

Perspectives on the PCG

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- Exchanges have a very direct interest in the health of the markets they serve, both exchange traded and off exchange (OTC)
- Power exchanges have been a driving force for better market integration
 - Central role in successful regional implicit solutions
 - Achieved very material improvements: network utilisation, social welfare, market integration (price convergence → competitive, single markets)
 - Examples: Nordic, Iberia, TLC

1. Optimising and maximising amount of cross-border capacity is critical
2. The PCG process, together with ERI, needs to deliver a pragmatic implementation path, or “road map”
3. Good governance principles are a key enabler

1. Cross Border Capacity

- The amount of available cross border capacity is critical
- Concern that new transmission determination models may result in less effective cross-border capacity
- Any change is a major undertaking that will consume considerable resources/time, and can impact market prices
- **Need for:**
 1. **Good analysis and simulation of outcomes before making changes**
 2. **Transparency of methodology**

2. Implementation Path

- The Target Model is a positive deliverable, providing the key design elements required to deliver on the vision and key success factors for European market integration
- A more “top down” approach appears necessary to provide better coordination to the development of market integration design(s), while still building on the “bottom up” motivation of the relevant parties
- A risk that the PCG/target model is not sufficiently tied into resolving the practical, high impact problems we are facing
- Initiatives are often resource intensive, and can conflict
- To ensure fast implementation, a pragmatic road map is needed

2. Implementation Path

- **Need for:**
 1. **Consensus on the target model, establishing the essential harmonisation requirements across all regions and meeting the high-level objectives of market integration, i.e.**
 - **Efficient use of the cross-border capacity**
 - **Improvement of competition in the power markets**
 2. **Respect for the two principles of “subsidiarity” and “proportionality”**
 3. **Clear justification of initiatives, based on objective assessment of relative benefits and feasibility plus adequate consultation**
 4. **Consistent process between PCG (European harmonisation requirements; overall road map) and ERIs (compatible regional solutions)**

3. Governance

- Barriers to progress tend to be more about organisation and decision making (rather than technical)
- Challenging context
 - Important European “public interest” goals
 - Multiple national jurisdictions
 - Many different entities; under a variety of regulatory and commercial structures
- Changes to national legislation can take a long time
- **Need for:**
 1. **Pragmatic solutions that can work with existing legal/regulatory structures as much as possible**
 2. **Focus on the governance of the key standardised functions that need to be undertaken, rather than on the entities**