

EREGEG Public Consultation on Congestion Management Guidelines¹

APPENDIX

Evaluation of the Comments Received after the closure of Public Consultation

18-07-2005

INTRODUCTION

This document contains the evaluation by ERGEG of the comments received after the closure of the ERGEG public consultation² on Congestion Management (CM) Guidelines.

While the ERGEG rules on public consultations do not foresee the inclusion of such comments in ERGEG's further consideration of the topic in question, ERGEG has nevertheless for the purposes of this topic evaluated such comments received. In terms of actual changes in the guidelines those comments evaluated with "Yes", have already been received by other respondents by the end of the consultation (24th June) or at the public hearing and, have been implemented in the new draft of the CM Guidelines.

This document is published at the ERGEG website www.ergereg.org.

¹ Congestion Management Guidelines according to the Article 8 of the Regulation (EC) No 1228/2003 of the European Parliament and of the Council of 26 June 2003 on conditions for access to the network for cross-border exchanges in electricity

² Principles and rules for the ERGEG public consultations are provided at www.ergereg.org



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Evaluation of Comments received After closure of the Public Consultation on CM Guidelines

I-1. CEDEC – European Federation of Local Public Energy Distribution Companies				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
1.	CM Guidelines 1.3.	Replace “...the use of interconnection lines has an effect on the physical flows of electric power,...” by “...the use of interconnection lines is an effect of the physical flows of electric power....”	N/A	The article 1.3. has now been removed since redundant to 2.1.(2)
2.	2.1.(8)	Remark concerning only implicit or explicit auctions as the capacity allocation methods: “in Italy, country with structural congestion due to internal high generation prices, this principle leads to an increase of prices only to those importers without long-term import contracts. As consequence it would imply, in the short term, a discrimination in favour of long-term contract-owners who hold the majority of available import capacity and can obtain higher margins. In other words it could be considered a kind of barrier to the entrance for small importers who can’t count on low price import contracts.”	No	Only explicit or implicit auctions are considered as market based and conformant allocation methods.
3.	4.1.(2)	Request for explanation of the principle/rule in “...It shall be subject to the use-it-or-lose-it rule at the time of nomination”	No	The rule is now extended with the option “... use-it-or-loose(sell)-it ...”
4.	4.1.(9)	“liquid, intra-day allocations promise significant benefits if the operational problems can be overcome.” We would suggest that the times for electricity activity are longer than infra-day period: we need time for allocations, for conclusion of the contracts and than for reconciliation	No	The short-term intra-day markets remain one important target.

		of the flows.		
5.	7.4.	"the remuneration of the merchant investment is obtained from congestion rents and long-term contracts". We would just point out all the limits which don't permit to this solution to take off in Italy. Particularly: a) the uncertain trend of future generation prices forecasted to decrease which don't permit to sign long-term contracts, b) high costs to build respect an efficient power plants taking also into account the long time need to obtain environmental and local permissions, c) the technical and economic limits imposed by TSO and Authority for the line in alternating or direct current.	N/A	The article 7.4. is now removed since redundant to 7.3.

I-2. EuroPEX³				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
6.	General and referring particularly to 4.1.(2)	Propose to enable the possibility of offering forward contracts with “use-it-or-sell-it” rights as an alternative to “use-it-or-lose-it”.	Yes	Included in section 4.1.(2) and in general as an alternative.
7.	General and referring particularly to 5.1., 5.2., 5.4.	Propose to add a general statement “Tasks or responsibilities assigned to TSOs under these Guidelines can equally be assigned by individual Member States to Power Exchanges or another nominated entity where this better reflects local arrangements.” and to change accordingly 5.1., 5.2., 5.4.	No	Whereas it is acknowledged that the Power Exchanges play a significant role, especially in implicit auctions, it is presently considered too early to put such a strong emphasis on this role. This might be subject to future development.
8.	General	Propose to include a requirement: “Congestion management at the day-ahead stage should involve an implicit auction method based on the coupling of power exchange day-ahead markets, respecting the real network constraints and flows as provided by the TSOs”	Yes modified	A related statement is included in 4.1.(9). More emphasis on practical details is not possible now, but it might be subject to future development.
9.	General	Expressed concern that the Guidelines do not recognise the desirability of eventually achieving a mature financial market.	Yes, not directly related	The future evolution towards financial markets is mentioned in the Explanatory note, further details on that issue might be subject to future development.
10.	General, and in particular	EuroPEX is concerned about the proposed regional approach, in particular the number of pre-defined	Yes	An explanation and statement of an indicative and flexible character of

