



Work Programme 2004

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1 Single Energy Market Working Group

Issues to be addressed:

- A. Facilitating integration of regional markets towards the single European market
- B. Design and implementation of wholesale energy markets
- C. Definition of criteria for assessing market dominance, predatory and anti competitive behaviour
- D. Harmonisation of criteria for monitoring and assessing security of supply (SoS)
- E. Comparison of compliance criteria used to ensure proper unbundling of electricity transmission and distribution operators

Background

The focus of the Single Energy Market working group will be on “strategic” issues. Its main purpose is to define a roadmap leading from regional markets to a single market. This will be achieved this by looking at the design and implementation of wholesale markets, the development of regional markets, and the key factors which affect interactions between regional markets.

Further background and information is contained within the TOR for each taskforce.

Organisation

Because of the strategic nature of the topics, membership to the WG should be at a high level (preferably regulators themselves).The above issues fall into three areas and the taskforces are organized reflecting three themes, although it appears that competition and unbundling issues are more closely related than security of supply:

- **Single Market Taskforce:** facilitating integration of regional markets towards the single European market and design and implementation of wholesale energy

markets. It is for the WG to organise the work into electricity and gas. It will be important to ensure that similarities and differences in each area are noted and reflected in the approaches adopted;

- **Competition and Unbundling Taskforce:** competition and unbundling are closely related issues, in particular in relation to levels of vertical integration, and central to both is the issue of monitoring. Competition issues include defining criteria for assessing market dominance, predatory and anti-competitive behaviour and description of criteria for monitoring, but also assessing the ways in which market dominance can distort the functioning of markets and competition. Understanding the way in which effective unbundling and market structures can be most beneficial to competition and market functioning will help inform regulators. On unbundling, the taskforce should consider comparison of compliance criteria used to ensure proper unbundling of electricity and distribution operators;
- **Security of Supply Taskforce:** assessing and monitoring security of supply (SoS) issues of common interest to CEER members.

Where the output of a taskforce is likely to be a detailed report or paper, it is suggested that the drafting of a paper is led by one or two volunteers per taskforce, who will organise the drafting of the papers by themselves, and initiate separate meetings of the taskforce members as is necessary in developing their paper. The WG will draw on inputs from other WGs or TF as appropriate.

Timetable/ Programme of work

It is anticipated that the overall group should meet 4 times over the next six months to discuss the progress on draft papers, with a final report anticipated in each area within that time.

Resources/ use of consultants

The group may need to appoint consultants on specific topics or areas of research. This work will need to be clearly defined. Where relevant issues are identified, clear terms of reference will need to be drafted and forwarded to the General Assembly for approval. The process for the selection of the consultants and the permitted resources available to cover consultancy expenditure is of course subject to General Assembly approval.

SINGLE MARKET TASKFORCE: ELECTRICITY

CEER priority issues:

- Facilitating integration of regional markets towards the single European market
- Design and implementation of wholesale energy markets

Approach

It is suggested that the single electricity market design adopts a parallel approach to address issues A & B below. Both these strands are highly interdependent, with part A looking at regional market integration and wholesale market design factors, and part B looking at the interactions between those regions.

A. Regional market development

In this area work will be undertaken to look at the problems which must be addressed if a fully coherent and potentially competitive market is to be formed, in particular the key factors of wholesale market design. Such regional markets may reflect a merger of one or more national markets. But this work should assess the different models that might develop in the EU and establish measures to assess the extent to which efficient and competitive markets can emerge in each region.

The report should cover these issues in the following order:

- Key factors which determine the definition of a “market” or Region – what have been and will be the key drivers for regions to emerge?
- Wholesale market factors - key elements in the interaction between wholesale and transmission market design;
- Developing measures of an efficient and competitive market and identifying criteria and possible barriers to greater intra-regional development;

- Stylised description and grouping of current regional arrangements across European markets, i.e. organisation of congestion management/ capacity allocation/ transmission rights; transmission prices and locational signals; balancing markets; and inter-TSO compensation;
- Description of ongoing projects (e.g. BETTA, MIBEL); and
- Mapping onto these markets the proposed organisation of market(s) under the Directives and Regulation (for example assuming that effective unbundling of markets has occurred and a full inter-TSO model has emerged).

