

Stakeholders expectations and priorities

ENTSO-E expert group meeting 1 October 2012

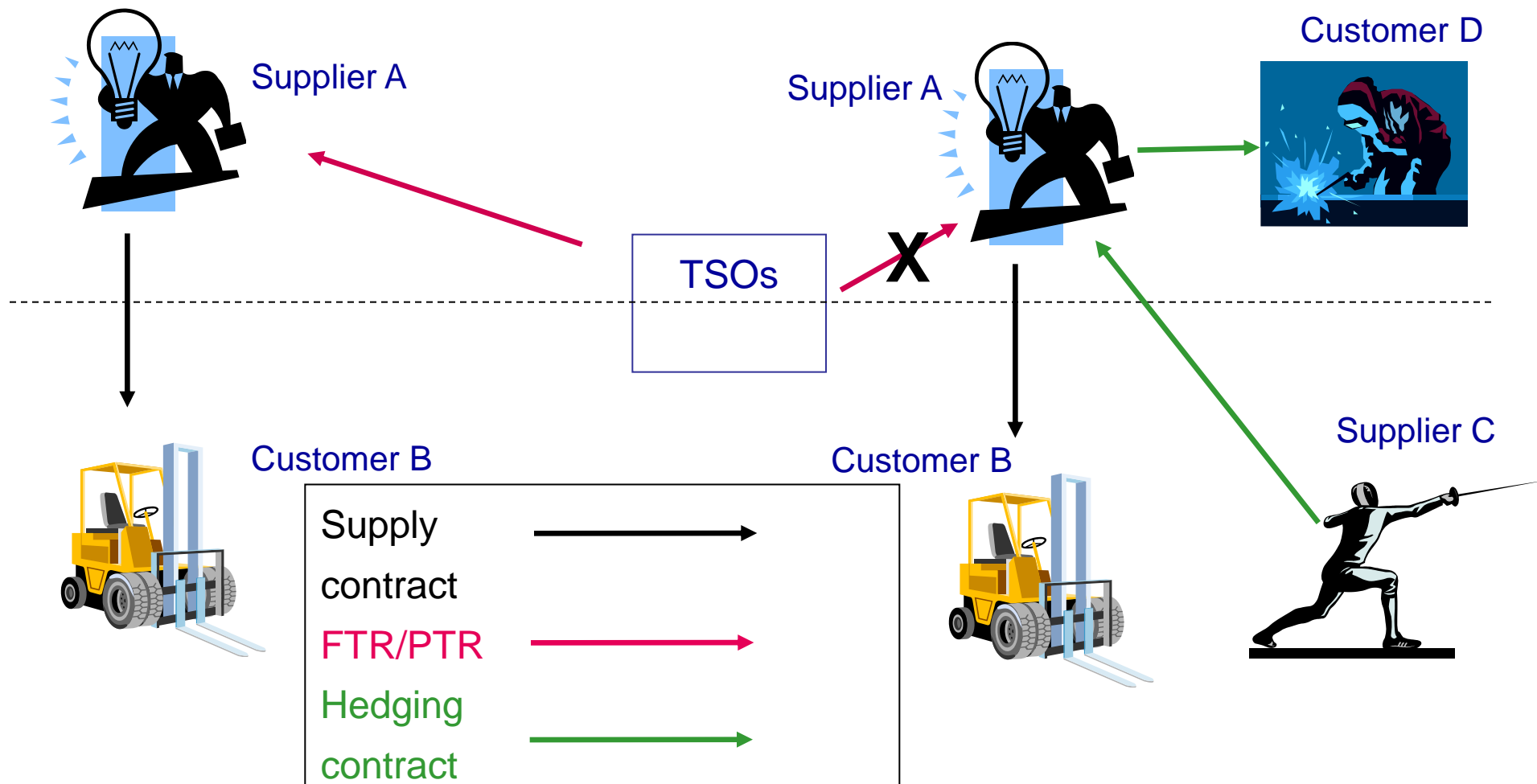
Why are transmission rights needed?

- Hedging cross-border transactions
- Increasing cross-border competition in the forward market
- Increasing liquidity

Example – Cross-border supply

Supplying with transmission rights

Supplying without transmission rights



How should the European forward markets look like?

- ➡ Energy shall be possible to trade forward OTC and at exchanges
- ➡ All TSOs shall auction transmission rights between all bidding zones
- ➡ Maximum capacity should be allocated by TSOs

Transmission rights: TSOs are natural sellers

- ➡ Transmission shall be auctioned by TSOs for longer maturity for the timeframes supply contracts are typically concluded, 1-3 years
- ➡ Coordinated allocation method
- ➡ Transmission rights shall be auctioned in a coordinated way by a centralised auction office with the same rules for all borders between bidding zones
- ➡ Secondary markets shall be facilitated by TSOs and regulators and it shall be possible to slice the transmission rights

Transmission rights: maximise capacity

- ➡ TSOs shall allocate maximum available capacity and there shall be no discrimination against cross-border transactions.
- ➡ Regulators shall ensure this. Incentives based regulation could be an efficient tool. However, as incentive regulation is difficult to apply, regulators will have to take up the challenge and dive into it

Transmission rights: transparency and firmness

- ➡ Transparency is needed for capacity calculation method/process and determination of long-term capacity
- ➡ Transmission capacity shall be firm. In case of financial firmness: compensation at initial price in case of force majeure, otherwise compensation according to market spread
- ➡ TSOs shall be able to buy back capacity in case of reductions in available capacity.

Thank you for your attention