³ The EuroPEX comments did not directly address the Congestion Management Guidelines text from the ERGEG public consultation, but were instead provided in a descriptive manner. Therefore only those comments which were possible to be interpreted in a directly applicable way for the Guidelines text have been evaluated.

	referring to the article 1.8.	areas each responsible for implementing a single multilateral allocation procedure.		the areas (Mini Fora regions) is included in 1.8.
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I-3. VDEW – German Association of Electricity Industry				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
1.	Explanatory note, 1.	Proposal to remove 4 th paragraph.	No	The security and reliability guidelines will not interfere with the technical issues in sight of the TSOs and their associations, but will instead supplement the existing/planned works (like e.g. Operational Handbook) with the more firm framework for liabilities, responsibilities, roles, etc.
2.	Explanatory note, 1.	Proposal to remove text in 7 th para second section after “and no specific procedure” - explaining that it is obsolete after the ERGEG formulation in Article 3.5. of the Guidelines	No	The information that there is no congestion is a cornerstone in the transparent communication to all the grid users and must be communicated appropriately.
3.	Explanatory note, 4.	Proposal to delete “and information on the installed generation capacity”	No	This must remain a strong requirement throughout the IEM, applied through Regulation (Guidelines) in a uniform and consistent way.
4.	Guidelines 1.2.	Proposal to add “In that sense and under the priority of operational security TSOs shall choose non-cost measures first” at the end of the text.	Yes	-
5.	1.8. (related to it propose change in Explanatory note)	Proposal to add additional explanation: “Regarding the time limit provided for the application of co-ordinated allocation procedures for allocation of capacity to the market, the European Commission is aware of the special status of Switzerland as to its geographical	Open	Can be decided by the European Commission (it is considered useful if it can be included)

		position and the applicability of this Guideline, which may potentially lead to a delay of the introduction of coordinated procedures in those areas where Switzerland needs to be incorporated. The European Commission therefore commits for a close co-operation with Switzerland regarding the realisation of the implementation of co-ordinated allocation procedures within the time limit provided for by the Guideline”		
6.	1.8.(2)	Proposal of change: “In the meantime Regulators <u>of countries belonging to more than one area</u> shall in cooperation with TSOs take specific measures, <u>e.g. timetables and gateclosures</u> , to mitigate any <u>substantial</u> restrictive impact of differences in congestion management between different areas <u>on their markets.</u> ”	Yes	Included with modifications, omitting first and last change because the meaning of the original is clearer and the strength of the initial statement higher – it refers to all countries and all areas in all markets.
7.	1.10.	Proposal: “TSOs shall endeavour to optimise the extent to which capacity is firm – having regard to the obligations <u>and the rights</u> of the TSOs involved and the rights of market parties – in order to facilitate effective and efficient competition.”	Yes	Remark: wrong number, this comment refers to the Article 1.9. of the Guidelines and has been included there
8.	1.12.	Proposal: 2 The financial consequences of failure...who are responsible for such a failure. Where market participants fail to use the capacity that they have committed to use, they shall be exposed to a penalty. <u>If market participants commit to use their capacity rights (reservation), this shall be considered binding. Electricity transfers amounting to the capacity that was committed to be used shall be carried out compulsorily. If a TSO does not fulfil an the obligation it has entered into, it will be financially liable for the consequences in cases of gross negligence and premeditation and compensate the</u>	Yes modified	Modified accordingly to comply with the key objective of the article and incorporate comments by other organisations and stakeholders.

		<p><u>market participant for the loss of firm interconnector capacity rights. No consequential losses shall be taken into account for this purpose.</u></p> <p>The method for the determination...Regulator or Regulators. The key concepts of the <u>liabilities that accrue upon penalties and consequences</u> on failure to honour obligations in cases of <u>gross negligence and premeditation</u> shall be described in detail within the description of the actual congestion management method that will be made available transparently to all users.”</p>		
9.	2.1.(1)	<p>Proposal: “Both methods can coexist on the same interconnection. <u>Any market dominance related to the allocation of transport capacity, which may result from the exclusive application of implicit auctions, must be avoided.</u>”</p>	No	<p>This statement would not clarify the initial purpose of the article, moreover, the article is concerned with the usefulness of implicit auctions for short term intra-day trade rather than market dominance.</p>
10.	2.4.	<p>Proposal: “<u>National regulatory authorities and TSOs shall make efforts to</u> harmonise the procedures for congestion management on different interconnections in order to facilitate efficient trade across several interconnections.”</p>	Yes	-
11.	2.5.(4)	<p>Proposal: “<u>Where and when operationally possible, mechanisms for an intra-day congestion management of interconnector capacity shall be established in order to maximise cost-effective opportunities for trade and to make provisions for cross-border balancing that support operational security</u>”</p>	Yes modified	<p>The comment has been included in the sense that the secure operation is emphasized and in line and compatible with the related comments from other organisations and stakeholders.</p>
12.	2.5.(6)	<p>Proposal: “The operational conditions, such as the implications of <u>netting of the schedules</u> firmly</p>	Yes	-