B. Interactions between regions

There are already a number of regional markets established in Europe although most remain national markets.

In parallel with the analysis of some of the stylised descriptions of regions currently in place or different market organisations that might initially emerge, case studies could be developed to study the possible impact and processes for conducting inter-regional trades. Such case studies could potentially allow for different scenarios. But the aim of these examples would be to model on a very practical basis the “real-world” interactions that may emerge between regions. Each case study would look at:

- The main interactions between markets which result in market distortions, for example incompatible balancing market regimes, and non-aligned transmission access rights and charging mechanisms;
- Initially, this analysis might take the form of a matrix of market design factors and this interaction for trades across regions;
- An impact assessment in each area of the extent to which the interaction has the potential to distort the relevant markets;
- An analysis of the interactions between TSOs;
- An assessment of the relative priority that should be given to addressing each interaction in order to minimise the resulting distortion; and

- Recommendations for further technical work on priority areas and firmer identification of possible regions.

Deliverables and Outputs

Point	Description of Action	Basis	Next Step	Output
	<i>Single Market - Electricity</i>			
AP-0	<p>Definition of a regional market</p> <p>-Description of currently existing regional markets and their characteristics</p> <p>Wholesale</p> <p>Retail</p> <p>Balancing/regulation</p> <p>Comparison of regional market characteristics</p>	Strategy Paper EU	<p>Analysis on the factors which determine market regions (eg political borders, TSO boundaries, congestion).</p> <p>Questionnaire on the concrete meaning of a REM</p>	CEER "Vision"-Paper
AP-1	<p>Impediments to the realization of regional markets in Europe: Position paper on strategic focus re. harmonisation of electricity market arrangements in the IEM; measures which might be used to overcome impediments.</p> <p>Looking at comparative measures for assuring Security of Supply in different countries</p>		Case study on the Scandinavian market	<p>CEER paper</p> <p>Possible further technical work to be undertaken by Electricity WG</p>
AP-2	<p>Based on the WGE report, analyse regionalization of the balancing markets and possible requirements for a related regulation until 2007 and after (milestone full opening)</p> <p>Overview Report</p> <p>Detailed Report</p>		Report on existing experience	CEER internal paper

AP-3*	Position paper on synergies and strategic dependencies electricity and gas balancing issues (common with gas)		Questionnaire on experience	CEER paper
AP-4	<p>Paper identifying the key interactions between regional markets, where interactions might inhibit trade, and which interactions should have priority action. Proposals on measures that could be used to address priority areas</p> <p>Initial report</p> <p>Detailed report on all important issues</p>		Report drawing on analysis based on idealised market model, and input of real world experience from market participants – including energy traders	<p>CEER Paper for Rome</p> <p>CEER Policy paper for discussion with the European Commission</p> <p>Further technical work for Electricity WG</p>

SINGLE MARKET TASKFORCE: GAS

CEER priority issues:

- Facilitating integration of regional markets towards the single European market; and
- Design and implementation of wholesale energy markets.

Background

The CEER GWG has highlighted the importance of entry-exit tariffs and hubs and has provided a medium-term vision based around this model. Further work may be needed to bring together within this vision all of the strategic elements, as well as a fuller explanation as to how the market would operate in practice, focussing in particular on the interactions between regions. What is needed is a proper understanding of what is required to achieve an effectively functioning Single Market based around regional markets.

The CEER had already initiated some work on monitoring markets under the Gas Security of Supply WG. This was aimed at identifying “practical barriers to cross-border trade” with a view to possibly developing indicators to assess whether the market is effectively functioning. It was noted that this work could also inform single market issues.

Approach

It is suggested that the work on gas adopts the approach already discussed for electricity, namely looking at regional markets and interactions between them.

