

## 32003R1228

### Regulation (EC) No 1228/2003 of the European Parliament and of the Council of 26 June 2003 on conditions for access to the network for cross-border exchanges in electricity (Text with EEA relevance)

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Regulation (EC) No 1228/2003 of the European Parliament and of the Council of 26 June 2003 on conditions for access to the network for cross-border exchanges in electricity (Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 95 thereof,

Having regard to the proposal from the Commission(1),

Having regard to the Opinion of the European Economic and Social Committee(2),

Having consulted the Committee of the Regions,

Acting in accordance with the procedure laid down in Article 251 of the Treaty(3),

Whereas:

(1) Directive 96/92/EC of the European Parliament and of the Council of 19 December 1996 concerning common rules for the internal market in electricity(4) constituted an important step towards the completion of the internal market in electricity.

(2) At its meeting in Lisbon on 23 and 24 March 2000, the European Council called for rapid work to be undertaken to complete the internal market in both the electricity and gas sectors and to speed up liberalisation in these sectors with a view to achieving a fully operational internal market in these areas.

(3) The creation of a real internal electricity market should be promoted through an intensification of trade in electricity, which is currently underdeveloped compared with other sectors of the economy.

(4) Fair, cost-reflective, transparent and directly applicable rules, taking account of a comparison between efficient network operators from structurally comparable areas and supplementing the provisions of Directive 96/92/EC, should be introduced with regard to cross-border tariffication and the allocation of available interconnection capacities, in order to ensure effective access to transmission systems for the purpose of cross-border transactions.

(5) In its Conclusions, the Energy Council of 30 May 2000 invited the Commission, Member States and national regulatory authorities and administrations to ensure timely implementation of congestion management measures and, in liaison with the European Transmission System Operators (ETSO), rapid introduction of a robust tariffication system for the longer term which provides the appropriate cost allocation signals to market participants.

(6) The European Parliament, in its Resolution of 6 July 2000 on the Commission's second report on the state of liberalisation of energy markets, called for conditions for using networks in Member States that do not hamper cross-border trade in electricity and called on the Commission to submit specific proposals geared to overcoming all the existing barriers to intra-Community trade.

(7) It is important that third countries that form part of the European electricity system comply with the rules contained in this Regulation and the guidelines adopted under this Regulation in order to increase the effective functioning of the internal market.

(8) This Regulation should lay down basic principles with regard to tariffication and capacity allocation, whilst providing for the adoption of guidelines detailing further relevant principles and methodologies, in order to allow rapid adaptation to changed circumstances.

(9) In an open, competitive market, transmission system operators should be compensated for costs incurred as a result of hosting cross-border flows of electricity on their networks by the operators of the transmission systems from which cross-border flows originate and the systems where those flows end.

(10) Payments and receipts resulting from compensation between transmission system operators should be taken into account when setting national network tariffs.

(11) The actual amount payable for cross-border access to the system can vary considerably, depending on the transmission system operators involved and as a result of differences in the structure of the tariffication systems applied in Member States. A certain degree of harmonisation is therefore necessary in order to avoid distortions of trade.

(12) A proper system of long term locational signals would be necessary, based on the principle that the level of the network access charges should reflect the balance between generation and consumption of the region concerned, on the basis of a differentiation of the network access charges on producers and/or consumers.

(13) It would not be appropriate to apply distance-related tariffs, or, provided appropriate locational signals are in place, a specific tariff to be paid only by exporters or importers in addition to the general charge for access to the national network.

(14) The precondition for effective competition in the internal market is non-discriminatory and transparent charges for network use including interconnecting lines in the transmission system. The available capacities of these lines should be set at the maximum levels consistent with the safety standards of secure network operation.

(15) It is important to avoid distortion of competition resulting from different safety, operational and planning standards used by transmission system operators in Member States. Moreover, there should be transparency for market participants concerning available transfer capacities and the security, planning and operational standards that affect the available transfer capacities.

(16) There should be rules on the use of revenues flowing from congestion-management procedures, unless the specific nature of the interconnector concerned justifies an exemption from these rules.

(17) It should be possible to deal with congestion problems in various ways as long as the methods used provide correct economic signals to transmission system operators and market participants and are based on market mechanisms.

