


ACER

 Agency for the Cooperation
of Energy Regulators

Developments in Europe: Energy Infrastructure Package and Network Code Developments

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Director

**10th EU-US Energy Regulators Roundtable
The Hague, 8 April 2013**

European Council Conclusions – 4 Feb 2011

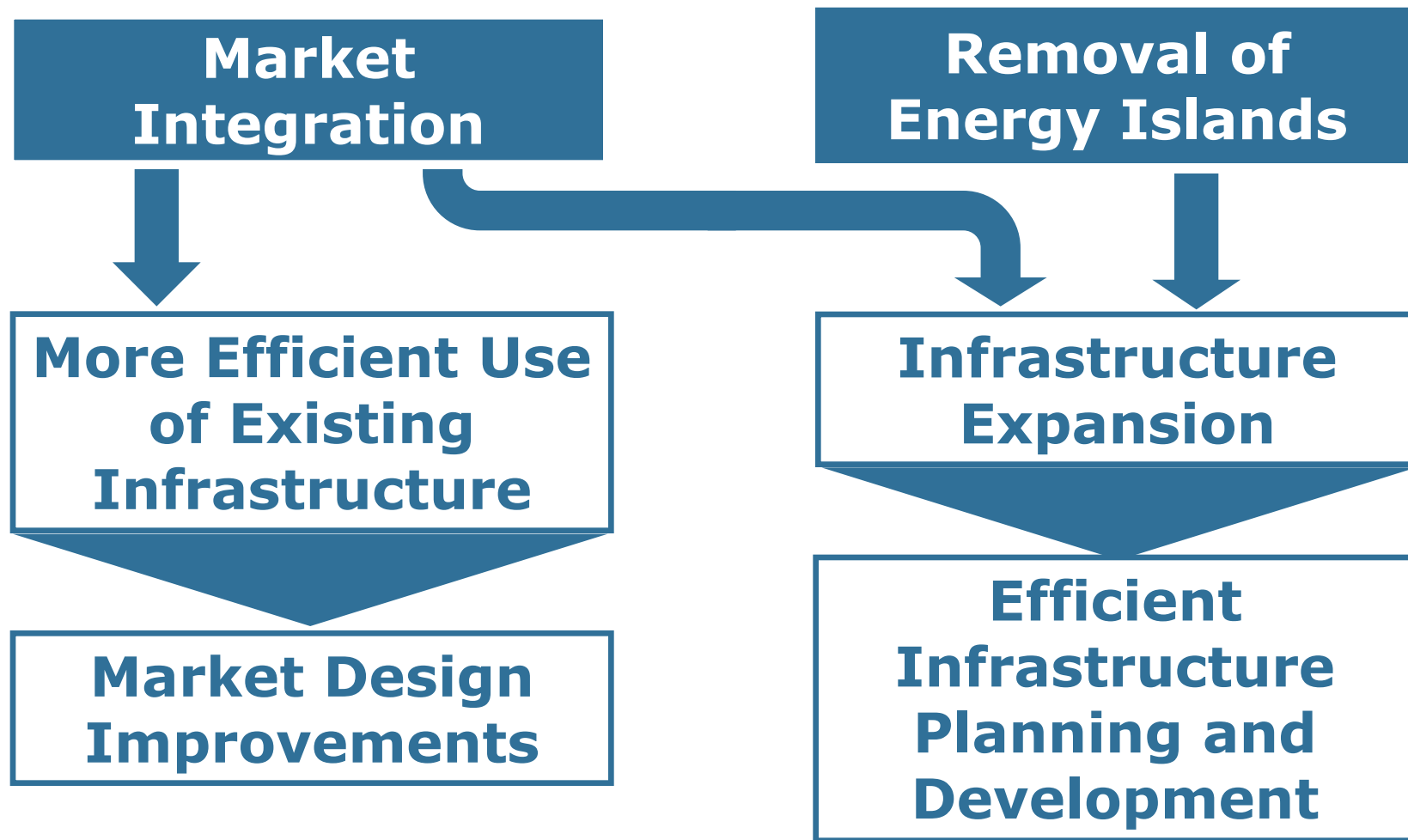
Market Integration Target

- ***"The internal market should be completed by 2014 so as to allow gas and electricity to flow freely" (§4)***

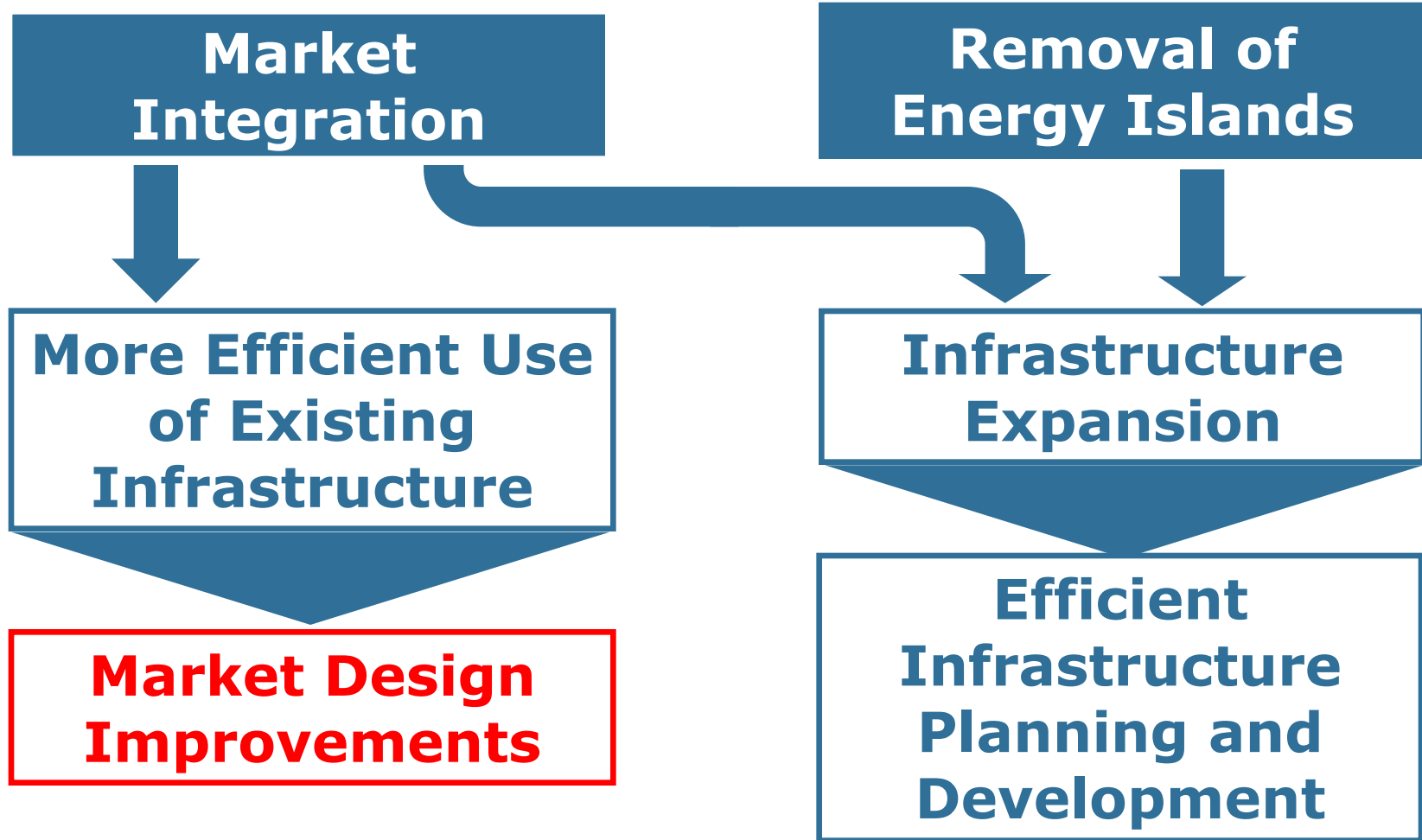
Removal of Energy Islands Target

- ***"No EU Member State should remain isolated from the European gas and electricity networks after 2015" (§5)***