The bullets below highlight additional issues/approaches:

- The taskforce will identify and group together a set of stylised descriptions of market arrangements based around the market-model already developed by the CEER GWG. Analysis of market organisation should also consider possible changes under the proposed gas Regulation. It is important that this exercise appreciates the differences that may continue to exist between markets as well as the changes. The CEER GWG has already identified, for example, that different approaches exist in the application of entry-exit tariffs and hubs;

- The CEER GWG has also already identified the issue of transits of gas as important – unlike electricity there is a potentially far greater treatment in the regulation of transits in some Member States. The SEM taskforce should consider in a robust manner the interaction of transit and transportation – in particular the different approaches in Member States to this issue, possible justified/unjustified differential treatment of transit from transportation; the possible problems of transit pipelines for small countries; and issues concerning long-term contracts and access to transit pipelines.
- Again similar to electricity, having established stylised descriptions of regions or different market organisations that might initially emerge; the taskforce should consider the main interactions between markets which result in market distortions (more detailed under part B on electricity above).

Outputs and deliverables

Point	Description of Action	Basis	Next Step	Output
	<i>Single Market – Gas</i>			
AP-5	<p>Definition of a regional market</p> <p>Description of the characteristics of existing regional markets</p>	Strategy Paper EU	<p>Questionnaire on the concrete meaning of a REM</p> <p>See electricity</p>	CEER “Vision”-Paper
AP-3*	Position paper on synergies and strategic dependencies electricity and gas balancing issues (<u>common with electricity</u>)			CEER paper
AP-6	<p>Design and implementation of wholesale energy market - Gas Hubs</p> <p>approach: Based on the CEER position paper on hubs the necessary regulatory framework to establish a hub-related wholesale energy market in the European gas market should be analysed;</p> <p>survey with all European Hub-Operators</p>	CEER position paper on hubs; prepared by the Gas WG and presented at Madrid VII	<p>Calling of a SM - TF Gas meeting</p> <p>participants: former WG G – TF on hubs</p>	CEER paper

	goal: harmonisation of hub services with regard to hub to hub competition			
	<p>Experience of development of regional markets and hub based trading</p> <p>Experience with gas release programs in Europe and elsewhere</p> <p>Roadmap for achieving the IEM in gas</p>	CEER paper	Information gathering on US and other experience	<p>CEER paper</p> <p>CEER Policy paper for discussion with the European Commission</p>

COMPETITION AND UNBUNDLING MONITORING TASKFORCE

CEER priority issues:

- Definition of criteria for assessing market dominance, predatory and anti- competitive behaviour; and
- Comparison of compliance criteria used to ensure proper unbundling of electricity transmission and distribution operators.

Background

The establishment of competitive markets will only occur in the presence of competitive rivalry in the relevant market between a sufficient number of independent market actors. As the single market becomes established, the relevant geographic market will increasingly become the EU itself. In the meantime it will be important to assess market structure and dominance issues both within and between markets, and to ensure that the relevant authorities co-operate and formulate policies aimed at promoting competitive rivalry across the EU. These issues clearly cut across both electricity and gas markets. Questions of market dominance in electricity and gas for example often involve the same undertakings, and in any case the two fuels are to some extent substitutes for each other.

The new Directives require legal unbundling of transmission and distribution system operators. Importantly, analysis of competition and market structure issues can help inform the work on implementation of unbundling provisions. It will enable the CEER to understand the most important unbundling issues to be tackled.

There is experience already within the CEER for regulators that have already implemented unbundling provisions. In addition, regulators going through the process of implementing unbundling or ensuring compliance will be tackling largely the same issues. Therefore, it will be highly beneficial in terms of minimising the replication of information requests and benchmarking of approaches for this to be effectively disseminated within a taskforce, rather than ad-hoc and uncoordinated information requests between regulators.

Clearly, in sharing experiences, the CEER will need to take particular account of the fact that some Regulators will necessarily be “constrained” by decisions made during the implementation of legislative solutions. Nevertheless, it would be in the CEER’s interest to develop a set of criteria for assessing compliance with proper unbundling provisions, informed both by analysis of competition issues but also the sharing of experiences.

