

President's Foreword

FACING NEW CHALLENGES OF A LIVING GRID

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Martin Fuchs
President of UCTE

The events of the year 2001 have also affected the electricity sector. At the beginning of the year, California faced an electricity crisis as it had never experienced before. Electricity supply to more than 2 million customers was interrupted as a result of flaws in the deregulation of the Californian electricity market. The occurrences that came about in one of the world's main economic regions have drawn attention to the tension existing between the market, on the one hand, and the security of supply, on the other hand.

Furthermore, the attacks of 11 September 2001 in the USA have raised the question of whether and to what extent the bases of our economic activities and everyday life can really be protected. Due to these events we came to realize that security is a vital good and almost indispensable for well-functioning markets. It is also against this background that co-operation within the UCTE has gained in importance. Ultimately, the point is to operate a power system for 400 million people in a secure and reliable manner day by day. In 2001, too, we have been successful in achieving this goal: The electricity market on the European mainland where competition continued to gain in intensity was virtually unimpaired.

For more than 50 years, the UCTE has thus proven to be able to guarantee an effective market platform. Whether common technical standards, regular energy demand forecasts, data exchange formats intended to facilitate cross-border supplies, or studies about the development of synchronous operation: without the UCTE as central organization whose activities and services enable a market to be realized, the European electricity market would only be a dream. Yet the reality shows that this dream has come true. Due to the dynamic market evolution, the UCTE needs to make necessary adjustments to keep in line with developments.

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>>> During the year 2001, we have taken an important step in this direction by modifying our statutes and re-organizing our Working Groups. Our efforts focused on increasing the speed of response and the effectiveness of our steering committee, and intensifying the role of the UCTE as contact organization for decision-making bodies in energy policy. In future, we will increase our efforts towards constructive co-operation in proj-

the CENTREL countries Poland, Slovakia, Czech Republic and Hungary has shown that an approach based on adequate UCTE standards is likely to guarantee an organically safe extension of synchronous interconnection. The forthcoming preparations for synchronous interconnection with Romania, Bulgaria and the Western Ukraine will also be in line with this policy. Furthermore, the preparations for reconnecting the



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ects of the European Commission aiming at a rise in electricity exchanges throughout Europe, or in the technical implementation of cross-border pricing mechanisms.

We also appreciate that UCTE has been involved in the progress of the European Commission's and European energy regulators' »Florence Process«, especially on subjects like »Security and reliability« and »European infrastructure«.

In this context, and with regard to other issues, we must succeed in rousing non-experts' interest in UCTE topics and making them understand our reasoning. To this end, our expertise in technical and statistical terms serves as an excellent basis. The »power balance forecast«, for instance, certainly represents the best-founded analysis of the supply and demand development in the electricity market on the European mainland. Based on this forecast, the European decision-making bodies will have to decide on whether sufficient allocation signals are given in the common European electricity market to maintain electricity generation close to consumption centres. Otherwise, structural mistakes would lead to excessive strain on networks.

The market is also the determining criterion in the light of the envisaged extension of the interconnected power system. The experience gained from synchronous interconnection with

Balkan countries and Greece to the UCTE system will be a matter of priority to us in 2002.

Now more than ever, the criterion of secure and efficient interconnection will be the focus of interest, particularly in the light of the events in 2001. However, security and quality have a price. The impacts of September 11th have given evidence thereof, whether in the aircraft industry or in other sectors. However, this very environment also shows that it is worthwhile striving for security and efficiency. The avoided damage is out of all proportion to the expenditure required for complying with the common standards of interconnected operation, since nobody can estimate the cost of a large-scale blackout in Europe.

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