

Call for a Regional TSO in the EU Electricity Market

EURELECTRIC, which represents the common interests of the EU electricity industry, believes that a regional transmission system operator (TSO) is the best way to achieve market integration.

Independent behaviour by network operators is key to a properly-functioning market and unbundling requirements should be designed carefully to attain this objective. Unbundling should however not be looked at in isolation but needs to be considered together with other prerequisites necessary to successfully build larger electricity markets. In this respect, we believe that unbundling should be viewed from the standpoint of undertaking measures that are genuinely conducive to market integration. In our view, neither ownership unbundling nor an ISO model (if nationally based) as set out in the EU Commission's energy package, will deliver this objective. Thus, this issue needs to be addressed in the context of developing the regional market-dimension.

EURELECTRIC believes that a progressive and well-steered grouping of TSO activities is the best route to developing these regional markets. Driving seamless cooperation among TSOs is a key enabling factor to bring efficiency and economics of scale. EURELECTRIC recognises that TSOs have worked together and brought some improvement to the markets but we consider that this process of cooperation has not been able to deliver the level of change required for building efficient regional markets and

that a new departure is therefore required.

We therefore call for the establishment of a robust regional TSO-governance whereby TSOs in a given regional market will gradually bring together all activities affecting cross-border trade. EURELECTRIC is in the process of looking into the concrete steps and necessary arrangements to underpin this new approach to TSO-cooperation and we intend to provide more practical and detailed input in the next few months. Under discussion is a stepwise approach that, as a starting point, aims at joining together pre-real time activities, followed by real-time activities, with ultimately the bringing ►



together of relevant decision-making powers. This will require the development of appropriate institutions for inter-TSO cooperation leading to a regional system operator function. The features of individual regional markets and how these interact with this proposal also need to be considered further.

Forcing vertically integrated companies to divest their transmission assets would not of itself lead to the development of competition on a larger scale and would moreover reinforce the prevailing excessive national focus as identified by the Commission in its analysis. We are concerned that the excessive emphasis on "ownership unbundling" and its supposed impacts on current market shortcomings is shifting attention away from the core requirements for fostering market integration. At the very least, enforcing such asset separation across the EU27 would inevitably be a lengthy and complex process and would not address the key issue of market integration.

The Commission's report blames the lack of investment in cross-border transmission infrastructure on insufficient unbundling. In our view, this analysis is not correlated with facts showing that where ownership unbundling has been imposed, it has not resulted in more interconnectors

being built. The reasons for the current failure to develop interconnectors are manifold. They lie in the absence of proper incentives in the first place, combined with a lack of political will, inadequate coordination between regulators, cumbersome planning and environmental procedures and often strong public resistance. We hope that the further analysis, commissioned by the Commission on the impact of ownership unbundling of transmission assets in the eleven EU Member States where this has been introduced, will help clarify this point.

For all these reasons, EURELECTRIC favours a regional model whereby TSOs will gradually link up their activities so as to act seamlessly. The benefits of such a model over the ones set out in the Commission's proposal is that it will enable a mode of cooperation that will be a driving force for the development of regional markets while at the same time limiting the role of vertically-integrated companies to that of asset owners. ■