(18) To ensure the smooth functioning of the internal market, provision should be made for procedures which allow the adoption of decisions and guidelines with regard to amongst other things tariffication and capacity allocation by the Commission whilst ensuring the involvement of Member States' regulatory authorities in this process where appropriate through their European association. Regulatory authorities, together with other relevant authorities in the Member States, have an important role to play in contributing to the proper functioning of the internal electricity market.

(19) The Member States and the competent national authorities should be required to provide relevant information to the Commission. Such information should be treated confidentially by the Commission. Where necessary, the Commission should have an opportunity to request relevant information directly from undertakings concerned, provided that the competent national authorities are informed.

(20) National regulatory authorities should ensure compliance with the rules contained in this Regulation and the guidelines adopted on the basis of this Regulation.

(21) Member States should lay down rules on penalties applicable to infringements of the provisions of this Regulation and ensure that they are implemented. Those penalties must be effective, proportionate and dissuasive.

(22) Since the objective of the proposed action, namely the provision of a harmonised framework for cross-border exchanges of electricity, cannot be achieved by the Member States and can therefore, by reason of the scale and effect of the action, be better achieved at Community level, the Community may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve this objective.

(23) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission(5),

HAS ADOPTED THIS REGULATION:

#### Article 1

##### Subject-matter and scope

This Regulation aims at setting fair rules for cross-border exchanges in electricity, thus enhancing competition within the internal electricity market, taking into account the specificities of national and regional markets. This will involve the establishment of a compensation mechanism for cross border flows of electricity and the setting of harmonised principles on cross-border transmission charges and the allocation of available capacities of interconnections between national transmission systems.

#### Article 2

##### Definitions

1. For the purpose of this Regulation, the definitions contained in Article 2 of Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market

in electricity and repealing Directive 96/92/EC(6) shall apply with the exception of the definition of "interconnector" which shall be replaced by the following:

"interconnector" means a transmission line which crosses or spans a border between Member States and which connects the national transmission systems of the Member States;

2. The following definitions shall also apply:

(a) "regulatory authorities" means the regulatory authorities referred to in Article 23(1) of Directive 2003/54/EC;

(b) "cross-border flow" means a physical flow of electricity on a transmission network of a Member State that results from the impact of the activity of producers and/or consumers outside of that Member State on its transmission network. If transmission networks of two or more Member States form part, entirely or partly, of a single control block, for the purpose of the inter-transmission system operator (TSO) compensation mechanism referred to in Article 3 only, the control block as a whole shall be considered as forming part of the transmission network of one of the Member States concerned, in order to avoid flows within control blocks being considered as cross-border flows and giving rise to compensation payments under Article 3. The regulatory authorities of the Member States concerned may decide which of the Member States concerned shall be the one of which the control block as a whole shall be considered to form part of;

(c) "congestion" means a situation in which an interconnection linking national transmission networks, cannot accommodate all physical flows resulting from international trade requested by market participants, because of a lack of capacity of the interconnectors and/or the national transmission systems concerned;

(d) "declared export" of electricity means the dispatch of electricity in one Member State on the basis of an underlying contractual arrangement to the effect that the simultaneous corresponding take-up ("declared import") of electricity will take place in another Member State or a third country;

(e) "declared transit" of electricity means a circumstance where a "declared export" of electricity occurs and where the nominated path for the transaction involves a country in which neither the dispatch nor the simultaneous corresponding take-up of the electricity will take place;

(f) "declared import" of electricity means the take-up of electricity in a Member State or a third country simultaneously with the dispatch of electricity ("declared export") in another Member State;

(g) "new interconnector" means an interconnector not completed by the date of entry into force of this Regulation.

#### Article 3

##### Inter transmission system operator compensation mechanism

1. Transmission system operators shall receive compensation for costs incurred as a result of hosting cross-border flows of electricity on their networks.

2. The compensation referred to in paragraph 1 shall be paid by the operators of national transmission systems from which cross-border flows originate and the systems where those flows end.

3. Compensation payments shall be made on a regular basis with regard to a given period of time in the past. Ex-post adjustments of compensation paid shall be made where necessary to reflect costs actually incurred.

The first period of time for which compensation payments shall be made shall be determined in the guidelines referred to in Article 8.