EU Energy Policy Approach

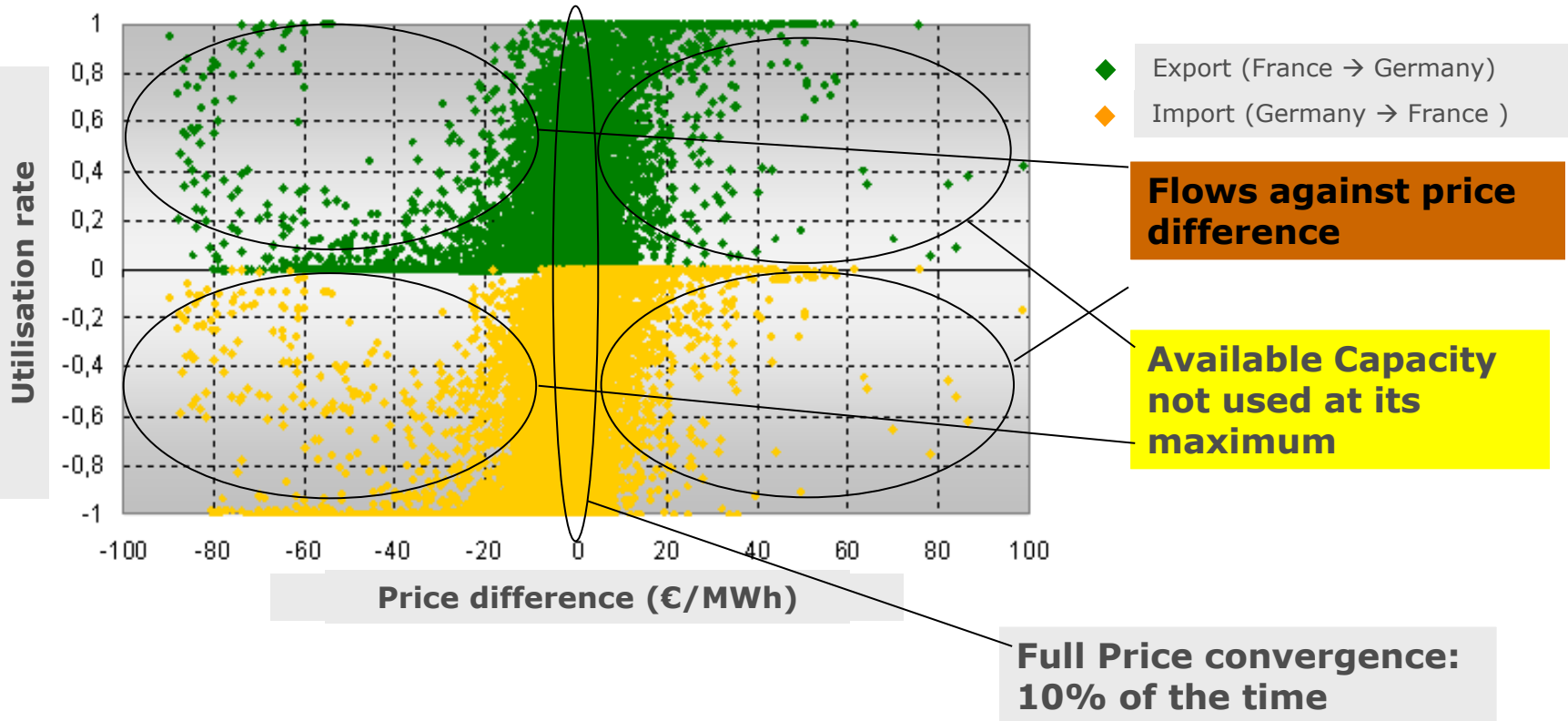


EU Energy Policy Approach

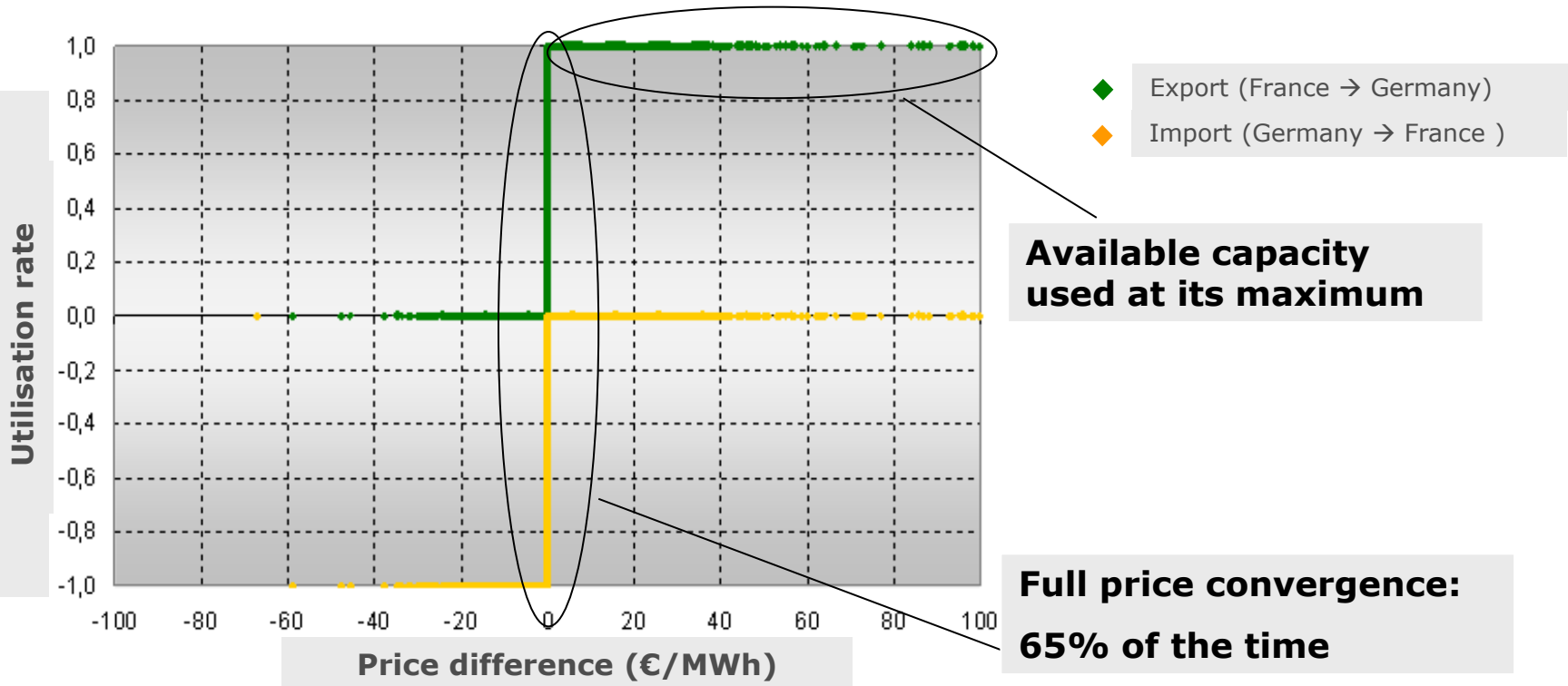


Electricity: Cross-Border Capacity Allocation before Market Coupling

France – Germany Border

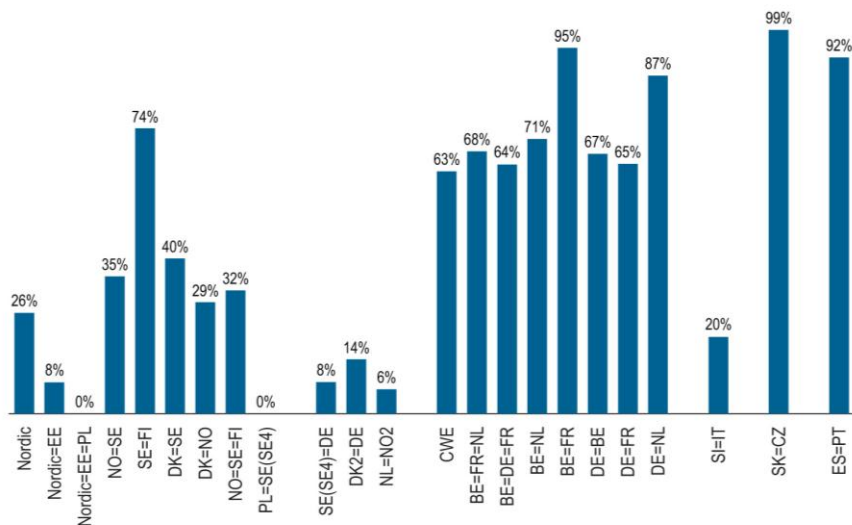


Electricity: Cross-Border Capacity Allocation after Market Coupling France – Germany Border



Electricity: Uneven Degree of Price Convergence

Figure 17: Percentage of hours when hourly day-ahead prices were equal for a selection of European regions – 2011 (%)



Source: Data provided by NRAs and a selection of power exchanges (2012)

- **The degree of price convergence between Germany and The Netherlands increased from 12% in 2010 to 87% in 2011, following the introduction of market coupling**

