

# Status of the ITC mechanism in Europe

---

Baltic Electricity Market Minifora

Legal Adviser Antti Kivipuro  
Energy Market Authority

# Background



- The Regulation (EC) 1228/2003 on conditions for access to the network for cross-border exchanges in electricity came into force 1.7.2004
- **It aims** at setting non-discriminatory rules for cross-border electricity trade
- **It covers** ITC mechanism, tariffication, congestion management (including initial provisions for transparency rules) and new interconnections (merchant lines)
- **It warrants** the Commission to adopt and amend guidelines on congestion management, inter-TSO compensation and transmission tariffication

# Present Status (1/2)



- No binding guidelines yet
- A temporary voluntary system has been applied since 2002
- In October 2006 ERGEG decided not to submit advice to the Commission on the ITC method at that time
- The latest voluntary agreement signed in May 2007 among ETSO members
  - Finland and Estonia signed the agreement, Latvia and Lithuania not.
  - A fixed fee towards non-participating countries

## Present Status (2/2)



- Following ERGEG letter in October 2006 the Commission has declared that it has taken over the responsibility
- ETSO has been working on the issue to find an acceptable solution
- The missing ITC guidelines also hamper the adoption of transmission tariffication guidelines

IMPORTANT FOR THE DEVELOPMENT OF THE INTERNAL MARKET TO HAVE THE BINDING ITC GUIDELINES AS SOON AS POSSIBLE

# Temporary ITC systems and the requirements from the Regulation\*



- ✓ Costs incurred as a result of hosting cross-border flows
- ✓ Cross-border flows determined on the basis of physical flows
- ✓ Compensation paid by TSOs from which cross-border flows originate and end
- ☹ Take into account benefits of hosting cross-border flows
- ☹ Established on the basis of LRAIC taking into account losses and new & existing infrastructure
- ☹ Use recognised standard costing methodologies
- ☹ No specific network charge on individual transactions for declared transits of electricity

\*Source: Compliance with Electricity Regulation  
1228/2003 – An ERGEG Monitoring Report, 18.7.2007

# Thank you

---