4. Acting in accordance with the procedure referred to in Article 13(2), the Commission shall decide on the amounts of compensation payments payable.

5. The magnitude of cross-border flows hosted and the magnitude of cross-border flows designated as originating and/or ending in national transmission systems shall be determined on the basis of the physical flows of electricity actually measured in a given period of time.

6. The costs incurred as a result of hosting cross-border flows shall be established on the basis of the forward looking long-run average incremental costs, taking into account losses, investment in new infrastructure, and an appropriate proportion of the cost of existing infrastructure, as far as infrastructure is used for the transmission of cross-border flows, in particular taking into account the need to guarantee security of supply. When establishing the costs incurred, recognised standard-costing methodologies shall be used. Benefits that a network incurs as a result of hosting cross-border flows shall be taken into account to reduce the compensation received.

#### Article 4

##### Charges for access to networks

1. Charges applied by network-operators for access to networks shall be transparent, take into account the need for network security and reflect actual costs incurred insofar as they correspond to those of an efficient and structurally comparable network operator and applied in a non discriminatory manner. Those charges shall not be distance-related.

2. Producers and consumers ("load") may be charged for access to networks. The proportion of the total amount of the network charges borne by producers shall, subject to the need to provide appropriate and efficient locational signals, be lower than the proportion borne by consumers. Where appropriate, the level of the tariffs applied to producers and/or consumers shall provide locational signals at European level, and take into account the amount of network losses and congestion caused, and investment costs for infrastructure. This shall not prevent Member States from providing locational signals within their territory or from applying mechanisms to ensure that network access charges borne by consumers ("load") are uniform throughout their territory.

3. When setting the charges for network access the following shall be taken into account:

- payments and receipts resulting from the inter-transmission system operator compensation mechanism;
- actual payments made and received as well as payments expected for future periods of time, estimated on the basis of past periods.

4. Providing that appropriate and efficient locational signals are in place, in accordance with paragraph 2, charges for access to networks applied to producers and consumers shall be applied regardless of the countries of destination and, origin, respectively, of the electricity, as specified in the underlying commercial arrangement. This shall be without prejudice to charges on declared exports and declared imports resulting from congestion management referred to in Article 6.

5. There shall be no specific network charge on individual transactions for declared transits of electricity.

#### Article 5

##### Provision of information on interconnection capacities

1. Transmission system operators shall put in place coordination and information exchange mechanisms to ensure the security of the networks in the context of congestion management.

2. The safety, operational and planning standards used by transmission system operators shall be made public. The information published shall include a general scheme for the calculation of the total transfer capacity and the transmission reliability margin based upon the electrical and physical features of the network. Such schemes shall be subject to the approval of the regulatory authorities.

3. Transmission system operators shall publish estimates of available transfer capacity for each day, indicating any available transfer capacity already reserved. These publications shall be made at specified intervals before the day of transport and shall include, in any case, week-ahead and month-ahead estimates, as well as a quantitative indication of the expected reliability of the available capacity.

#### Article 6

##### General principles of congestion management

1. Network congestion problems shall be addressed with non-discriminatory market based solutions which give efficient economic signals to the market participants and transmission system operators involved. Network congestion problems shall preferentially be solved with non transaction based methods, i.e. methods that do not involve a selection between the contracts of individual market participants.

2. Transaction curtailment procedures shall only be used in emergency situations where the transmission system operator must act in an expeditious manner and redispatching or countertrading is not possible. Any such procedure shall be applied in a non-discriminatory manner.

Except in cases of "force-majeure", market participants who have been allocated capacity shall be compensated for any curtailment.

3. The maximum capacity of the interconnections and/or the transmission networks affecting cross-border flows shall be made available to market participants, complying with safety standards of secure network operation.

4. Market participants shall inform the transmission system operators concerned a reasonable time ahead of the relevant operational period whether they intend to use allocated capacity. Any allocated capacity that will not be used shall be reattributed to the market, in an open, transparent and non-discriminatory manner.

5. Transmission system operators shall, as far as technically possible, net the capacity requirements of any power flows in opposite direction over the congested interconnection line in order to use this line to its maximum capacity. Having full regard to network security, transactions that relieve the congestion shall never be denied.