Approach

In terms of competition issues, three broad themes can be identified, with the following approach suggested:

- Definition of criteria for monitoring and assessing market dominance, predatory and anti-competitive behaviour: There is a comprehensive existing body of literature and guidelines on this matter, including work by national competition authorities. This report could draw together the main findings of this work, with a primary focus on identifying appropriate indicators and/or descriptions of relevant approaches to assist in monitoring of these issues;
- Co-ordination of work of energy regulators and competition authorities: This issue should cover both cooperation at a Member State level between regulators and competition authorities and highlight the different approaches in different Member States. The report should also highlight the interaction between EU, national competition issues in particular in light of the modernisation of EU competition law. The primary focus of this work is to understand the interactions and of benchmarking different approaches - identifying possible gaps and further action to improve interactions between regulators, competition authorities and EU;
- Assessment of the impact of market dominance and industry structure for national and regional markets: Clearly the title of the topic recognises that market dominance and industry structure can have impacts at a domestic level but also lever through advantages across the EU. This work should consider the ways in which market dominance may present itself and the different forms of detrimental industry structure. Having appropriately defined these factors, this work should then consider the ways in which this can adversely impact on competition in various market sectors. Analysis in this area should also focus in particular on the ways in which vertical integration can be most detrimental to market functioning and competition, this will help inform the

work on unbundling, in particular identifying the most important separation issues to be tackled.

- Unbundling compliance issues:
 - The discussion of competition and the most important unbundling issues to be tackled will assist regulators in prioritising implementation and monitoring of unbundling compliance;
 - However, implementation in every Member State will also depend, in some cases, on the decisions made by Government. It is suggested that there be a comparison of the legislative solutions adopted by the Member States;
 - The report should then identify the key issues to be tackled and problems to be faced in ensuring effective unbundling. This is with a view to highlighting common compliance issues that the group could consider collectively and helps identify the priority areas for any coordination of approaches;
 - Where issues of common interest are identified the group could work up rules for monitoring and implementing unbundling; and
 - Finally, based on the analysis of competition issues and the sharing and benchmarking of experiences in tackling unbundling, the group should develop a set of criteria for assessing compliance with proper unbundling provisions, including possible (formal or informal) recommendations for regulators.

Outputs and deliverables

Point	Description of Action	Basis	Next Step	Output
	<i>Competition and Unbundling</i>			
AP-7	Market Analysis	Literature	Study on relevant indicators for market definition and analysis	CEER Paper on recommended indicators and necessary data
AP-8	<p>Analysis of the unbundling measures and experiences in place across the countries - Accumulation of data and facts should be done by the E&G WG</p> <p>Strategic analysis and conclusions by SEM</p>	EU Guidelines	Questionnaire on national implementation	CEER Monitoring Guidelines
AP-9	Study on the effects of recent merger cases and the real effects of the remedies	Market analysis, analysis of the merger decisions	Prepare list of cases to study Assemble the documents	Study and recommendations for future remedies and/or other measures
AP-10	<p>Market efficiency and informational unbundling</p> <p>Covering the transparency requirements for wholesale markets to function properly</p>		Questionnaire on missing or asymmetric information for market participants	CEER Public Information Guidelines

SECURITY OF SUPPLY MONITORING TASKFORCE

CEER priority issue:

Harmonisation of criteria for monitoring and assessing security of supply (SOS)

Background

Security of supply remains an important topic for all regulators. There is however a diversity of approaches. This is in part due to different levels of development in competition and liberalisation but also different political or regulatory approaches to security of supply. Nevertheless, the CEER recognises that regulators may wish to work together on issues of common interest. This was most apparent in the work of the former electricity Security of Supply WG in terms of analysing recent interruptions to supply in various Member States and the US. Other regulators wish to work together to share experiences on the indicators and methods used either to monitoring or assess the security of supply situation.

