



“State of Play of the ERGEG Regional Initiatives”

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ERGEG Regional Initiative - Objectives

- Ultimately, to create a single European electricity and gas markets
- *via* interim step of regional markets, and building on and fostering integration of currently largely separate national markets

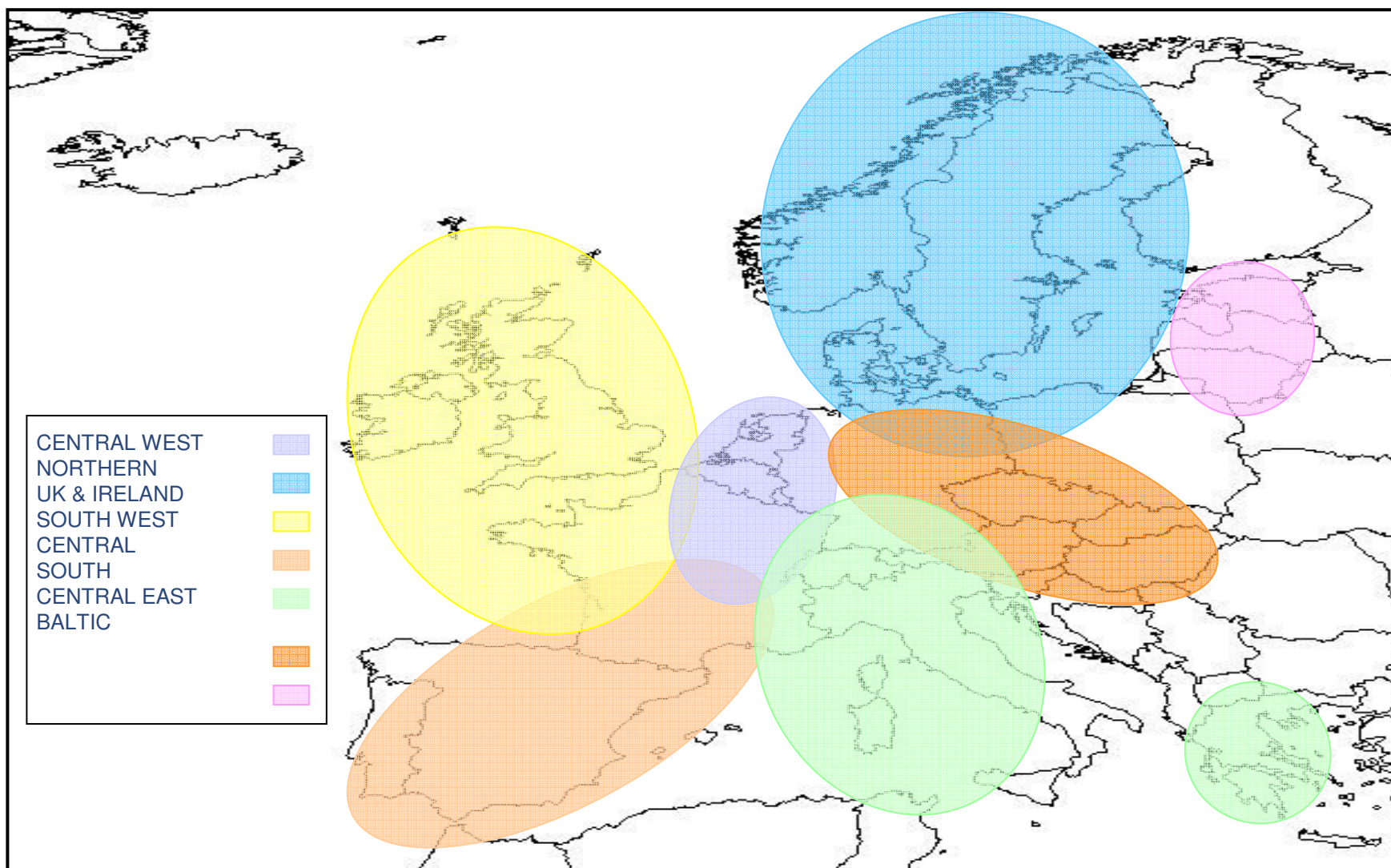
Specifically:

- Establish (better) functioning regional markets
- Identify and publish priority areas for tackling barriers to trade
- Establish and publish action timetable
- Identify who should take action
- Monitor and foster progress

Bottom-up process to mesh with top-down EU initiatives

Common principles, not standard market design or common rules

7 +1 Electricity Regional Initiative Projects



Gas Regional Initiative (GRI)

3 Regional Energy Markets (REM)

- North-West (NW)
- South (S)
- South-South East (SSE)



≈ 12%
of total natural gas
consumption



≈ 58%



≈ 30%

The Regional Initiatives - state of play after 18 months

GRI	ERI
<ul style="list-style-type: none"> • Three regions established; • Working arrangements in place; • Priorities and actions agreed. 	<ul style="list-style-type: none"> • Seven regions established; • Working arrangements in place almost everywhere; • Priorities and actions agreed almost everywhere.
<p>Priorities include transparency, development of hubs, interconnections and interoperability</p>	<p>Priorities include an improvements to congestion management methods and use of interconnections, wholesale market transparency and balancing market integration or improvement</p>
<p>Workshops and public consultations (e.g. transparency)</p>	<p>Workshops and public consultations. Regions have established dedicated workstreams (implementation groups) to tackle particular priority issues</p>