6. Any revenues resulting from the allocation of interconnection shall be used for one or more of the following purposes:

- (a) guaranteeing the actual availability of the allocated capacity;
- (b) network investments maintaining or increasing interconnection capacities;
- (c) as an income to be taken into account by regulatory authorities when approving the methodology for calculating network tariffs, and/or in assessing whether tariffs should be modified.

#### Article 7

## New interconnectors

1. New direct current interconnectors may, upon request, be exempted from the provisions of Article 6(6) of this Regulation and Articles 20 and 23(2), (3) and (4) of Directive 2003/54/EC under the following conditions:

- (a) the investment must enhance competition in electricity supply;
- (b) the level of risk attached to the investment is such that the investment would not take place unless an exemption is granted;
- (c) the interconnector must be owned by a natural or legal person which is separate at least in terms of its legal form from the system operators in whose systems that interconnector will be built;
- (d) charges are levied on users of that interconnector;
- (e) since the partial market opening referred to in Article 19 of Directive 96/92/EC, no part of the capital or operating costs of the interconnector has been recovered from any component of charges made for the use of transmission or distribution systems linked by the interconnector;
- (f) the exemption is not to the detriment of competition or the effective functioning of the internal electricity market, or the efficient functioning of the regulated system to which the interconnector is linked.

2. Paragraph 1 shall apply also, in exceptional cases, to alternating current interconnectors provided that the costs and risks of the investment in question are particularly high when compared with the costs and risks normally incurred when connecting two neighbouring national transmission systems by an alternating current interconnector.

3. Paragraph 1 shall apply also to significant increases of capacity in existing interconnectors.

4. (a) The regulatory authority may, on a case by case basis, decide on the exemption referred to in paragraphs 1 and 2. However, Member States may provide that the regulatory authorities shall submit, for formal decision, to the relevant body in the Member State its opinion on the request for an exemption. This opinion shall be published together with the decision.

(b) (i) The exemption may cover all or part of the capacity of the new interconnector, or of the existing interconnector with significantly increased capacity.

(ii) In deciding to grant an exemption, consideration shall be given, on a case by case basis, to the need to impose conditions regarding the duration of the exemption and non discriminatory access to the interconnector.

(iii) When deciding on the conditions in (i) and (ii) account shall, in particular, be taken of the additional capacity to be built, the expected time horizon of the project and national circumstances.

(c) When granting an exemption the relevant authority may approve or fix the rules and/or mechanisms on the management and allocation of capacity.

(d) The exemption decision, including any conditions referred to in (b), shall be duly reasoned and published.

(e) Any exemption decision shall be taken after consultation with other Member States or regulatory authorities concerned.

5. The exemption decision shall be notified, without delay, by the competent authority to the Commission, together with all the information relevant to the decision. This information may be submitted to the Commission in aggregate form, enabling the Commission to reach a well-founded decision.

In particular, the information shall contain:

- the detailed reasons on the basis of which the regulatory authority, or Member State, granted the exemption, including the financial information justifying the need for the exemption;
- the analysis undertaken of the effect on competition and the effective functioning of the internal electricity market resulting from the grant of the exemption;
- the reasons for the time period and the share of the total capacity of the interconnector in question for which the exemption is granted;
- the result of the consultation with the Member States or regulatory authorities concerned;

Within two months after receiving a notification, the Commission may request that the regulatory authority or the Member State concerned amend or withdraw the decision to grant an exemption. The two months period may be extended by one additional month where additional information is sought by the Commission.

If the regulatory authority or Member State concerned does not comply with the request within a period of four weeks, a final decision shall be taken in accordance with the procedure referred to in Article 13(3).

The Commission shall preserve the confidentiality of commercially sensitive information.

## Article 8

### Guidelines

1. Where appropriate, the Commission shall, acting in accordance with the procedure referred to in Article 13(2), adopt and amend guidelines on the issues listed under paragraph 2 and 3 and relating to the inter-transmission system operator compensation mechanism, in accordance with the principles set out in Articles 3 and 4. When adopting these guidelines for the first time the Commission shall ensure that they cover in a single draft measure at least the issues referred to in paragraph 2(a) and (d), and paragraph 3.