Gas: Contractual Congestion not Reflected in Flows

Table 14: Used capacity versus booked capacity at natural gas IPs – Averages for 2011

IP name	Direction	Physical capacity in GWh/day	As a % of physical capacity		
			Booked capacity (1)	Used capacity (2)	Difference (3) = (1) - (2)
Veľké Kapušany/Uzghorod	UA > SK	3.088	95%	68%	27%
Baumgarten	SK > AT	1.632	99%	66%	33%
Lanzhot	SK > AT	1.266	100%	64%	36%
Tarvisio/Arnoldstein	AT > IT	1.184	100%	62%	38%
Waidhaus	CZ > DE	1.118	100%	57%	43%
Malinov*	PL > DE	931	100%	65%	35%
Interconnector	BE > UK	807	100%	43%	57%
	UK > BE	630	100%		
Oude Statenzijl/Bunde**	DE > NL	677	96%	21%	75%
	NL > DE	410	91%		
Medelsheim/Obergailbach	DE > FR	648	77%	37%	40%
Dunkerque	NO > FR	619	94%	74%	20%
Taisnières/Blaregnies H+L	BE > FR	588	82%	57%	25%
Bocholtz	NL > DE	527	100%	62%	38%
Julianadorp	NL > UK	475	95%	42%	53%
Tarifa	AL > ES	355	71%	62%	9%
	AT > DE	146	95%		
Oberkappel	DE > AT	107	100%	92%	3%
	FR > ES	100	94%		

Source: Agency/CEER calculations based on ENTSOG data, downloaded in August 2012

- For many Interconnection Points across Europe Contractual Congestion does not correspond to Physical Congestion
- A number of Contractually-congested Interconnection Points show a lower rate of capacity utilisation