ERGEG commitment to transparency – see www.ergeg.org

Priority issues

All regions have identified and pursue similar priority topics - reflecting EU wide problems:

Gas

- **Interconnection and capacity**
- **Transparency**
- **Interoperability (including gas balancing)**
- **Development of gas hubs**

Electricity

- **Congestion management methods**
- **Transparency**
- **Balancing**
- **Regulatory issues**

Successes – Gas

NW region

More transparency

- E.g. storage levels; new publications on capacity and flows

More (access to) capacity on the way

- Co-ordinated open seasons between Fluxys and GRTgaz
- Launch of secondary Day Ahead Pilot
- Implementation of a service of “conditional transit” to improve the use of Fluxys’ grid
- More x-border regulatory co-ordination
 - MoU between Regulators of the NW region signed in October 2007.

Sound dialogue between regional players established:

- Transparency in capacity of flows
 - Balancing: analysis of ‘gaps’ when flowing x-border gas
 - Hubs: work on GTF and extension to more hubs
 - Investments (lead with TSO’s): decision on a website with overview of open seasons in NW region
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Successes – Gas

South Region

- A coordinated open season procedure under analysis
- Common new infrastructure plan for French-Spanish interconnections
- Agreement between the governments of Portugal and Spain on the development of MIBGAS market
- TSOs and storage operators committed to improve transparency according to the consultation analysis made by regulators

SSE Region

- Market players agreed on a plan by stages to develop the Hub in Baumgarten as a regional balancing point
- TSOs committed to implement a standardized bulletin board for secondary market trading
- TSOs committed to offer a one-stop shop service for capacity bookings
- TSOs and SSOs agreed to make transparent regional Investment plan

Successes – Electricity

Central West Region

- Nov 06 - Tri-lateral market coupling Belgium-Netherlands-France
- Feb 07 - Regulators' Regional Action Plan published
- Jun 07 - MoU of Ministries, Regulators, TSOs, PX'es and NWEMPP of the region concerning the implementation of day ahead flow-based market coupling and on security of supply issues and supporting the Action Plan

France-UK-Ireland

- Public consultations on proposals for:
 - Transparency
 - Cross border balancing
 - Improved Interconnector capacity utilisation

Successes – Electricity

Central-South

- **Jan 07 - Implementation of bilateral coordinated explicit auctions**
- **Mar 07 - New workplan agreed by Regulators and TSOs**
- **July 07 – agreement on a workplan towards harmonised explicit auction rules for 2008 allocations and implementation of intra-day allocation**

South-West

- **Jul 07 - Launching of MIBEL**
- **Jul 07 - Implementation of a secondary capacity market on the French-Spanish market**
- **Aug 07 - Publication of the Regulators' regional Action Plan**

Baltic

- **Work focused on balancing and ITC, reports under preparation**

Successes – Electricity

Central East Region

- **Congestion Management – agreement to go towards flow based capacity allocations and establishment of common auction office in Munich**
- **Project plan provided by TSOs and establishment of 2 TSO working groups**

Northern

- **Implementation of day- ahead market coupling between Germany and Denmark on the agenda, planned commissioning mid 2008**
- **Sept 07 – publication of the Transparency report, implementation in two phases starting beginning of 2008 (information on load, transmission, balancing, wholesale) and 2nd phase July 2008 (generation), information to be published on websites of TSOs/PEXs**

Problems - regulatory

- **Regulatory gap that could delay the overall integration process**
 - Differences in competences of regulators, possibilities for cross-border cooperation and action
 - Lack of flexibility in some national legislation
 - How a single regional auction office would be regulated?
- **Differences in market designs**
 - e.g. absence of a liquid and transparent day-ahead reference price in some EU countries, diversity of status and roles of existing power exchanges in Europe, etc.
- **Resources:**
 - regulators, TSOs, stakeholders often involved in several regions, topics

Problems – legal

- **Primary legal framework has gaps and obstacles**
- **Examples:**
 - Dutch as well as German legislation prohibits economic allocation of primary capacity
 - German regulation prescribes that prices for capacity on the secondary market may not be significantly higher than the tariffs on the primary market
 - Exchange of confidential information between NRAs is in most cases impeded by law
 - Missing framework for effective TSO cross-border cooperation on e.g. capacity allocation, congestion management and investment

Regional Markets in European Energy Policy

- **Commission's 'third legislative package' proposals - Implementation in 2011?**
- **How can progress on market integration be maintained?**
 - regional market initiatives central to the answer
 - also a mechanism for implementing new legislation
- **New strategy for convergence and reinforcement of regional market initiatives is needed:**
 - **Energy Community**
 - **Pentalateral Forum**
 - **Belpex**
 - **MIBEL**
 - **Nordic market initiative**
 - **MEDREG**

Regional Markets are increasingly central to Europe's energy policy

- **How to engage governments whilst maintaining regulatory independence?**
- **How to address new challenges – e.g carbon?**
- **Europe's borders – what role do regional markets have in Europe's international policies?**
- **How will industry restructuring affect regional market development?**



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