2. The guidelines shall specify:

- (a) details of the procedure for determining which transmission system operators are liable to pay compensation for cross-border flows including as regards the split between the operators of national transmission systems from which cross-border flows originate and the systems where those flows end, in accordance with Article 3(2);
- (b) details of the payment procedure to be followed, including the determination of the first period of time for which compensation is to be paid, in accordance with the second subparagraph of Article 3(3);
- (c) details of methodologies for determining the cross-border flows hosted for which compensation is to be paid under Article 3, in terms of both quantity and type of flows, and the designation of the magnitudes of such flows as originating and/or ending in transmission systems of individual Member States, in accordance with Article 3(5);
- (d) details of the methodology for determining the costs and benefits incurred as a result of hosting cross-border flows, in accordance with Article 3(6);
- (e) details of the treatment in the context of the inter-TSO compensation mechanism of electricity flows originating or ending in countries outside the European Economic Area;
- (f) the participation of national systems which are interconnected through direct current lines, in accordance with Article 3.

3. The guidelines shall also determine appropriate rules leading to a progressive harmonisation of the underlying principles for the setting of charges applied to producers and consumers (load) under national tariff systems, including the reflection of the inter-TSO compensation mechanism in national network charges and the provision of appropriate and efficient locational signals, in accordance with the principles set out in Article 4.

The guidelines shall make provision for appropriate and efficient harmonised locational signals at European level.

Any harmonisation in this respect shall not prevent Member States from applying mechanisms to ensure that network access charges borne by consumers (load) are comparable throughout their territory.

4. Where appropriate, the Commission shall, acting in accordance with the procedure referred to in Article 13(2), amend the guidelines on the management and allocation of available transfer capacity of interconnections between national systems set out in the Annex, in accordance with the principles set out in Articles 5 and 6, in particular so as to include detailed guidelines on all capacity allocation methodologies applied in practice and to ensure that congestion management mechanisms evolve in a manner compatible with the objectives of the internal market. Where appropriate, in the course of such amendments common rules on minimum safety and operational standards for the use and operation of the network, as referred to in Article 5(2) shall be set.

When adopting or amending guidelines, the Commission shall ensure that they provide the minimum degree of harmonisation required to achieve the aims of this Regulation and do not go beyond what is necessary for that purpose.

When adopting or amending guidelines, the Commission shall indicate what actions it has taken with respect to the conformity of rules in third countries, which form part of the European electricity system, with the guidelines in question.

#### Article 9

##### Regulatory authorities

The regulatory authorities, when carrying out their responsibilities, shall ensure compliance with this Regulation and the guidelines adopted pursuant to Article 8. Where appropriate to fulfil the aims of this Regulation they shall cooperate with each other and with the Commission.

#### Article 10

##### Provision of information and confidentiality

1. Member States and the regulatory authorities shall, on request, provide to the Commission all information necessary for the purposes of Articles 3(4) and 8.

In particular, for the purposes of Article 3(4) and 3(6), regulatory authorities shall provide on a regular basis information on costs actually incurred by national transmission system operators, as well as data and all relevant information relating to the physical flows in transmission system operators' networks and the cost of the network.

The Commission shall fix a reasonable time limit within which the information is to be provided, taking into account the complexity of the information required and the urgency with which the information is

needed.

2. If the Member State or the regulatory authority concerned does not provide this information within the given time-limit pursuant to paragraph 1, the Commission may request all information necessary for the purpose of Article 3(4) and 8 directly from the undertakings concerned.

When sending a request for information to an undertaking, the Commission shall at the same time forward a copy of the request to the regulatory authorities of the Member State in whose territory the seat of the undertaking is situated.

3. In its request for information, the Commission shall state the legal basis of the request, the time limit within which the information is to be provided, the purpose of the request, and also the penalties provided for in Article 12(2) for supplying incorrect, incomplete or misleading information. The Commission shall fix a reasonable time limit taking into account the complexity of the information required and the urgency with which the information is needed.

4. The owners of the undertakings or their representatives and, in the case of legal persons, the persons authorised to represent them by law or by their instrument of incorporation, shall supply the information requested. Lawyers duly authorised to act may supply the information on behalf of their clients, in which case the client shall remain fully responsible if the information supplied is incomplete, incorrect or misleading.

