



QUARTERLY BULLETIN OF INFORMATION FROM UCTE,
UNION FOR THE CO-ORDINATION OF TRANSMISSION OF ELECTRICITY

UCTE LIFE

EDITORIAL

Dear Reader,

The European transmission system operators' business has never been as exciting as today:

The electricity market in Europe invests in well-functioning transmission systems as market platform. A good 400 million people on the European Continent rely on safe electric energy supply through interconnected power systems. Politics trust that interconnected networks, too, make a contribution towards the growing-together of European States. As Union for the Co-ordination of Transmission of Electricity, we endeavour to enable you to gain an up-to-date survey of this environment.

Therefore, I am very happy to present to you the first issue of NewsGrid, the Newsletter of the UCTE. NewsGrid will inform you henceforth four times a year about current developments in electricity interconnection on the European mainland.

NewsGrid will thus

- provide information about the activities of the UCTE committees, about the discussions going on and decisions taken within the Union as well as about UCTE products;
- communicate business news from 33 transmission system operators in Europe;
- provide background information about the challenges to be managed in the context of the operation and refinement of synchronous interconnection in Europe.

Our aim is to make NewsGrid become a valuable instrument for your work, as an information pool of experts for experts and as an observer of the transmission system business. We will undertake great efforts to achieve this objective. Our endeavours will be crowned with success if you say after reading NewsGrid: "The "living grid" told its recent stories, it unveiled valuable facts!"

I hope you enjoy reading our interesting Newsletter.

Martin Fuchs
President of UCTE



Russian request for interconnection

UCTE at work with a view to facilitating broader East-West co-Operation - also with the Interconnected Power Systems/ Unified Power Systems (IPS/ UPS)

In early 2002, Mr. Anatoly Chubais, President of RAO UES, sent a proposal to UCTE concerning a synchronous interconnection between the UCTE system and the IPS/ UPS system. UCTE immediately reacted to this major initiative and launched an intensive discussion among the UCTE members since this issue will have a broad "political" impact in Europe. It means a major challenge to the Association's way of determining a consistent strategy for the global development of the UCTE system which requires a broad consultation with all stakeholders of the TSOs' community in Continental Europe.

For UCTE, the development of interconnection is a matter of priority to promote the European electricity market in the framework of standards which ensure the reliability of system operation in its synchronous area.

The proposal submitted does not aim at an extension of the UCTE synchronous area like other past and present cases, but it is a request for interconnection of two large electrical blocks that are of similar size. UCTE emphasizes that such a connection of two large power systems has never before been implemented worldwide. Both systems would continue to be operated according to different technical standards; i.e. the UCTE system is based on a decentralized control policy, sharing the responsibility for the load/frequency control between the different geographic areas; on the other hand, the frequency control in the IPS/ UPS system is centralized in the Russian area while the peripheral areas are under load control.

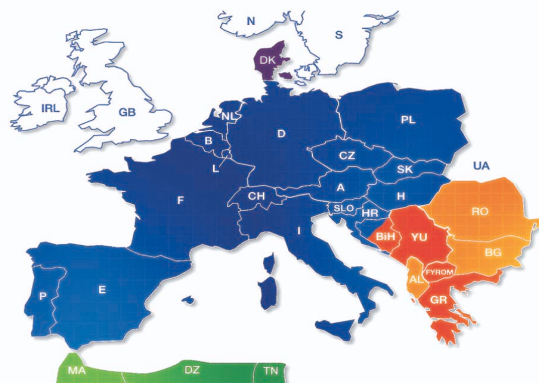
UCTE will deal with the issue in close consultation with the national authorities, the European Commission and the market participants' organizations, these bodies being in charge of the organization of the markets and related access conditions. UCTE confirms that both technical options of either synchronous connection or asynchronous connection via AC/ DC conversion must be duly considered. Well-functioning markets may either be fully synchronous or cover different synchronous areas.

UCTE recognizes that improving - or at least securing at its present high level - the reliability of the electricity systems is a guiding principle that needs to be taken into account for each step in the process of interconnection. Therefore, the outcome of the security and reliability assessment regarding the above-mentioned issues is a decisive element for UCTE's position on synchronous interconnection with IPS/UPS.

UCTE will present a comprehensive abstract of the technical risks identified together with proposals for further investigations.