Approach

Work on security of supply within the group would be better focused on aiming to facilitate exchange of information, market monitoring, benchmarking, and sharing experiences in areas of common interest for regulators;

Outputs and Deliverables

Point	Description of Action	Basis	Next Step	Output
	<i>Security of Supply</i>			
AP-11	Security of Supply Report 2003			CEER paper & report
AP-12	Security of Supply Directive proposal review & feedback			WG SEM paper, CEER "non-paper"
AP-13	SOS - Gas: Assessing and monitoring SOS issues of common interest		Calling of a SoS - TF meeting	CEER study

2 Electricity Working Group

Issues to be addressed:

- A. Setting operational standards and rules for electricity transmission system operation;
- B. Balancing issues; comparison of electricity balancing service tariff structures and technical issues;
- C. Incentives for new electricity infrastructure;
- D. Provision of information to the EC, on a regular basis, about electricity TSO costs and physical flows in transmission networks;
- E. Comparison of calculation methods for electricity capacity interconnection;
- F. Definition of criteria for exempting new electricity interconnectors from TPA; and
- G. Definition of guidelines on inter-TSO compensation.

Organisation

The work of this WG will be coordinated with the work of the SEM and Electricity Focus WG.

The division of the TF will be as follows:

- Electricity Infrastructure Taskforce;
- System Operation Taskforce; and
- Inter-TSO Compensation Taskforce.

Timetable

The WG will meet every 60 days. The TF's will meet every 30 to 60 days.

Resources/ Use of consultants

It has been the experience of the current Electricity WG and in its precursor, the CBT Working Group, that for the correct execution of the works entrusted to this WG the use of external consultant(s) is essential. The invaluable contribution of Prof. Ignacio Perez-Arriaga and his team from the Commillas University has been present on almost all documents that this WG and its TFs has submitted to the CEER General Assembly for its consideration and approval.

This external collaboration has provided a solid basis for CEER proposals, proposals which have been defended publicly in the Florence Forum against alternative thesis. However, for the moment, this has been financed by the Italian regulator but this service to CEER is due to end in July 2004 when the contract to attend our (WGE) requests will be finished.

It is the view of the WG that the continued use of specialist consultancy is required. Such consultancy should be in a focused and clearly defined manner, for example to cover specific sub-topics or research. Where such sub-topics are identified, terms of reference, process for the selection of the consultants, and the resources available to cover consultancy spend will of course be subject to General Assembly approval.

ELECTRICITY INFRASTRUCTURE TASKFORCE

CEER priority issues:

- Incentives for new electricity infrastructure; and
- Definition of criteria for exempting new electricity interconnectors from TPA.

Background

Without adequate non-discriminatory third party access to transmission infrastructure, which enables the flow of electricity from generation to demand, a customer will not be able to choose its supplier in a liberalised European market. CEER's objective is to work closely with the Commission and other market participants to evolve the regulatory control so that it will promote efficient investments in new electricity infrastructure through financial reward. In CEER's point of view, investments in new interconnection infrastructure and its complementing infrastructure, is the key objective. The Electricity Infrastructure Taskforce is already working on these issues, while taking into account the CEER principles and Commission's work.

The full liberalization of the market is the dominant prerequisite for the efficient use of existing infrastructure and the development of new infrastructure. In these circumstances, a key focus should be on the ability of signals emerging from trade to highlight the need for new investment.

At present, the ITC compensation mechanism is not designed to compensate for new interconnection investments. Investments in electricity infrastructure can therefore be realised by way of the traditional mechanism of regulated investment. These investments are added to the regulated asset base on which regulated return is earned. Regulators across Europe allow different rates of return on regulated asset base. New interconnections can also be realised by way of using congestion management revenues, under regulators' supervision. It must be noted that in some cases externalities such as receiving environmental licences can be a major obstacle in building for example a new interconnection.

In some cases this can affect the TSOs incentives to invest in new electricity infrastructure. In order to enhance investments, it should be further studied whether it is possible to use a common basis for rewarding for e.g. interconnection investments and to consider whether new investments, at least in some cases, should be better remunerated.

An alternative solution to increase transmission investments is to support merchant investment projects.

An additional option that needs to be discussed in the short run is how incentive regulation can be implemented to foster interconnection capacity expansion and other needed electricity infrastructure. A comprehensive approach to investment expansion is the adopted scheme of transmission pricing and incentives that may be derived from it.

Approach

Adequate transmission infrastructure is central for any electricity system on a national and European level.

