



GEODE COMMENTS ON ERGEG PUBLIC CONSULTATION ON ELECTRICITY REGIONAL INITIATIVE (ERI) COHERENCE AND CONVERGENCE REPORT

GEODE as a European association representing the interest of **energy distribution companies** considers that the **European Single Market (ESM)** is the best way to facilitate better market conditions by making electricity and gas companies compete with each other at the EU level and, therefore, supports ERGEG's Electricity Regional Initiative (ERI) of market integration at regional level as an interim step to facilitate the completion of the single European electricity market.

Today the **ESM** does not exist and national markets remain closed with very limited exceptions – Nordic Countries, NL and UK -, facilitating dominant positions on the regional level. Therefore, **GEODE** thinks **EU priorities** should concentrate on creating the right conditions for the **ESM** especially with regard to cross-border issues.

A European single market is first of all a market where, at the level of transmission a transnational flow of energy on equal transparent terms is open to all players without borders. Bottlenecks have to be removed by new interconnection capacity and free access should be guaranteed by Regional System Operators (RSO). To facilitate this development, **GEODE** believes that ownership unbundling at the transmission level could be a good start as well as the third package provisions related to greater cooperation of European Transmission System Operators, but there is also a strong need for incentives to increase the interconnection capacity in many parts of Europe.

GEODE welcomes the progress showed at ERGEG'S report on harmonising regional markets arrangements. Nevertheless significant progress still needs to be made before the **ESM** can become a reality.

GEODE considers that the problem of managing the different European transmission systems should be solved by a regional system operator. In addition to that, correct mechanisms to manage the lack of capacities in the interconnectors have to be set up.

GEODE would like to express its concerns on the need that ERGEG ensures cross-regional coordination to avoid that the seven regional electricity markets progress at a different pace, with achievements varying from one initiative to the other. In that sense **GEODE** welcomes ERGEG proposal to encourage each REM to elaborate action plans that identify obstacles towards the implementation of the following congestion management methods as calculation of cross-border transmission capacity, a single



auction platform with harmonise rules, implicit auction model of the day-ahead, an intra-day mechanism and cross-border balancing.

At the same time, **GEODE** supports ERGEG proposed actions to be taken at regional level and overall convergence specially focussed on:

- **Capacity calculation methods:** need of coordination of different ways to calculate capacity across borders and regions.
- **Capacity allocation:** harmonisation of auction rules and compatibility of auction methods and platforms between regions is requested as well as the improvement of allocation rules.
- **Balancing:** further integration of balancing markets is needed.
- **Transparency:** **GEODE** agrees with ERGEG's Report that transparency is one of the most important features for the liberalisation process and a common approach is of high importance. Guidelines of good practice need to be implemented. A transparent market should provide all market participants with necessary data equally. A right level of information transparency will benefit transactions, contributing to create a single European energy market. In that sense, harmonisation of market information in neighbouring power markets is needed and market players in both sides of market borders should be provided with equal information with equal information.

Barcelona, 11th November 2008