5. Where an undertaking does not provide the information requested within the time-limit fixed by the Commission or supplies incomplete information, the Commission may by decision require the information to be provided. The decision shall specify what information is required and fix an appropriate time-limit within which it is to be supplied. It shall indicate the penalties provided for in Article 12(2). It shall also indicate the right to have the decision reviewed by the Court of Justice of the European Communities.

The Commission shall at the same time send a copy of its decision to the regulatory authorities of the Member State within the territory of which the residence of the person or the seat of the undertaking is situated.

6. Information collected pursuant to this Regulation shall be used only for the purposes of Articles 3(4) and 8.

The Commission shall not disclose information acquired pursuant to this Regulation of the kind covered by the obligation of professional secrecy.

#### Article 11

Right of Member States to provide for more detailed measures

This Regulation shall be without prejudice to the rights of Member States to maintain or introduce measures that contain more detailed provisions than those set out in this Regulation and the guidelines referred to in Article 8.

#### Article 12

Penalties

1. Without prejudice to paragraph 2, the Member States shall lay down the rules on penalties applicable to infringements of the provisions of this Regulation and shall take all measures necessary to ensure that they are implemented. The penalties provided for must be effective, proportionate and dissuasive. The Member States shall notify those provisions to the Commission by 1 July 2004 at the latest and shall notify it without delay of any subsequent amendment affecting them.

2. The Commission may by decision impose on undertakings fines not exceeding 1 % of the total turnover in the preceding business year where, intentionally or negligently, they supply incorrect, incomplete or misleading information in response to a request made pursuant to Article 10(3) or fail to supply information within the time-limit fixed by a decision adopted pursuant to the first subparagraph of Article 10(5).

In setting the amount of a fine, regard shall be had to the gravity of the failure to comply with the requirements of the first subparagraph.

3. Penalties provided for pursuant to paragraph 1 and decisions taken pursuant to paragraph 2 shall not be of a criminal law nature.

#### Article 13

Committee

1. The Commission shall be assisted by a Committee.

2. Where reference is made to this paragraph, Articles 5 and 7 of Decision 1999/468/EC shall apply, having regard to the provisions of Article 8 thereof.

The period laid down in Article 5(6) of Decision 1999/468/EC shall be set at three months.

3. Where reference is made to this paragraph, Articles 3 and 7 of Decision 1999/468/EC shall apply, having regard to the provisions of Article 8 thereof.

4. The Committee shall adopt its own rules of procedures.

## Article 14

## Commission Report

The Commission shall monitor the implementation of this Regulation. It shall submit to the European Parliament and the Council no more than three years after the entry into force of this Regulation a report on the experience gained in its application. In particular the report shall examine to what extent the Regulation has been successful in ensuring non-discriminatory and cost-reflective network access conditions for cross border exchanges of electricity in order to contribute to customer choice in a well functioning internal market and to long-term security of supply, as well as to what extent effective locational signals are in place. If necessary, the report shall be accompanied by appropriate proposals and/or recommendations.

## Article 15

## Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

It shall apply from 1 July 2004.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 26 June 2003.

For the European Parliament

The President

P. Cox

For the Council

The President

A. Tsochatzopoulos

(1) OJ C 240 E, 28.8.2001, p. 72, and OJ C 227 E, 24.9.2002, p. 440.

(2) OJ C 36, 8.2.2002, p. 10.

(3) Opinion of the European Parliament of 13 March 2002 (OJ C 47 E, 27.2.2003, p. 379), Council Common position of 3 February 2003 (OJ C 50 E, 4.3.2003, p. 1) and Decision of the European Parliament of 4 June 2003 (not yet published in the Official Journal).

(4) OJ L 27, 30.1.1997, p. 20.

(5) OJ L 184, 17.7.1999, p. 23.

(6) See p. 37 of this Official Journal.

