



PRESIDENT'S FOREWORD

Reliable: Everyday!

Dear Reader,

While the economic surge of nationalism and the European Commission's firm reaction on 19 September (proposal for a 3rd Energy Package) dominated the headlines in late 2007, UCTE has focussed throughout 2007 on practical issues in keeping with our standing UCTE mission.

The rationale is rather elementary: any further development towards a better integrated Pan-European electricity market must foot on system reliability as the key pre-requisite to the overall security of the electricity supply of several hundred millions of European citizens. No doubt: Reliability comes first and then other important issues follow: regional market initiatives, quality of regulatory cooperation, ownership unbundling modalities for transmission system operators, criteria for transparency and information provision and effective access to maximum network capacity. All these issues can only be realized, if built on a reliable grid.

More than ever in its long history, UCTE stays firm in its commitment to achieve the crucial goal of system reliability at the heart of "electrical" Europe. This aim is built on the three pillars of security, adequacy and interoperability.

In 2007, UCTE updated its vision for the future of the transmission sector in Europe in order to improve reliability in Europe and enhance the benefits of the UCTE Security Package for all system actors. The security package consists of the Operation Handbook, the multilateral agreement and the Compliance Monitoring and Enforcement Process. In this vision, legitimacy

has been revealed to be a key element still absent at the pan-European level. Legitimacy for actions with an impact on the security of supply in Europe can only be given by direct government mandates, laws or European directives. However, any such legal measures must be sufficiently harmonised throughout the European Union and its neighbouring systems. Only by implementing measures such as this it will be possible to achieve the formal authority required for the development of stricter, legally binding standards applying to reliable system operation and planning. In order to enforce mandatory compliance with these standards, a stricter monitoring process will be necessary for all participating parties. This will be possible through the use of efficient sanctioning mechanisms and by agreeing on funding models which allocate adequate resources for the development and implementation of new reliability mechanisms within the upgraded structures.

The interaction between reliability and market mechanisms must be taken into account together with the fact that the development of market standards can potentially conflict with the primary role of TSOs: continuity and reliability of service.

UCTE is also firmly committed to facilitating the development of competitive markets and strives to carry out its reliability responsibilities in ways that enable and encourage market solutions to the fullest extent possible. UCTE must be able to preserve system reliability for its member companies also in those areas of the system (comprising EU and non-EU countries) where competitive markets do not yet exist.

In order to meet the reliability objectives as efficiently as possible, it is critical to agree upon straightforward guiding principles on the relationship between reliability requirements and market issues. Strategic principles such as these could be made binding at the political level and thus formally recognise reliability as an essential condition for a robust European economy. They could also establish that no reliability standard shall give market participants unfair competitive advantages, prohibit specific market structures, preclude market solutions for achieving compliance with that standard or require the public disclosure of commercially sensitive information. It is understood that all market participants will have an equal opportunity to access well defined, commercially non-sensitive information at Pan-European level.

This is why UCTE supports the European Commission proposal to establish a new common platform for inter-TSO cooperation: the European Network of Transmission System Operators for Electricity ("ENTSO-E"). This cooperation will embrace the expectations of TSO stakeholders and ensure continuity of action through the acknowledgement of achievements by synchronous and regional TSO cooperation platforms. Furthermore, this will foster system reliability using the most effective tool that TSOs themselves cannot engineer: the enforceability of standards. UCTE equally considers that new legal and environmental requirements which simplify the permit-granting process for new lines are essential for achieving the objective of a liquid, internal electricity market based on a real and reliable European grid.

In 2008, UCTE will work intensely with all TSO associations in Europe with the clear aim of establishing new cooperation structures and mechanisms for the TSO community. UCTE will remain in permanent dialogue with all relevant stakeholders, relying on them to deliver the requisite legal and regulatory assurances and also for ensuring accountability amongst TSOs, generators, distributors, traders and other stakeholders. On the behalf of TSOs, this would even allow for the anticipatory adoption of a 3rd legislative package and concrete proposals for ENTSO-E.



José Rodrigues Pereira Dos Penedos

UCTE President | February 2007