43%

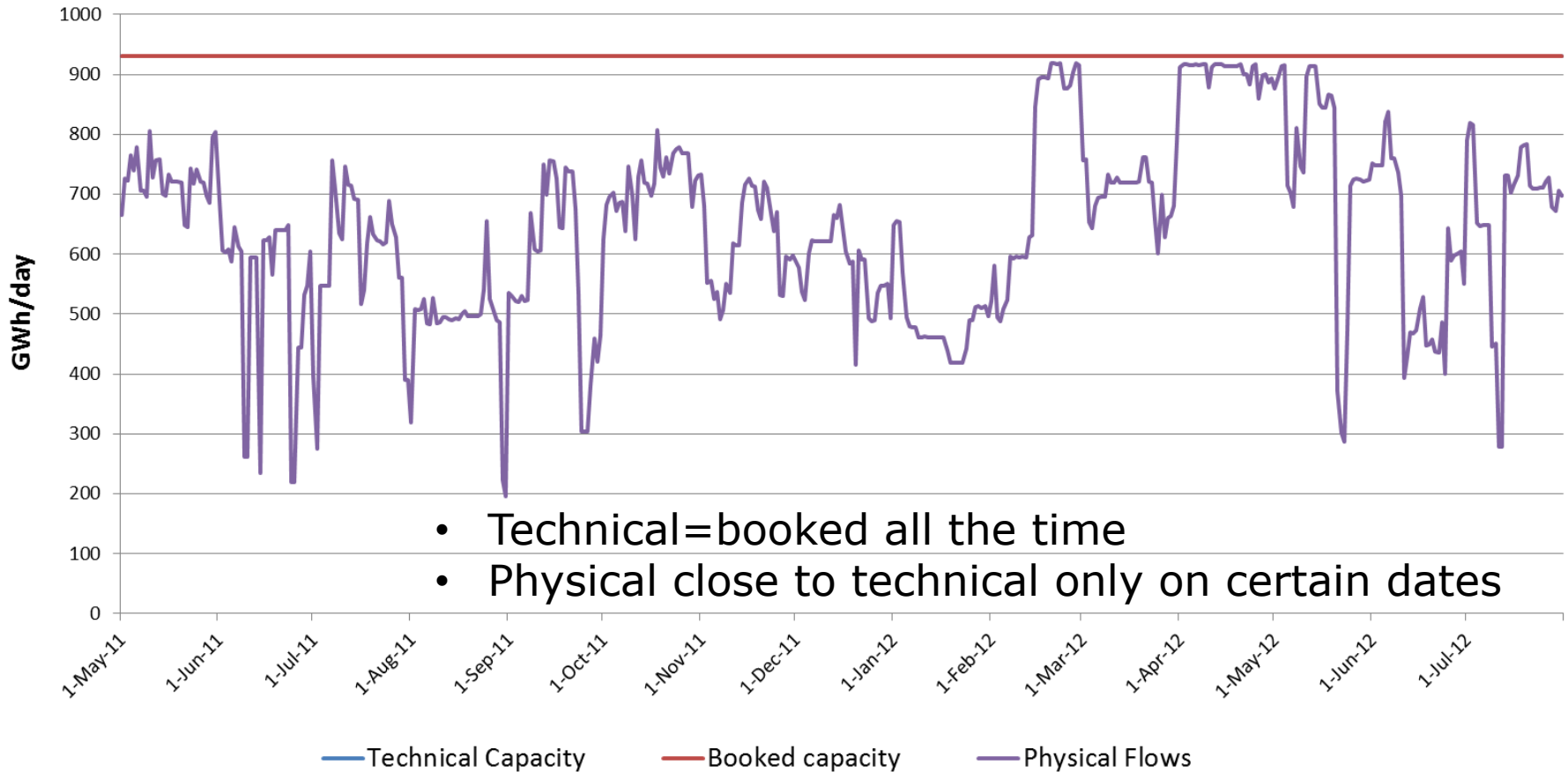
57%

40%

53%

Gas: Contractual Congestion not Reflected in Flows

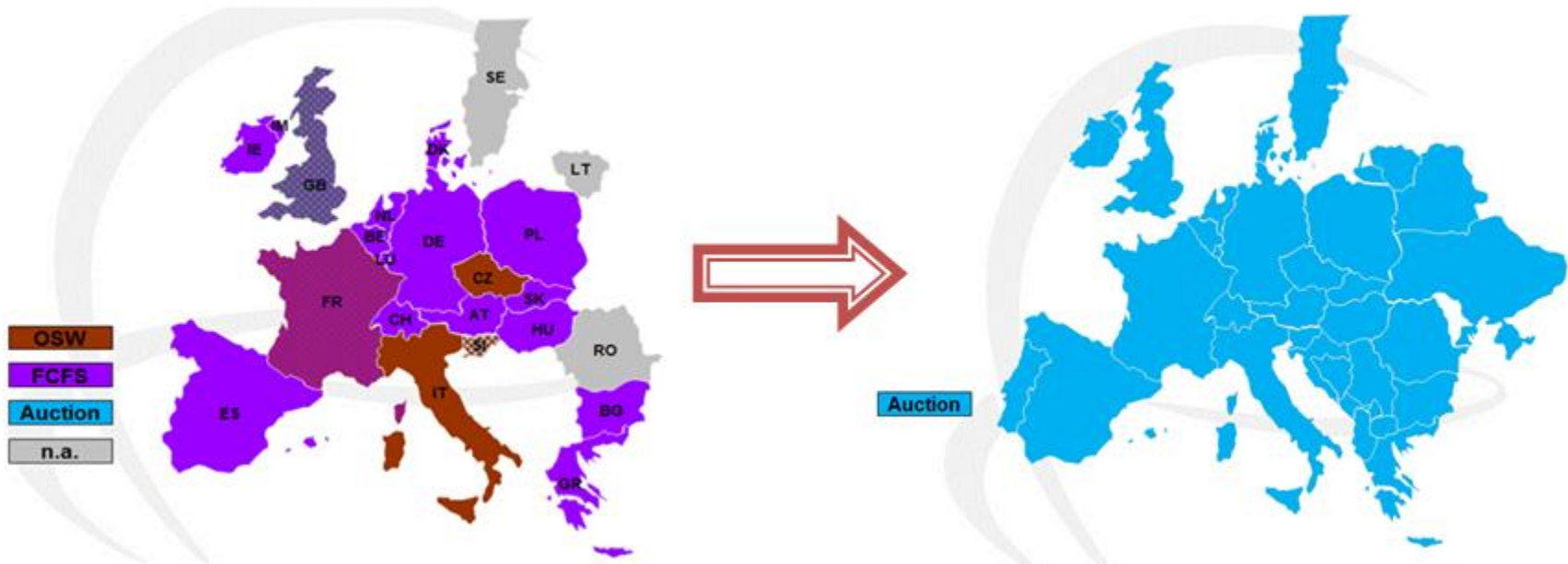
Mallnow capacities and flows PL to DE



Data Source: Cascade

Gas: Cross-Border Capacity Allocation

- Capacity Allocation Mechanisms are heterogeneous across EU



Completing the IEM: a Clear Target

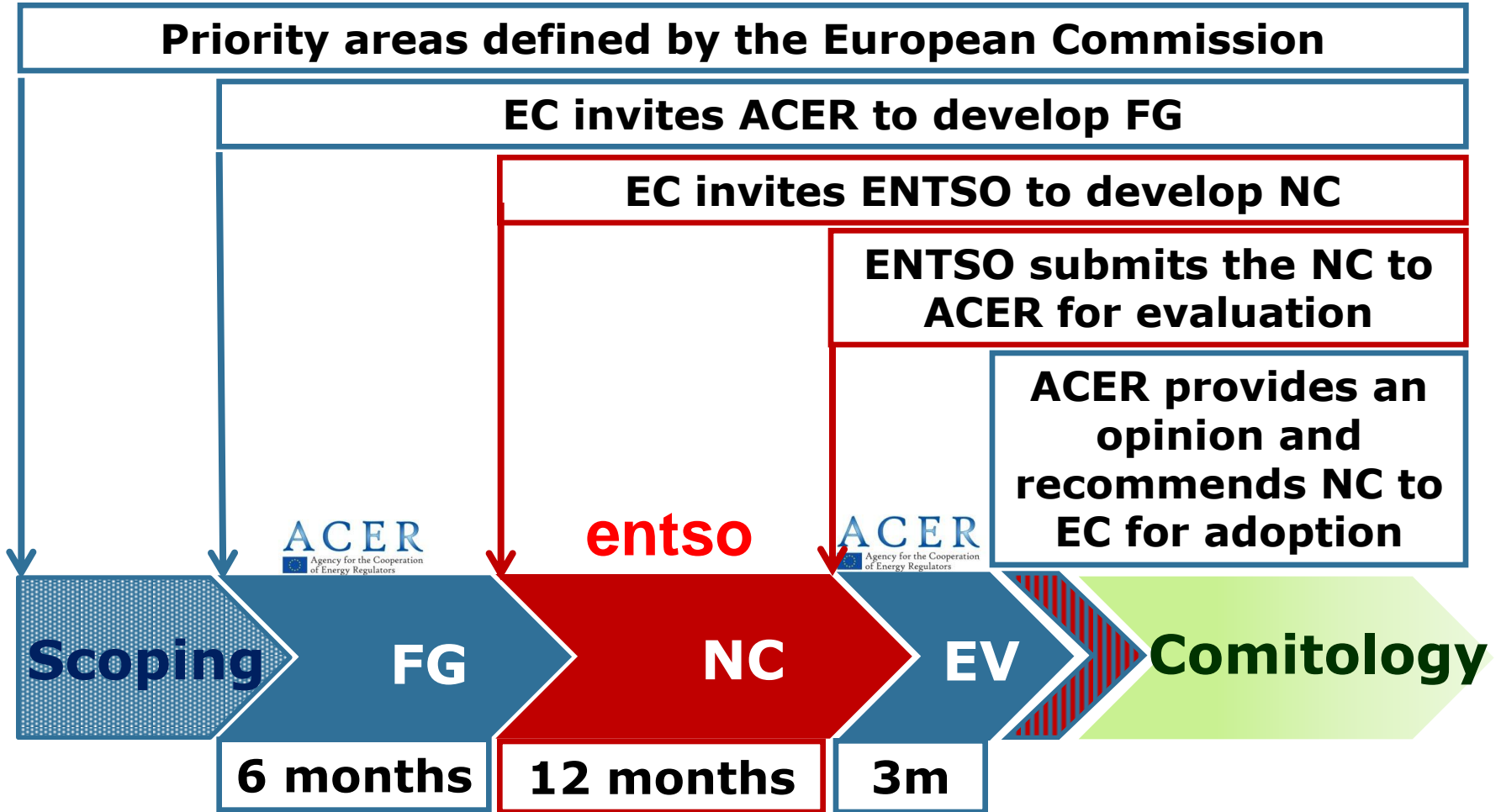


- It would be difficult to claim that the Internal Energy Market has been completed if the Target Model/Rules had not been implemented

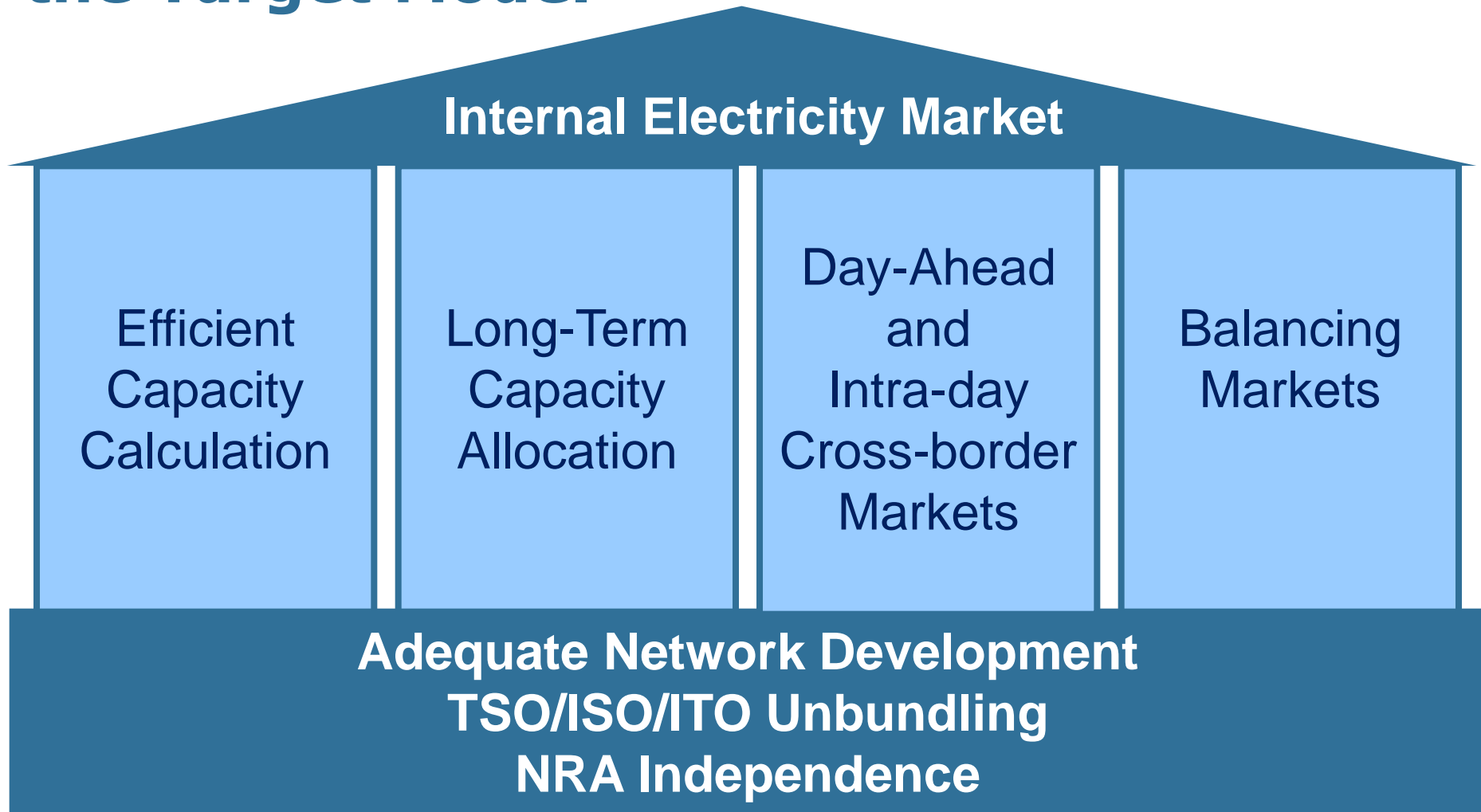
Framework Guidelines and Network Codes

Framework Guidelines (FG)	Network Codes (NC)
Based on the annual priorities set by the Commission	
Non-binding	Are made legally binding via “Comitology”
Setting clear and objective principles for the network codes	Must be in line with the FG
Shall contribute to non-discrimination, effective competition and the efficient functioning of the market	Provide effective access to the TSO networks across borders; promote cooperation & coordination among TSOs; allow for national network rules and regional specificities

