

TO
ERGEG - European Regulators'
Group for Electricity and Gas

By E-mail to: ITC@ergeg.org

22 May 2006
AMG/GG/nh

Dear Una, Dear Ritva,

We are pleased to send you enclosed the comments of EURELECTRIC to your draft proposal for Guidelines on inter-TSO compensation.

EURELECTRIC welcomes the intent to move away from annual voluntary mechanisms (which are always difficult to reach) and proceed with a more stable mechanism based on Regulation 1228/2003.

However, we still have doubts concerning the appropriateness of the proposed method to take proper account of the effect of loop (or parallel) flows in transited countries. In this respect, EURELECTRIC would like then to reserve its final judgment about the conformity of the draft with the Regulation until further work is undertaken between ERGEG and ETSO to correct the method proposed in annex of the draft guidelines with the view to base compensation on real physical flows.

Furthermore, EURELECTRIC would like to ask for more transparency in the compensation mechanism and for a change to the percentages for 'regulated values' and 'long-run average incremental costs' in the evaluation of costs for current assets.

We wish ERGEG and ETSO every success in taking up this challenging task and look forward to a prompt result.

Best regards,



Fernando LASHERAS
Chairman of SG Cross-Border Transactions



Gunnar LUNDBERG
Chairman of WG Wholesale Markets & Trading