



Transmission Charging – Developments in Europe

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Transmission Charging Methodologies

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Relevant EU legislation

- Regulation on conditions for access to the network for cross-border exchanges in electricity
- Directive concerning common rules for the internal market in electricity and repealing Directive 96/92/EC
- Regulation enters into force in July 2004.
- Directive must be implemented by July 2004 (no change to UK transmission charging methods)

Regulation – main provisions (1)

- Inter-TSO compensation mechanism for hosting cross-border flows
- Cost-reflective network access charges which must not be distance-related
- Locational signals at least at EU level
- Provided appropriate locational signals are in place, no charges for crossing borders
- TSOs to publish information on interconnector capacity

Regulation – main provisions (2)

- Non-discriminatory market-based congestion management mechanisms
- Unallocated capacity to be reallocated to the market
- Netting of flows where possible
- Congestion revenues to be used to guarantee availability, increase capacity or reduce network tariffs
- Exemptions from regulated TPA for new interconnectors on certain conditions

Regulation – main provisions (3)

- Regulatory committee of member States to be set up
- Guidelines to be adopted by the Committee (on a proposal from the Commission) on: details of TSO compensation mechanism (incl treatment of DC links); progressive harmonisation of G and L charges; locational signals; further detail on congestion management mechanisms (guidelines shall provide minimum degree of harmonisation needed to achieve objective)

Timing of implementation

- Regulation has “direct effect”, ie does not need to be implemented in national law, therefore enters into force in July 2004
- Detailed guidelines will be developed by the Commission on the advice of regulators’ committee and decided upon by the Member States’ committee (by qualified majority voting)

Participation of UK in CBT mechanism

- Inter-TSO mechanism currently in force is a voluntary agreement between TSOs
- UK and Ireland do not take part as treatment of DC-interconnected systems not yet decided
- Inter-TSO system designed for UCTE network
- UK and Ireland will join the mechanism agreed by regulatory committee – January 2005 at earliest

How long before we have a single EU market?

- Agreed by Council of Ministers that guidelines will contain all elements, not only inter-TSO compensation, ie G and L charges, congestion management, locational signals etc
- UK proposed that a “market model” should be developed with a clear idea of what needs to be harmonised – Commission agrees
- UK proposed regional market approach, ie step-by-step evolution joining markets with similar features – Commission agrees
- Therefore much work to be done in coming years
- Postscript - Do we need more interconnectors?