SYNCHRONOUS UCTE REGIONS

- 1st synchronous UCTE region
- Synchronous Operation with 1st UCTE region
- 2nd synchronous UCTE region
- Synchronous Operation with 2nd UCTE region
- Associated members of UCTE



MEMBER NEWS

UCTE AGENDA

**WORKING GROUPS,
JOINT INTERNAL SEMINAR,**
September 12-13, 2002 - France

UCTE STEERING COMMITTEES,
September 26, 2002 in Amsterdam
November 28-29, 2002 in Rome
January 23, 2003 in Luxemburg
March 13, 2003 in Belgrade
May 7, 2003 in Spain
June 26, 2003 in France
September 25, 2003 in Portugal
November 27, 2003 in Greece

UCTE GENERAL ASSEMBLY,
May 8, 2003 in Spain

1ST UCTE JOINT SEMINAR

On 12 September 2002, UCTE will organise a first joint seminar of its working groups in Paris. The seminar is organised by the UCTE Working Group Communication Policy in co-operation with RTE (France).

The main goals of the Seminar are to:

- improve the mutual knowledge about the UCTE working structures (WG members, present and scheduled works of each WG);
- consolidate the involvement of WG members in reaching the Association's objectives set by Steering Committee and Assembly via a direct contact to the UCTE Bureau;
- gather constructive contributions by WG members about "opportunities/challenges" for UCTE deriving from the complete opening of the electricity market with particular regard to:
 - TSO's core business and opportunities for the management of the international co-ordination of the transmission grids in the integrated market.
 - Transmission of electricity to be considered as an independent business from other electricity market activities

CENTREL

CENTREL

10th anniversary of CENTREL

This year, CENTREL, the association of the Czech, Hungarian, Polish and Slovak transmission system operators, is ten years old. On 11 October 1992, following significant political changes in Central Europe, four major power companies of the region founded the organisation of CENTREL for implementing co-ordination tasks of the power systems concerned. These last ten years have been a story of success for CENTREL companies' co-operation. Main achievements of this co-operation were the parallel interconnection with UCPT in 1995 and the full membership of the transmission system operators of the four countries in UCTE as of 17 May 2001.

On 5-6 June 2002, CENTREL Council, the supreme policy making body of the association held its annual meeting in Budapest. Connected to this event, CENTREL celebrated its ten-year anniversary in the "Knight Hall" of the Budapest Castle Museum. All the previous presidents of CENTREL, and some other prominent persons who had worked much for CENTREL were also invited. Mrs. Malgorzata Klawe, present Vice-President and partaker of this co-operation from the beginning, as well as other speakers recalled the events and emphasized the achievements of the last ten years.

CENTREL companies keep up their co-operation and co-ordinate their activities concerning strategic issues of power system operation related to the region. This provides an opportunity for power systems of CENTREL to maintain the reliable power supply in the long term, which is of special importance under the circumstances of the forthcoming EU integration and introduction of a liberalized electricity market.

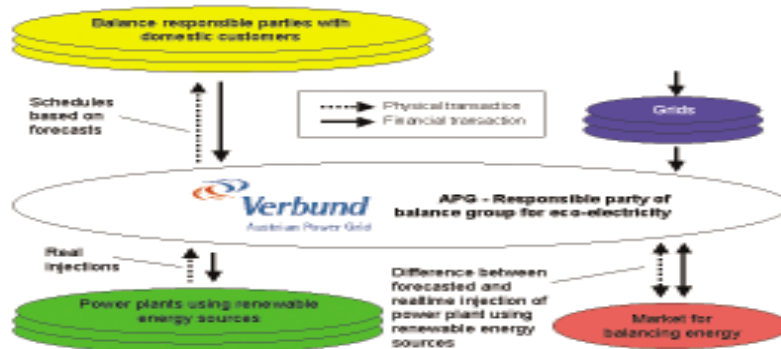
VERBUND APG

Verbund

VERBUND - Austrian Power Grid responsible for „green“ electricity in Austria

In its last meeting before the summer holidays on 10 July 2002, the Austrian parliament decided on a new law on eco-electricity. Both domestic electricity consumers and their suppliers will have to subsidize electricity production from renewable energy sources (RES). In compliance with the Austrian market model, a balance group for electricity produced from renewable energy sources will be established and APG, Austria's leading electricity transporter, has been nominated balance group manager for this new group. The injection fee for production from RES is defined by law, the balance groups supplying final consumers are obliged to accept this energy at a defined rate; the difference plus the overheads including consumed balancing energy are settled via the national tariffs. One of the tasks of APG is to forecast the production from RES, to prepare the schedules obtained as a result of the forecast and to refund/charge the purchased/sold energy.