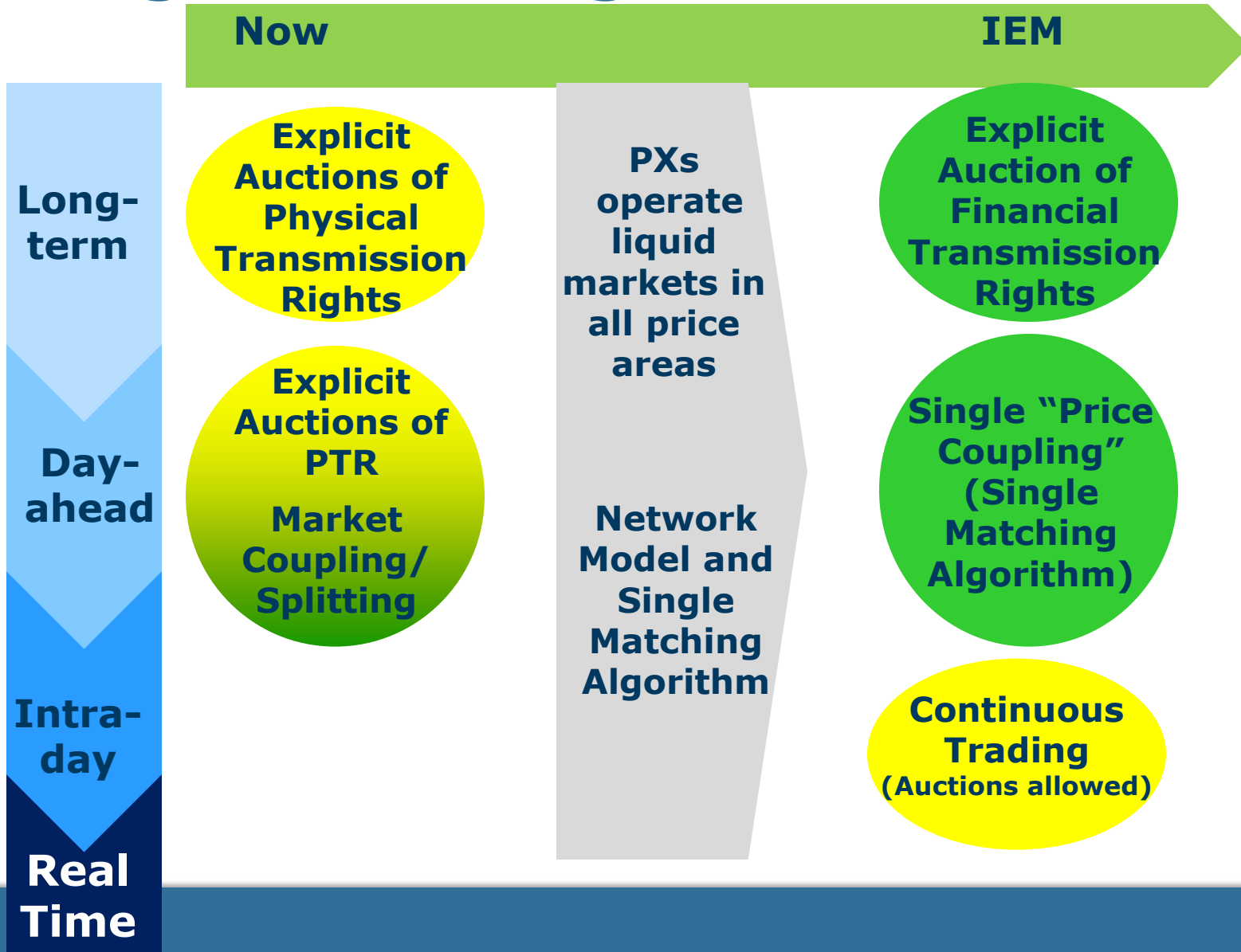
FG and NC: Basic Timeline



The Internal Electricity Market Vision: the Target Model



Congestion Management in the IEM



Achieving the Internal Electricity Market by 2014

Formal Framework Guidelines / Network Codes process

FG/NC on Electricity Grid Connection

FG/NC Capacity Allocation and Congestion Management

FG/NC on System Operation

FG/NC on Electricity Balancing

Voluntary Coordinated Implementation of the Target Model

Agency Electricity Stakeholders Advisory Group (AESAG)

