



Implementation of ITC mechanism on European level

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Baltic Electricity Market Minifora,
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- **Status transit**
- **ETSO's proposal**
- **TSOs' fees on Estlink**



Transit has a legal basis

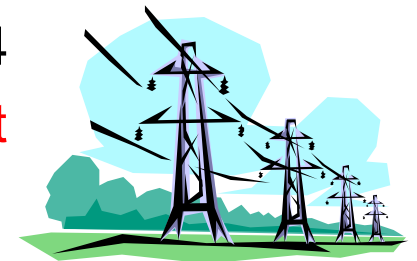
Targeting an efficient European electricity market (EU Regulation from 2003)

- no cross border tariffs for traders
- hosting transit creates costs => transit compensation is necessary



Voluntary ETSO ITC agreements

- cross border tariffs for traders were abolished 2004
- current agreement: **Estonia in; Latvia, Lithuania out**



Cross border tariffs should not be re-established

- EU ITC Guidelines would be welcome

What to compensate?

How to compensate?

What should to be compensated by a transit compensation?

- losses + infrastructure costs
- losses
- losses + investment fund based on congestion income

Several models being analysed during the last years by Regulators, consultants, TSOs...

- CBT, WWT, AP, MP, IMICA etc
- 'technically correct' model vs. pragmatic view
- no consensus about model



ETSO's way forward



Current methods not suitable for immediate guidelines:

- no 'perfect' technical and economical solution available, due to problem complexity and unclear regulation
- impossible to apply any method changing significantly net results for countries

Restart of basic work with a maximum duration of 2 years

In the meantime, voluntary agreement for 2 years with ALL members



ETSO's proposal for the ITC Mechanism 2008-2009

**Voluntary agreement
35 signatories**



New ITC "model"



Basis for ETSO ITC 2008-2009

- cost and compensation estimated on the basis of the previous agreements and the calculations presented to the ETSO SC in recent months
- especially interim solution June-December 2007
- cost incurred by hosting cross border flows

Parties' net results are fixed excluding minor adjustments

- WWT*) losses (deviation from year 2005)
- perimeter flows (deviation from year 2005)



*) WWT = with and without transit

Treatment of Perimeter countries



Perimeter flows create similar costs as flows between ITC-parties

- perimeter payments are needed
- ETSO perimeter payments are compatible with the payments between ITC-parties
- perimeter fee is 1.4 €/MWh on hourly netted scheduled flow per border
- by paying the perimeter fee the perimeter traders get access to the whole ETSO ITC area as any other trader

TSOs in edge countries are responsible for collecting the fee from the perimeter importers/exporters

Great challenge for edge countries to collect perimeter contribution without a clear mandate from EU ITC guidelines



Baltic countries

- Due to weak connection between the Baltic grid and the rest of EU grid, the Baltic TSOs will participate as one single ITC party
- They will collectively pay a contribution of 2,2 M€
- This yearly contribution will be independent of changes in flow to and from the Baltic countries



Further process

ITC parties should sign a new agreement for 2008 and 2009,
12. October

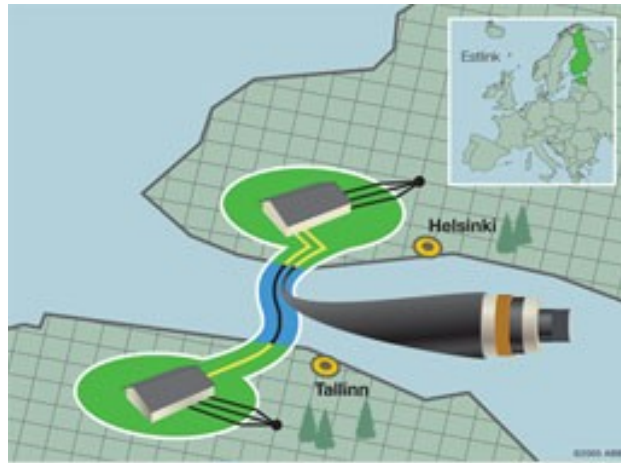
The signature will be subject to regulatory approval by National
Regulatory Authorities where applicable

- final date for informing about the regulatory approval 15.
November
- if **any single** party does not get regulatory approval, the contract
will not enter into force

Agreement to be applied
from 1. January 2008



ITC - TSOs' fees on Estlink



Estlink

Nordic Energy Link AS

- merchant line
(EU Regulation 2003)
- permission to charge a fee from traders
- not a party in ITC-agreement
- pays normal fees for TSOs



When Estlink will be a part of TSO infrastructure, there will be no fees

TSOs' fees on Estlink

Assumption: Proposed ETSO ITC Agreement will be approved

Fees €/MWh (from Finland to Estonia / from Estonia to Finland)	1.1.2007	1.6.2007	1.1.2008	1.1.20xx (infra)
Fingrid fees				
Use of grid	0.3 / 0.63	0.3 / 0.63	0.3 / 0.66	-
Connection point (€/month)	1000	1000	1000	-
Market border	0,0 / 1,0	-	-	-
<i>Peak power (duty based on the Finnish Act)</i>	<i>0.0 / 0.4</i>	<i>0.0 / 0.4</i>	<i>0.0 / ≈0.4</i>	-
ETSO perimeter	0.0 / 1.0	-	-	-
Põhivõrk	0.0 / ≈1.4	0.0 / ≈1.4	0.0 / ≈1.4	-

Summary

Targeting an efficient European electricity market

- no cross border tariffs for trades
- transit compensation is needed
- cross border tariffs should not be re-established



=> ETSO: ITC agreement 2008-2009



EU ITC guidelines would be welcome



Thank you for your attention

Keeping the lights on