Schematic representation of financial and physical transactions with regard to renewable energy sources:



MEMBER NEWS

POLSKIE SIECI ELEKTROENERGETYCZNE SA



Restructuring and challenges of the market

The year 2001, too, witnessed continued Polish power market transformation, being especially a challenging year for PSE SA. In September 2001, after several months of preparation, a day-hour balancing market started operations under the management of PSE SA. In 2001, 52 entities were engaged in the offering process in the balancing market, including 13 power generators, 34 customers, 3 trade companies, Polish Power Exchange and PSE SA. As this market is still evolving and participants are gaining experience, necessary modifications were introduced to balancing market regulations on 1 July 2002; they include new modes of price settlement and new provisions in the instruction of transmission system operation and maintenance, as well as rules concerning the electricity balancing market in Poland.

Fulfilling the TSO tasks, PSE SA decided to develop and implement an assets management IT system within the scope of the new transmission assets management system, with a view to improving the reliability of supply and ensuring efficient transmission of electricity; grid facilities and their technical infrastructure were further upgraded; the technical conditions of existing equipment were improved, with due regard to the requirements of environmental protection, to meet the challenges of a liberalized market. During the first half of 2002, PSE SA carried out even more activities and transformations with the aim of adjusting to rapidly changing market conditions and to the challenges resulting from the forthcoming EU integration. In spring 2002, the company continued to implement the new corporate management methods and further adjusted PSE SA's organizational structure to the national and European markets' challenges.

ELECTRIC POWER INDUSTRY OF SERBIA



EPS' grid development plan

Electric Power Industry of Serbia has adopted Terms of reference for the elaboration of the technical documentation in order to build the following substations:

- 400/110 kV SS Belgrade 20 with a transforming capacity of 2x300 MVA in the first phase, and of 3x300 MVA in the final phase.
- 400/110 kV SS Jagodina 4 with a transforming capacity of 1x300 MVA in the first phase, and of 2x300 MVA in the final phase.
- 400/110 kV SS Sombor 3 with a transforming capacity of 1x300 MVA in the first phase, and of 2x300 MVA in the final phase.
- Extension of the existing 400/220/110 kV SS Sremska Mitrovica 2.
- 400 kV line SS Sombor 3 – SS Subotica 3.

The construction of all objects is planned to be started in 2003; their commissioning is scheduled for 2004. Tender documentation is approaching completion; tenders are expected to be officially published in mid-September 2002, their evaluation is scheduled for the beginning of 2003.

The above-mentioned projects will be financed out of EBRD credits.

Extension of the existing substation Sremska Mitrovica is especially interesting. EPS will loop the existing 400 kV line 'Substation Mladost – Substation Ernestinovo' into this substation during this year, starting from September, by using the so called block-connection with one 400/220 kV transformer of a capacity of 400 MVA.

The existing Substation Sremska Mitrovica will be extended by a new part of 400 kV bus-bars in 2003. The work is expected to be completed in autumn 2003, when the substation will obtain a new design.

HRVATSKA ELEKTROPRIVREDA d.d.



Official inaugurations of civil works on the (re)construction of HEP transmission facilities

Two very important events for Croatia as well as for UCTE took place in March 2002: the official inaugurations of civil works on the reconstruction of the Ernestinovo substation, and the construction of the 'erjavinec substation with adjoining facilities.

On 13th March 2002, the continuation of activities for the reconstruction of the Ernestinovo substation was officially celebrated through the cornerstone ceremony. On behalf of HEP, Mr. Ćovic, President of the Board of Management and Mr. Toljan, Member of the Board and Director of the Transmission Division, welcomed high guests attending the ceremony. Among them there were high officials from the Croatian Government headed by Prime Minister Mr. Račan who addressed the audience as well as Mr. Fuchs, President of UCTE.

This project aiming at the improvement of the security and reliability of electricity supply of eastern Croatia, is of great importance also for the whole UCTE as it creates the preconditions for reconnecting the present two UCTE synchronous zones – one of the first priorities of UCTE.

The first phase of construction of the 400/220/110 kV 'erjavinec substation (near Zagreb) will comprise the construction of its 400 kV part in order to enable the connection of the Ernestinovo substation to the national power grid and to commission the second circuit of the 400 kV interconnection line from Heviz (Hungary).

A major part (80 million Euro) of the whole investment, which totaled about 130 million Euro secured by HEP through a domestic loan, is spent on the reconnection of the UCTE synchronous zones.

The completion of these projects is scheduled for the end of 2003. However, financing still has to be found for the remaining two 220 kV interconnection lines between Croatia and Bosnia&Herzegovina which still have to be reconstructed.

MVM Rt. / MAVIR Rt.



Preparation for market liberalisation in Hungary

The most important targets of the Hungarian energy policy are to create the conditions for market liberalisation and EU accession. These were also the guidelines for the legislators of the new Act on Electricity, which was passed by Parliament on 18 December 2001. The majority of paragraphs in the Act will be effective as from 1 January 2003. This date will be the first step towards market liberalization making the customers with consumption of above 6.5 GWh/year eligible to purchase electricity on the competitive market. At present, the development of the secondary legislation is under way.