Regional and Cross-Regional Roadmaps

Capacity calculation

Long-term capacity allocation

Day-ahead capacity allocation

Intra-day capacity allocation

Pilot projects on Balancing

Progress in Network Codes Development Electricity

2011

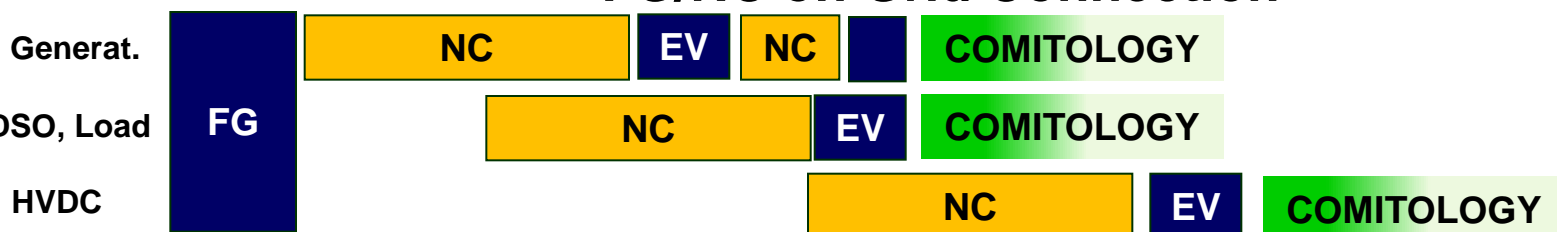
2012

2013

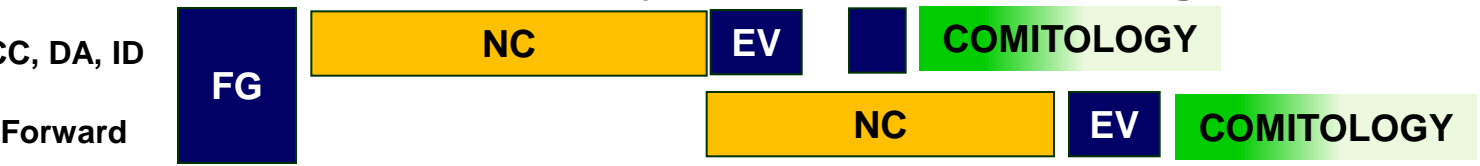
2014

2015

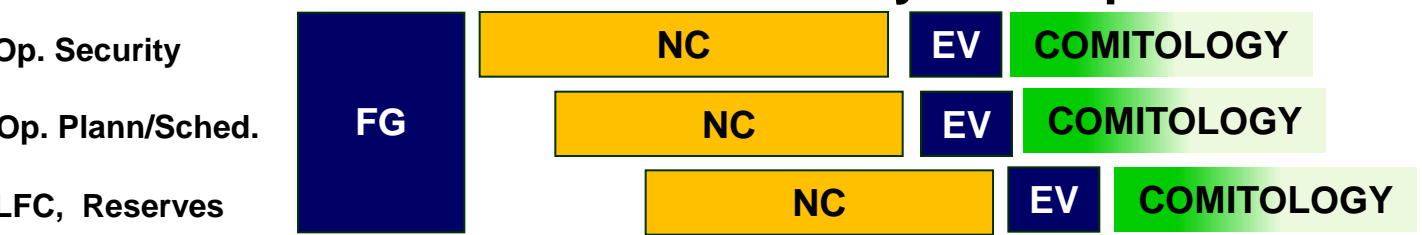
FG/NC on Grid Connection



FG/NC on Capacity Allocation and Congestion Management



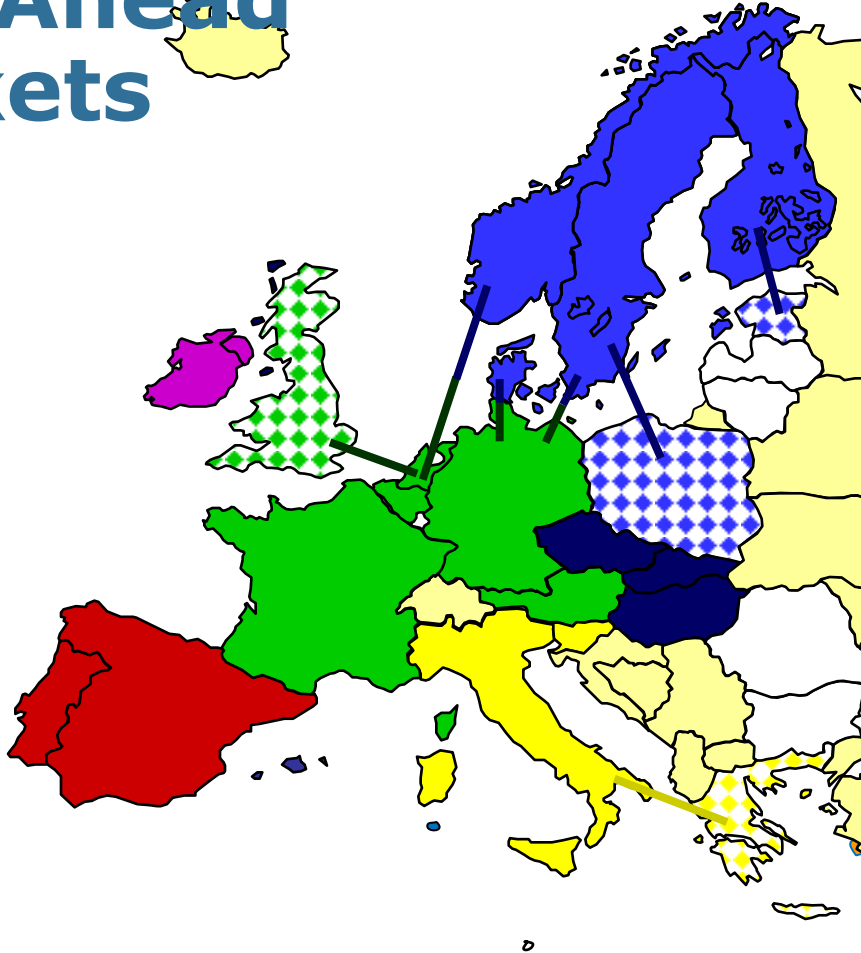
FG/NC on System Operation













FG/NC on Balancing



Current Regional Day-Ahead Markets



	CWE	Price Coupling
	GB	Implicit auction to NL via BritNed
	Nordic	Market Splitting
	Estonia and Poland	Market Coupling
	ITVC (CWE-Nordic)	Tight-Volume Coupling
	MIBEL	Market Splitting
	IT and SI	Market Coupling
	GR	Implicit Auction to IT
	EI and NI	Market Splitting
	CZ, HU and SK	Market Coupling

Achieving the Internal Gas Market by 2014

Formal Framework Guidelines / Network Codes process

FG/NC on Capacity Allocation Mechanisms (CAM)

Comitology Guidelines on Congestion Management Procedures

FG/NC on Balancing

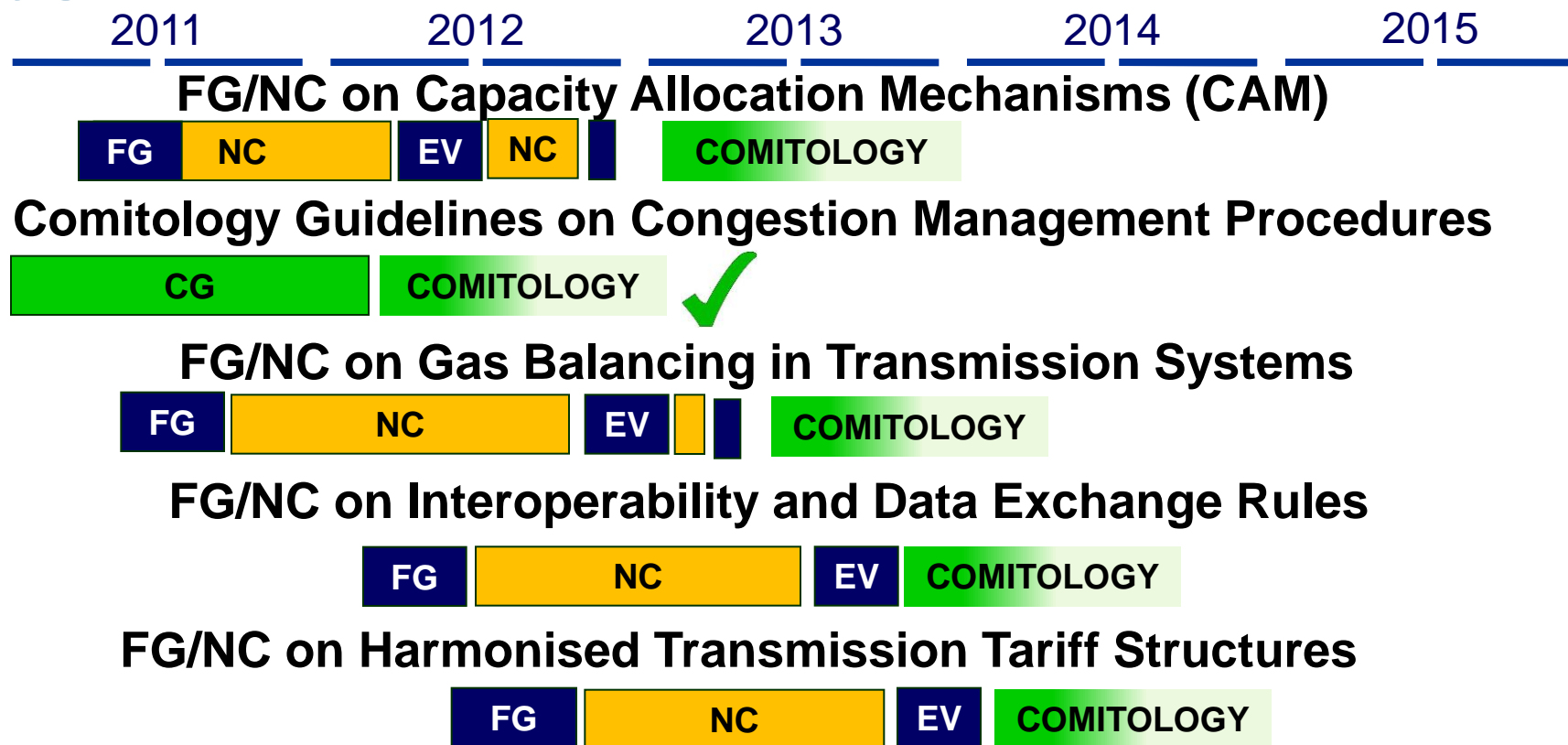
FG/NC on Interoperability and Data Exchange Rules

FG/NC on Harmonised Tariff Structure

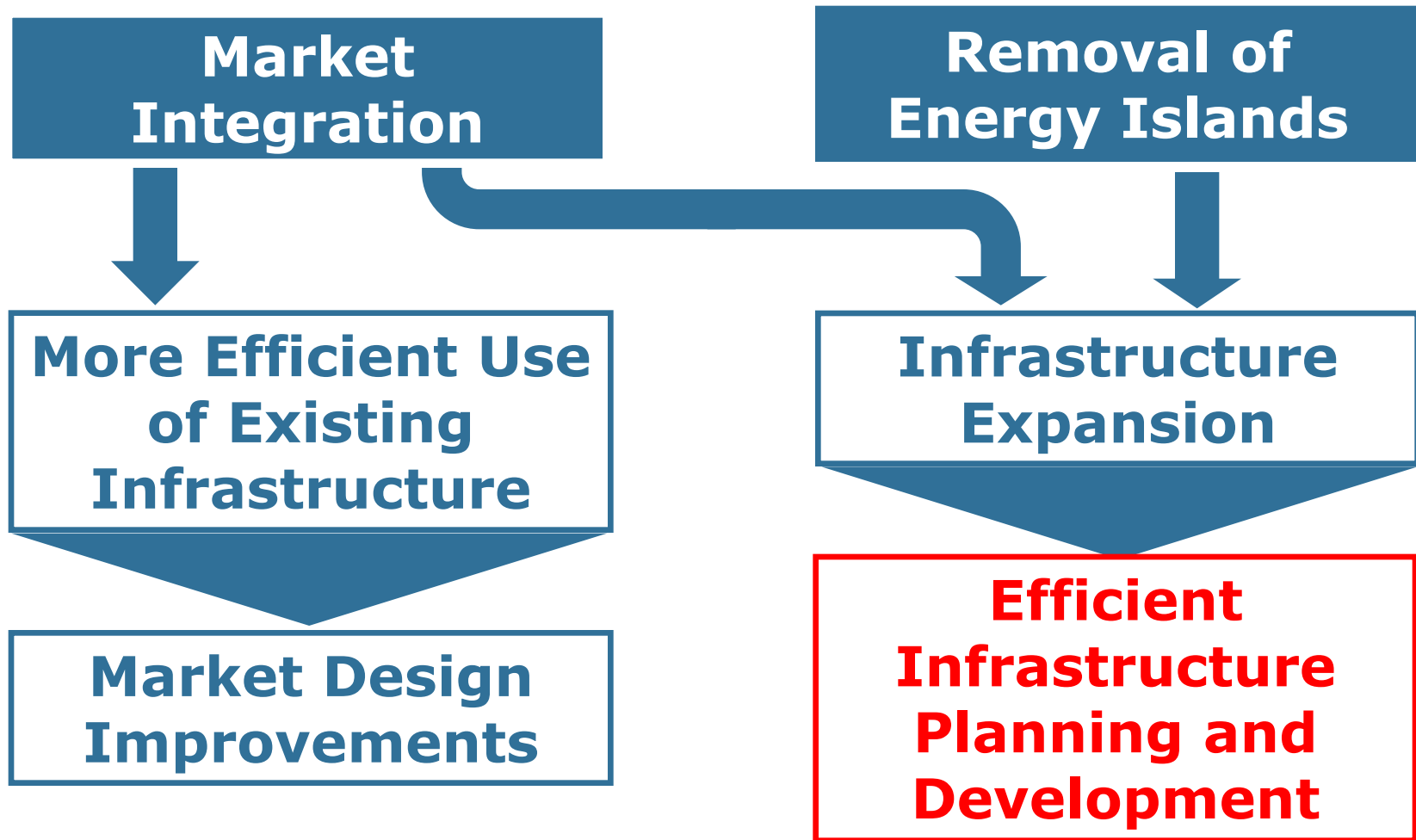
Voluntary Coordinated Implementation of CAM

