersome overlaps with ongoing intergovernmental initiatives, most prominently with the "North Seas Countries' Offshore Grid Initiative" which is of particular relevance for the uptake of offshore wind generation. In this context it is important that any new procedures related to the role of Member States representatives are consistent with and if possible build upon existing structures and are not conflicting with such ongoing intergovernmental initiatives, particularly when having stronger momentum than RIs in the relevant region.

The European Commission should be confident in its role in overseeing the entire process of RIs converging into a single market and giving guidance and support to Member States and NRAs when it comes to enforcement actions. Sufficient coordination will be required between the European and regional structures of

ERGEG/ACER, ENTSO-E and the Member States, together with the European Commission, which should provide guidance on adequate oversight arrangements.

### 3. The creation of a Single European market

When examining which RIs could be merged first and which topics should be prioritised, again a pragmatic approach should be applied. The convergence of the RIs into a Single European market should take place by 2015, in order to allow for a swift development of the Internal Electricity Market.

Cross-border intraday trade is still impossible at some borders and most solutions for existing intraday trading have been implemented only on a provisional basis. Due to the importance of functioning intra-day markets for the efficient integration of large amounts of wind energy and for cost-efficient system operation in general, it is therefore crucial to agree on a roadmap to ensure that constant cross-border trading is facilitated through implicit continuous capacity allocation and, where appropriate, specific national/regional intraday trading solutions should be developed. Furthermore, EWEA urges to consider implicit auctioning as the most practical solution for capacity allocation in intra-day markets.

Further topics which should be prioritised are the uptake of harmonised capacity calculation methodologies throughout Europe which will help provide the maximum possible capacities to a wider European market for each time horizon (intraday and day-ahead). EWEA calls for ERGEG to produce a strategic vision with an ambitious year-to-year sequence that will outline RI convergence up to 2015, aiming for all European market regions to be coupled by that date.

The planned increase of offshore wind generation capacity in the North and Baltic Sea would make it reasonable to speed up particularly the junction of the North, Central West and France, UK and Ireland RIs into a single region, possibly with the inclusion of the Baltic RI at a later stage. A harmonised approach on capacity allocation and balancing provisions could be especially beneficial for an enlarged North and Baltic Sea Region where it could facilitate the operation of an offshore supergrid with transmission lines which will serve both as interconnectors and connections for offshore wind farm clusters.

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The European Wind Energy Association (EWEA) is the voice of the wind industry, actively promoting the utilisation of wind power in Europe and worldwide. It now has over 600 members from 60 countries, including manufacturers with a 90% share of the world wind power market, plus component suppliers, research institutes, national wind and renewables associations, developers, electricity providers, finance and insurance companies and consultants. This combined strength makes EWEA the world's largest and most powerful wind energy network.