



# ETSO comments on Draft Guidelines on Transmission Tarification-EREG Public Consultation

(9 June 2005)

**General remark: ETSO comments concern only the text of the Guidelines and not the Explanatory note**

## General

ETSO welcomes ERGEG's proposal to consider that the harmonisation of the 'G' charge is now the most important topic to be dealt with in the "*progressive harmonisation of the underlying principles for the setting of charges applied to producers and consumers under national tariff systems*", in order to avoid distortions of competition.

ETSO agrees that main improvements have already been made, since the transmission tariffs in Member States reflect most of the requirements of the Regulation, being point of connection tariff system rather than being distance based. Equally, the abolishment of export, import and transit fees contributes to this objective.

This proposal to harmonise the 'G' charge is realistic in avoiding dramatic changes to the tariffs in short term. The longer term target should however be reduction of differences between Gs in Europe towards a narrow range or maybe even a single value. We need to gradually remove a distortive element which prevents market participants to have level playing field due to a too wide spread between G-components.

## Absolute G

ETSO welcomes in particular the proposal to consider harmonisation of the 'G' charge in absolute values and not relative shares of 'G' and 'L'. Thus, the differences between the national network cost levels, generally due to differences in local conditions (regulatory framework, density of consumption, geography, network design ...) are borne by local consumers. That is not to say that load customers cannot play an important role in managing transmission costs, but they are generally less price elastic than generation.

## Locational signal and market based congestion management methods

ETSO agrees that, at this stage, it is not appropriate to introduce locational signals through the creation of pan European transmission charges, given the absence of harmonisation of energy markets and other parameters. Besides, more effective locational signals stemming from congestions are still missing in many parts of Europe due to the incomplete implementation of market based congestion management methods. We encourage the Commission to further urge the introduction of market based congestion management methods at all EU-borders in order to reduce distortions of the IEM and in order to profit from locational signals emerging from these methods.

We would appreciate as TSOs that the flexibility left to each Member State to decide on the introduction of regional or “national locational signals” leading to internal variations not limited by the specified range of the ‘average G’ was kept explicitly in the draft guidelines as it was the case in the 2004 project.

It would allow reflecting the costs induced by predominant flow patterns, for instance in the case of large regional unbalances, with right incentives when signals are stable enough.

### **Harmonised G and Inter TSO compensation mechanism**

Contrary to what is mentioned in the explanatory note of the draft guideline, the Inter-TSO compensation mechanism would not give any locational signals for siting of generation and consumption. This is in line with ETSO’s position to keep these issues separated.

Nevertheless, the proposed range for the ‘national average G’ must take into account the variety of situations among countries, especially when payments arising from the inter-TSO compensation mechanism are charged on producers for exporting situations, thus introducing an additional G.

### **Definitions**

ETSO considers that all generators, not only those connected to the transmission network, would have to be affected by the Guidelines. ETSO proposes that the Guidelines are clarified to cover all generators and therefore that charges paid by all generators as well as the full amount of energy produced by them should be taken into account when calculating the “average national G”. All generators should have a “level playing field” avoiding discrimination between generators connected to different voltage levels. This doesn’t mean that there can’t be any differentiation of tariffs between generators connected to different voltage levels, based on their different use of the grid. Another reason to apply the above approach is that it is difficult to regulate at European level using the concept “transmission network” since it has a different definition in the Member States.

ETSO agrees with the draft Guidelines that internal congestion costs, any specific charges related to first connection, losses and ancillary services should be excluded at this stage from the “average national G” calculation. This means that not all charges to be paid by generators will be harmonized for the moment. We nevertheless consider those charges an important feature which affects payments to be made by generators and which should be considered when creating level playing field in the future. We support that the need for harmonization of tariff structures should be investigated in a later stage.

### **Range**

ETSO agrees with the proposed ranges.

### **Reporting and information of the market**

The 2005 draft guidelines enhance the necessity of reporting to the European Commission by proposing annual information each year before the end of July. This information about G is of course very important for the monitoring of the Electricity Internal Market.

This regular information is an opportunity for the European Commission to reinforce transparency of the market by publishing an annual report on G based on the information supplied by regulators. This higher transparency should also be a step towards a greater efficiency of the market. That is why ETSO proposes a fourth paragraph in the draft guidelines.