Coordinated auctions of a common set of bundled capacity products

Progress in Network Codes Development Gas



EU Energy Policy Approach



Infrastructure Planning and Development

TEN-E Guidelines (2006)

Projects of Common/European Interest

- Long list of projects in the Decision
- Selection based on political agreement
- No revision of the list envisaged

Third Energy Package (2009)

TYNDPs

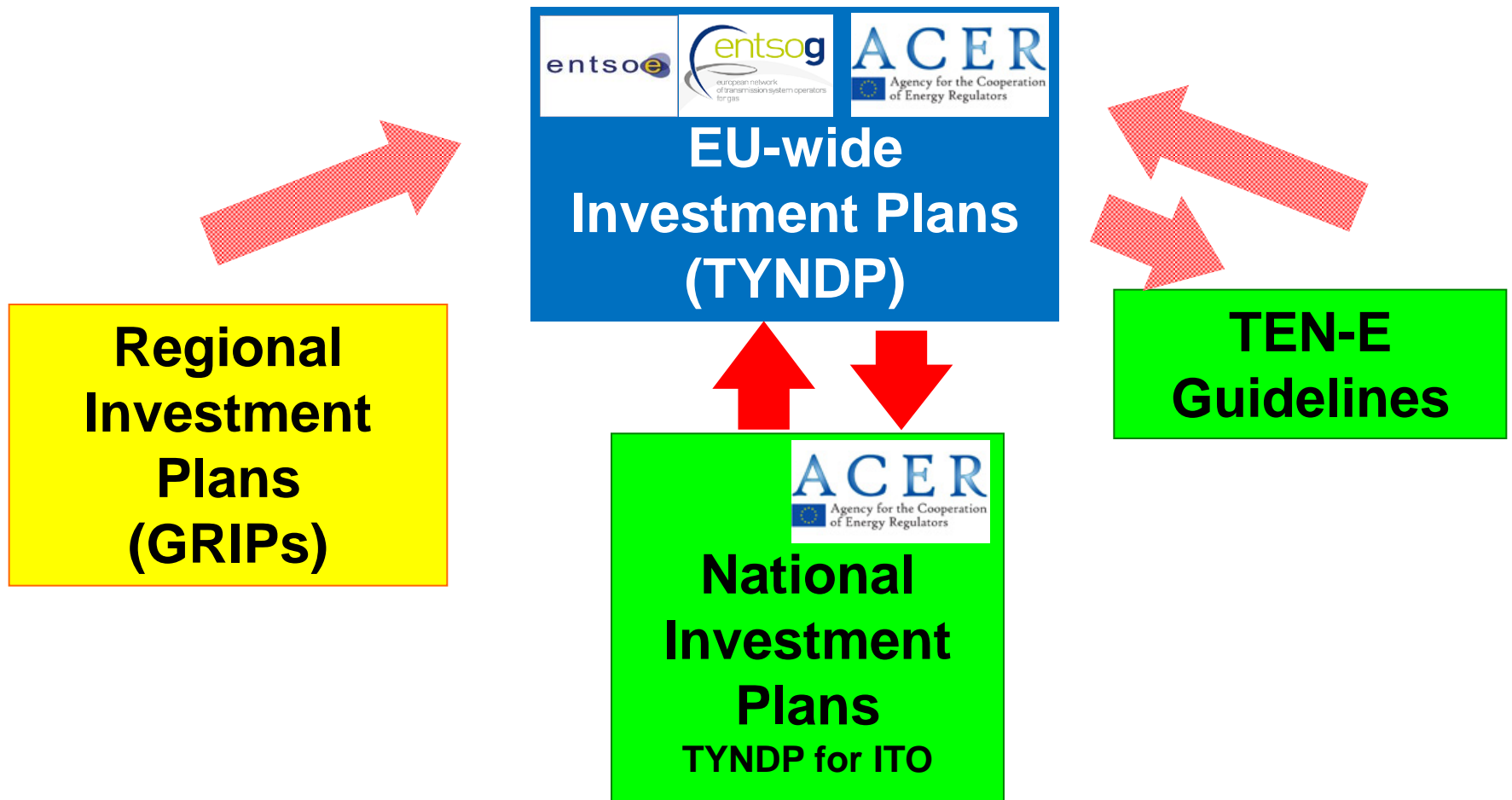
- Non-binding, ... but reference for national NDPs
- Strong EU dimension in Network Planning
- TYNDPs updated every two years

TEN-E Regulation (2013)

Projects of Common Interest (PCI)

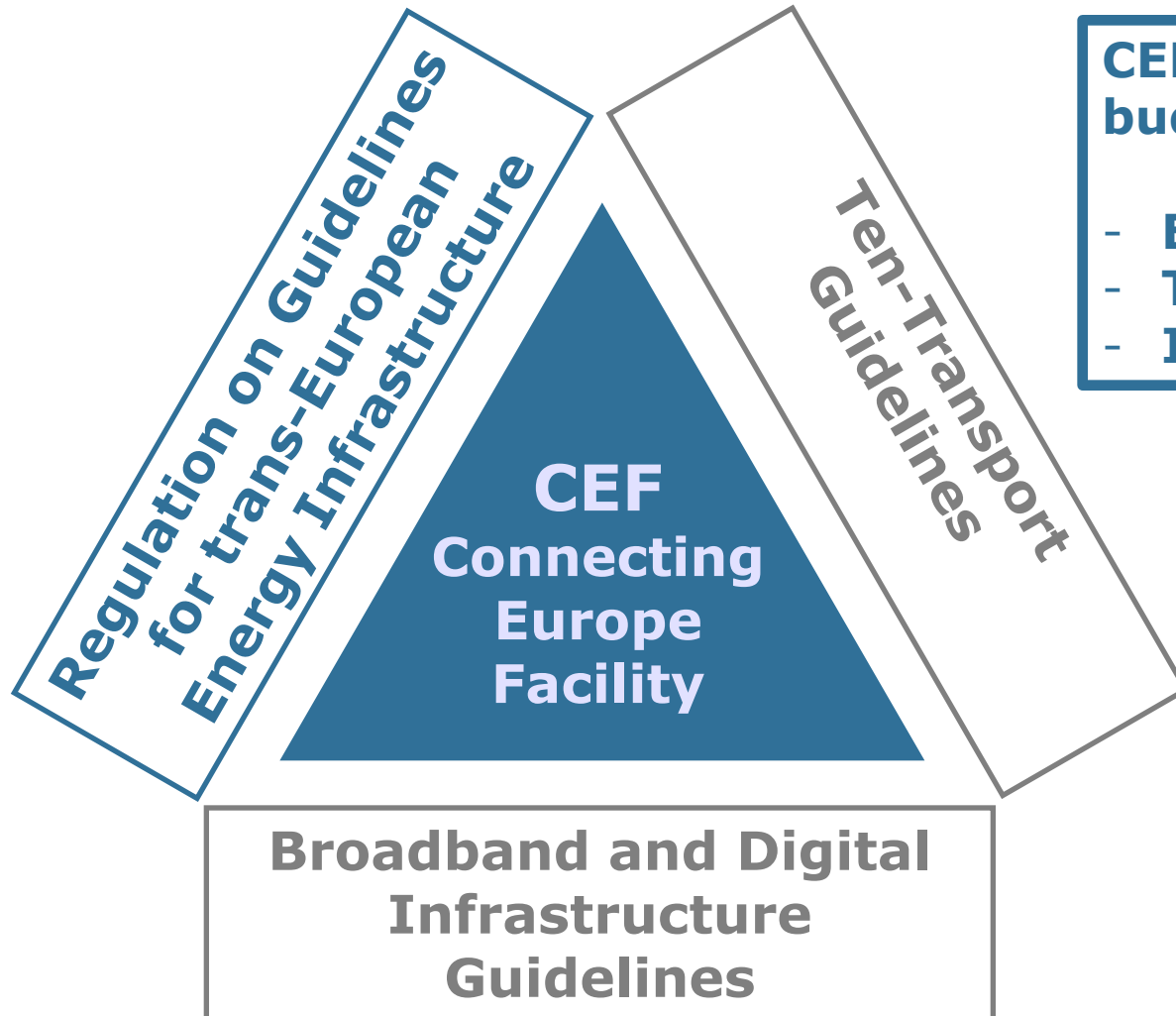
- Streamlining of permitting procedures
- PCI selection based on robust CBA
- TYNDP remains the starting point
- PCI list updated every two years
- Cross-border cost allocation
- Financial assistance under CEF