		<u>declared</u> "		
13.	2.5.(10)	Remark (in German) that market oriented instead of "cost reflective" the "market oriented" prices shall be referred to.	N/A	Whereas it is true that market prices must be referred to, the purpose of this article is to address reserve prices (in case of non-merchant model based interconnection)
14.	2.5.(12)	Proposal: "In order not to risk creating or aggravating problems related to any dominant position of market player(s) the <u>competent relevant regulatory authorities</u> may, if <u>appropriate and proven by well-founded facts</u> , impose restrictions in general or on individual company for reasons of market dominance"	Yes modified	The second proposal for change is omitted since it is necessary to preserve the possibility of preventative action.
15.	2.6.	Proposal: "In cases ... be devised unilaterally. <u>It is also the task of national regulators to take efforts on a political level in order to ensure an appropriate co-operation with non-EU countries.</u> "	No	It is not appropriate within the Regulation to oblige regulators to make efforts on a political level.
16.	3.2.	Proposal: "The <u>operational security standards and the operational and planning standards</u> should form an integral part..." and to remove the 2 nd sentence.	Yes modified	Omitting the second change proposal – it is clear that the responsibility for operational and planning security standards proposals and implementation lies with the TSOs, it is however also mandatory that any impacts of these standards (and these could obviously be very significant) be evaluated by the independent Regulatory Authorities.
17.	3.6.	Proposal to make it coherent with the point 3.2.: "When preparing the ... through <u>operational measures in line with the rules for secure grid operation</u> "	Yes	-

18.	3.8.	Proposal to delete “and shall avoid limiting interconnection capacity in order to solve congestion inside their own control area”	No	This is a fundamental requirement from the Guidelines and from a broader IEM scope. Whereas it is understandable that the congestions within the control areas cause significant problems and more than that, that it might be often the only (or the simplest) “solution” to simply limit the interconnection capacity for that sake, this is by no means any kind of target situation in the IEM. Moreover, such a limitation (if tolerated) could in any case only be applicable if the capacity calculation would be based on a fully-fledged, dynamically updated, physical load-flows based (de facto real time) capacity calculation and allocation. By no means can this apply in case of purely bilateral (between two TSOs) capacity calculation/determination.
19.	4.1.(7)	Proposal (in German) to delete 4.1.(7) because it is considered redundant with respect to the 4.1.(6)	No	The articles are not redundant.
20.	4.1.(8)	Proposal (in German) to delete 4.1.(9) because it is considered redundant with respect to the 4.1.(9)	No	The articles are not redundant
21.	5.2.(8)	Proposal: “ <u>on request by the competent authority</u> , as soon as possible after real-time, aggregated realised commercial and physical flows <u>on interconnectors</u> by market time unit, including a description of the effects of any corrective actions taken by the TSOs (like curtailment) for solving network or system problems”	No	This must remain a general requirement (not on request by the authorities).

22.	5.2.(9)	Proposal: “aggregated information for the previous day on planned and forced <u>interconnector</u> outages”	No	All unplanned outages at the transmission level (i.e. lines/circuits, transformers, generators) must be published.
23.	5.5.	Proposal: “When forecasts are published, the ex post realised values of the forecast information shall also be published <u>on the following working day (D+1)</u> , in the time period following that to which the forecast applies ”	Yes modified	Following day (independently of whether it is a working day or not) is acceptable as the maximum delay.
24.	5.7.	Proposal: “The demand forecast information for each control area shall also be published by the TSO according to the timeframes defined in 5.2. and 5.3., <u>if technically feasible and economically justifiable and if the necessary data is available.</u> TSOs are not considered liable for <u>the demand forecast</u> ”	No	Demand forecast information is considered crucial information – even in the case of distributed generation. Hence it can and needs to be provided, at least in the manner of a “best effort”.
25.	5.8.	Proposal to delete 5.8.	No	This is a strong requirement that must remain.
26.	6.1.(2)	Proposal: “The procedure for the distribution of these revenues will be established <u>by the involved TSOs and approved</u> by the Regulatory Authorities”	No	Regulatory authorities will establish and approve any revenue distribution procedures.