



EuroPEX's Input to the Planned 2005 Report on the Impact of the Electricity and Gas Directives

1st of July 2005

EuroPEX has in a letter signed by Mr. François Lamoureux in April 2005 been invited by DG TREN to provide input to an upcoming EU benchmark report for year 2005. EuroPEX has in that letter also been informed that the planned content of the report will be discussed in the Florence/Madrid regulatory fora by the end of September.

In the following response EuroPEX has focused on providing input and ideas on the second listed topic, namely "...whether improvements to any aspects of the market opening should be explored either at national or Community level...".

If deemed appropriate, EuroPEX may also assess the other topics, either in writing and/or by presentation at the regulatory fora, granted that the association like in past years receives an invitation.

At this stage EuroPEX mainly wishes to list some energy related issues that in the association's view are important for the EU community to focus on in the future. It is the association's wish that a framework for discussions is established in the near future, to enable structured input on how to deal in detail with its and other stakeholders' issues, and EuroPEX will then be ready to give "prescriptive" input on the various presented issues.

I. Overview

To begin with, EuroPEX welcomes the opportunity to provide input and then with regulators and other stakeholders in the energy market discuss a broad range of issues that will form the EU annual benchmark report for year 2005.

In particular, EuroPEX wishes to stress the importance of continued commitment to and development of the free and competitive internal market for energy through clear market oriented mechanisms and supportive regulatory policies.

EuroPEX is a not-for-profit association of European power exchanges that represents the interests of the exchange based wholesale markets for electrical energy with regard to developments of the European regulatory framework for wholesale energy trading and provides a discussion platform on a European level.

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Also, EuroPEX firmly believes that Power Exchanges can significantly contribute to opening up of national and multi-national markets, and that is already evident in many regions within the internal market.

EuroPEX feels that there is a need to in the next few years to firmly put in place enforceable regulations for, among other things, “online” transparency on power fundamentals, non-discriminatory grid access fees, clear unbundling between grid and production/sales activities, and market based mechanisms for cross-border trading, preferably by using implicit auctioning and Market Coupling, at a minimum in the day-ahead stage.

On the issue of Market Coupling EuroPEX wants to point at the positive collaboration between EuroPEX and ETSO that ended up in a report describing conceptual ideas, which then was presented in a variety of conferences, directly to other stakeholders in the market, and not least in the regulatory mini-fora that took place this past winter.

EuroPEX is ready to, if deemed sensible, to continue the work on Market Coupling to ensure that the various regional initiatives that are now being considered will be able to interact when all market conditions are such that it is viable.

II. Topics linked to “improvements to...market opening...” that EuroPEX wishes EU regulators to consider in close collaboration with market stakeholders

The topics described below are in EuroPEX’s view among the more essential that would be beneficial to explore closer by the EU community to facilitate continued progress towards a common, free and truly competitive internal energy (electricity) market.

For a majority of those issues EuroPEX also believes that Power Exchanges can play an important role in contributing to positive development of market mechanisms that can enhance the functioning of the internal market.

Retail market

1. Existence of and opportunity for companies and small customers to be involved in market based demand side management programs to, among other things, create more efficient price-responsiveness which can enhance competition further and reduce potential peak load problems.
2. Links between wholesale and retail market prices and the level of consumer awareness and understanding of opportunities arising from their ability to switch supplier and the growing transparency and liquidity in wholesale markets.

Wholesale market

3. Recognition of importance of existence of and competitiveness and transparency in intra-day markets and also in real-time regulating power markets to facilitate secure and cost-efficient instant balancing of the overall power system.
4. Definition of the level of participation and how the renewable energy sources, especially small scaled, participate in the competitive wholesale market.
5. Setting clear and common minimum rules and provision of alternative “agents” that can be used to provide transparency on key fundamentals, such as “instant” information on hourly national production, consumption, cross border flows, and disturbances and planned revisions on major grid lines, production and consumption.
6. Recognition of significance of Market Operators/Power Exchanges in terms of contributing to transparent price signals, liquidity, efficiency, standardisation and security in energy trading.

Regional matters and cross-border issues

7. Implementation of market based mechanisms for cross-border trading and congestion management.
8. Recognition of significance of Market Operators/Power Exchanges in the development of the internal competitive electricity market, for example by contributing to market based mechanisms for cross-border trade and congestion management.
9. Interaction between and recognition of both physical and financial trading instruments as means that can facilitate national and cross-border competition, efficient risk management policies, investment opportunities, as well as short- and long-term hedging opportunities both in terms of prices and energy volumes.
10. Research of level of “excess” generation resources in each member state and facilitation of the opportunities to “pool reserves” through closer interaction between national markets, both by enhanced electricity trading and co-operation between grid operators (TSOs).
11. Clear political backing of the basic idea of a gradually more unified internal market for energy, as presented by exchanges, trading companies, and others.

Gas market, environmental policies and regulations affecting energy markets

12. Liberalisation of the European gas market and with particular focus on non-discriminatory access to the network and transparency in pricing regimes.
13. Recognition of the links and importance of efficient competitive market functions and pricing for electricity, gas, and environmental “products” such as EUA and renewable certificates.
14. Recognition of the importance that financial and accounting regulations, for example ISD, MIFID, and IAS do not hinder the opportunity for liquid and competitive wholesale and retail markets for energy where a wide variety of both large and small companies can actively take part on as equal terms as possible.