EU Network Expansion Planning under the Third Energy Package



**TYNDP to remain central to EU network development planning
under the Energy Infrastructure Package**

The Infrastructure Package



CEF proposed budget (EUR)

- Energy: 9bn
- Transport: 30bn
- ICT: 9bn

TEN-E Guidelines

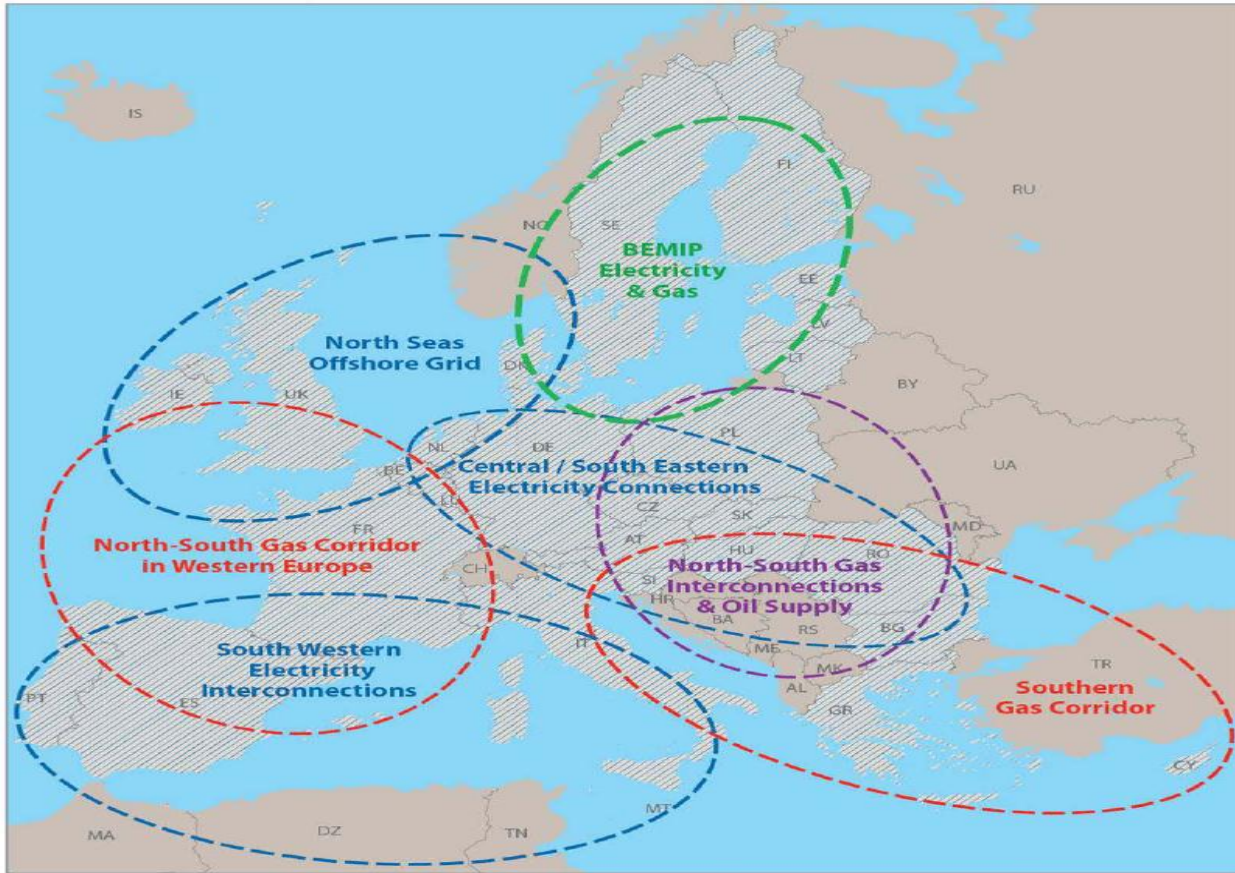
● Objectives

- » Implementation of 12 priority corridors/areas ...
- » necessary to meet EU's energy and climate policy goals by 2020 and beyond ...
- » by providing policy and regulatory certainty ...
- » through a stable and appropriate regulatory framework ...
- » to promote the necessary investments

● Tools

- » Identification of projects of common interest
- » Accelerated permit granting and transparency
- » Regulatory framework
- » EU financing

TEN-E Priority Corridors/Areas



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- - - Gas
- - - Electricity
- - - Electricity and gas
- - - Oil and gas
- Smart Grids for Electricity in the EU

PCI Identification (1)

- General and Specific Criteria
- General criteria for PCI selection:
 - Necessary for implementing the corridors
 - Delivers a positive Cost-Benefit Analysis (CBA)
 - Involves/benefits at least two Member States
- TYNDP should be the starting point for PCI selection (PCIs \subseteq TYNDP)

PCI Identification (2)

- Specific criteria for Electricity PCI selection:
 - **market integration**, incl. removing isolation of at least one MS and reducing bottlenecks; competition and system flexibility
 - **sustainability**, incl. through RES integration
 - **security of supply**, incl. through interoperability, appropriate connections and secure and reliable system operation

PCI Identification (3)

- Specific criteria for Gas PCI selection:
 - **market integration**, incl. by removing isolation of at least one MS, interoperability and system flexibility
 - **security of supply**, incl. through appropriate connections and diversification of supply sources, counterparts and routes
 - **competition**, incl. through diversification of supply sources, counterparts and routes
 - **sustainability**, incl. through reducing emissions, supporting intermittent renewable generation and enhancing deployment of renewable gas

PCI Identification Process

ENTSO

**Project
Promoters**

NRAs

**Regional
Groups**



**MSs
EC**

**Prepare
TYNDP
for E
and G**

**Submit
Projects
Criteria

CBA**

**Check
Criteria
Applicat.
and XB
Relev.**

**Evaluate
Projects

Rank

Define
regional
lists**

**Opinion
on
Regional
PCI
Lists

Cross-
Regional
Consist.**

**MSs and
EC
decide
on
Regional
PCI
Lists

EC
adopts
PCI list**

Permit granting – Regime of common interest

- Priority status for PCIs
 - Most preferential treatment in Member States
 - Streamlining of EIA procedures
- Competent Authority to manage permit granting process
 - 3½ year limit for the permit granting decision
- Increased transparency and enhanced public participation

Regulatory framework - measures

- Energy system-wide **cost-benefit analysis**
 - Proposal by ENTSOs, ACER opinion, Commission approval
- Enabling investments with **cross-border impact**
 - Cross-border cost allocation
 - NRA joint decision on investments and cost allocation
 - ACER decision if NRAs cannot agree
- Long-term **incentives** for investment
 - Obligation on NRAs to grant appropriate risk-related incentives
 - ACER guidance on best practices of NRAs and methodology

Financing – Connecting Europe Facility 2014-2020

- € 5bn? for **energy**
- **Financial Instruments** (equity/debt incl. project bonds in cooperation with IFIs) and grants for studies and works
- **Eligibility criteria (in guidelines):**
 - Grants for studies and financial instruments – available to all PCIs
 - In exceptional cases, grants for works for PCIs where:
 - CBA shows positive externalities
 - Commercially not viable
 - Cost-allocation decision taken

Thank you for your attention!

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