The provisions of the Act on Electricity are in line with the European regulations and will ensure free access to the transmission system. The tariff for transmission system access will be regulated by the authority. Since 1 January 2001, MAVIR Hungarian Power System Operator Company has been functioning as a separate shareholding company adopting the model of Independent System Operator (that is ISO) whereas the ownership of the national transmission system is kept by MVM Rt. Pursuant to the new Electricity Act, the ownership of MAVIR Rt. was transferred from MVM Rt. to the Ministry of Economic Affairs on 1 February 2002.

As a result of these changes, the electricity sector in the international organisations is represented by MAVIR Rt. and MVM Rt. according to their competence and field of operation.

PARTICULAR

Gert Zijl to step down as Chairman of TenneT's Board of Management on 1 September 2002



Gert Zijl was appointed statutory director of N.V. Sep, the Dutch Electricity Generating Board, in 1990. In this position he was responsible, inter alia, for the optimum deployment of generating units, the sourcing of fuels for generating plants, international power trade and the management of the high-voltage grid.

Once the merger that was intended to bring about one large generating company in The Netherlands busted, Gert Zijl was closely involved in Sep being broken up as a consequence of the new 1998 Electricity Act that came into force in The Netherlands. Gert Zijl was subsequently charged with the creation of the national grid company, TenneT, which in record time succeeded in implementing a range of essential services to enable power transmission and system reliability to be maintained. This was followed by a period of further expansion of responsibilities and services. Ever since entering Sep, Gert Zijl was actively involved in the international cooperation of the European electricity sector: in UC(P)TE and recently also in ETSO.

Now that TenneT has successfully completed its start-up phase, Gert Zijl has decided that the time has come for him to hand over the reins to his successor, Mel Kroon.

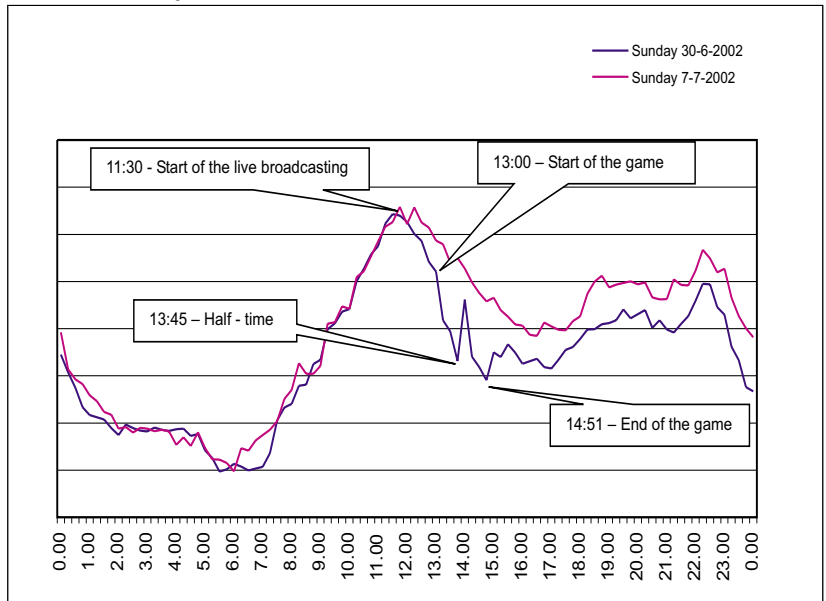
The WC Finals from a control centre's point of view

Sunday, 30 June 2002 was a very special day for sports fans in Germany and also in Brazil. It was the day of the 2002 world championship football finals between these two countries. This day meant also a particular challenge to the German national control centres. Some billion people in the whole world were watching this match; but especially in Germany, 25 million football fans were glued to their TV sets, leaving all other electric household appliances untouched.

Live broadcast started one and a half hours before the official opening of the match. At that time, the load began to decrease significantly compared to a "normal" Sunday. The difference amounted from 3.7 to 12.5% between the kick-off at 1:00 p.m. and the end of the game. During the half-time interval between 1:45 p.m. and 2:00 p.m. there was a distinct load increase. But on the dot of 2:00 p.m. the load went down again till the end of the match at 3:00 p.m.

After the match, electricity consumption resumed its normal pattern, though it remained below average. This is probably attributable to the fact that despite the defeat parties were celebrated everywhere in Germany after the match, until the late night. The load decrease on Brazil must have been even more impressive that day.

Load in Germany



UCTE NEWSGRID - N.1

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