## ANNEX

Guidelines on the management and allocation of available transfer capacity of interconnections between national systems

## General

1. Congestion management method(s) implemented by Member States shall deal with short-run congestion in a market-based, economically efficient manner whilst simultaneously providing signals or incentives for efficient network and generation investment in the right locations.
2. The TSOs, or, where appropriate, Member States, shall provide non-discriminatory and transparent standards, which describe which congestion management methods they will apply under which circumstances. These standards, together with the security standards, shall be described in publicly available documents.
3. Different treatment of the different types of cross-border transactions, whether they are physical bilateral contracts or bids into foreign organised markets, shall be kept to a minimum when designing the rules of specific methods for congestion management. The method for allocating scarce transmission capacity must be transparent. Any differences in how transactions are treated must be shown not to distort or hinder the development of competition.
4. Price signals that result from congestion management systems shall be directional.
5. TSOs shall offer to the market transmission capacity that is as "firm" as possible. A reasonable fraction of the capacity may be offered to the market under the condition of decreased firmness, but at all times the exact conditions for transport over cross border lines shall be made known to market participants.
6. Considering the fact that the European continental network is a highly meshed network and that the use of interconnection lines has an effect on the power flows on at least two sides of a national border, national Regulators shall ensure that no congestion management procedure with significant effects on power flows in other networks, is devised unilaterally.

Position of long-term contracts



1. Priority access rights to an interconnection capacity shall not be assigned to those contracts which breach Articles 81 and 82 of the EC Treaty.

2. Existing long-term contracts shall have no pre-emption rights when they come up for renewal.

#### Provision of information

1. TSOs shall implement appropriate coordination and information-exchange mechanisms to guarantee security of the network.

2. TSOs shall publish all relevant data concerning the cross-border total transfer capacities. In addition to the winter and summer ATC values, estimates of transfer capacity for each day shall be published by the TSOs at several time intervals before the day of transport. At least accurate week-ahead estimates shall be made available to the market and the TSOs should also endeavour to provide month-ahead information. A description of the firmness of the data shall be included.

3. The TSOs shall publish a general scheme for calculation of the total transfer capacity and the transmission reliability margin based upon the electrical and physical realities of the network. Such a scheme shall be subject to approval by the regulators of the Member States concerned. The safety standards and the operational and planning standards shall form an integral part of the information that TSOs shall publish in publicly available documents.

#### Principles governing methods for congestion management

1. Network congestion problems shall preferentially be solved with non-transaction based methods, i.e. methods that do not involve a selection between the contracts of individual market participants.

2. Cross-border coordinated redispatching or counter trading may be used jointly by the TSOs concerned. The costs that TSOs incur in counter-trading and redispatching must, however, be at an efficient level.

3. The possible merits of a combination of market splitting, or other market based mechanisms, for solving "permanent" congestion and counter-trading for solving temporary congestion shall be immediately explored as a more enduring approach to congestion management.

#### Guidelines for explicit auctions

1. The auction system must be designed in such a way that all available capacity is being offered to the market. This may be done by organising a composite auction in which capacities are auctioned for differing durations and with different characteristics (e.g. with respect to the expected reliability of the available capacity in question).

2. Total interconnection capacity shall be offered in a series of auctions, which, for instance, might be held on a yearly, monthly, weekly, daily or intra-daily basis, according to the needs of the markets involved. Each of these auctions shall allocate a prescribed fraction of the available transfer capacity plus any remaining capacity that was not allocated in previous auctions.

3. The explicit auction procedures shall be prepared in close collaboration between the national regulatory authority and the TSO concerned and designed in such a way as to allow bidders to participate also in the daily sessions of any organised market (i.e. power exchange) in the countries involved.

4. The power flows in both directions over congested tie lines shall in principle be netted in order to maximise the transport capacity in the direction of the congestion. However, the procedure for netting of flows shall comply with safe operation of the power system.

5. In order to offer as much capacity to the market as possible, the financial risks related to the netting of flows, shall be attributed to those parties causing those risks to materialise.

6. Any auction procedure adopted shall be capable of sending directional price signals to market participants. Transport in a direction against the dominant power flow relieves the congestion thus resulting in additional transport capacity over the congested tie line.

7. In order not to risk creating or aggravating problems related to any dominant position of market participant(s), capping of the amount of capacity that can be bought/possessed/used by any single market participant in an auction shall be seriously considered by the competent regulatory authorities in the design of any auction mechanisms.

8. To promote the creation of liquid electricity markets, capacity bought at an auction shall be freely tradeable until the TSO is notified that the capacity bought will be used.