Transmission infrastructure enables the flow of electricity from generation to demand and is key to the implementation of a European liberalised market where any customer will be able to choose its supplier anywhere in Europe.

One of the key objectives is to build on the work already carried out by the CEER under the auspices of the former Energy Infrastructure Working Group and the work already developed during 2003 by the Electricity Infrastructure Task Force by working closely with the Commission and other stakeholders in developing the guidelines on regulatory control so that it will promote efficient investments in new electricity infrastructure through financial reward.

In addition, the work will also reflect other European developments that have been made regarding the infrastructure adequacy and, particularly, the construction of new interconnection.

The Electricity Infrastructure Task Force has prepared a proposal on "Regulatory control and financial reward for electricity transmission infrastructure" that is now being finalised for approval.

This proposal includes:

- A discussion on the currently used or potential incentive mechanisms for transmission investment, and any possible criteria to assess the technical and economic justification of a new network investment;
- Reflections on the nature of merchant lines and the different regulatory schemes that can be employed accordingly;
- The initial regulation proposal itself: the scheme for regulated investment and the specific regulation to include merchant investment, given its special condition as exemption to the general rule, according to the EC Regulation and the CEER Principles; and
- The technical procedures whose detailed development is needed to implement the proposal.

Taking into account the work that has been already done, the recommendation included in the CEER proposal on "Regulatory control and financial reward for electricity transmission infrastructure" to develop the technical procedures to allow the implementation of the proposed regulatory scheme will be the basis of the 2004 work.

Another issue is the Definition of criteria for exempting new electricity interconnectors from TPA.

According to the new Regulation (EC) No 1228/2003 on Conditions for Access to the Network for Cross-border Exchanges in Electricity, new direct current interconnectors may, upon request, be exempted from the provisions concerning regulated TPA in the Regulation and in the Directive (2003/54/EC).

Furthermore, this exemption shall apply also in exceptional cases to AC interconnectors and significant increases of capacity in existing interconnectors.

Deliverables and outputs

ISSUES TO BE ADDRESSED	DELIVERABLES AND OUTPUTS
<p>Incentives for new electricity infrastructure</p>	<ul style="list-style-type: none"> ▪ Criteria and the procedure to be developed by TSOs to determine if a new internal reinforcement has to be considered as a domestic or a cross-border investment and who are the involved TSOs.
	<ul style="list-style-type: none"> ▪ A description of the regulatory tests that are used in EU countries, with the objective of establishing some future recommendations on how to perform this test and the specification of the information that has to be made available for this purpose.
	<ul style="list-style-type: none"> ▪ Indicative guidelines to implement a tendering procedure for cross-border investments, which will be developed taking into consideration the existing experience in diverse Member States in this regard.
	<ul style="list-style-type: none"> ▪ Definition of the information that has to be made available to network users and potential network investors.
<p>Definition of criteria for exempting new electricity interconnectors from TPA.</p>	<ul style="list-style-type: none"> ▪ A short review of the existing interconnectors where exemption of regulated TPA is applied and list the reasons for exemption as well as the rules applied to these interconnectors;
	<ul style="list-style-type: none"> ▪ A set of rules regarding those situations where exemption may be applied (for DC links, AC links and increases in interconnector capacity):under which conditions exemption can be granted; what kind of conditions could/should be imposed regarding the duration of the exemption and non discriminatory access to the interconnector.
	<ul style="list-style-type: none"> ▪ A proposition of the consultation process (how to ensure that other Member States and their regulatory authorities are duly taken into account in the process).

SYSTEM OPERATION TASKFORCE

CEER priority issues:

- Setting operational standards and rules for electricity transmission system operation;
- Balancing issues including the comparison of electricity balancing service tariff structures and technical issues; and
- Comparison of calculation methods for electricity capacity interconnection.

Background

Operational standards

The CEER stressed that a comprehensive set of binding common security and reliability standards, to be observed by TSOs and network users, is necessary in order to ensure the efficient and secure functioning of the interconnected systems and appropriate quality of electricity supply. UCTE presented the work on the operational handbook addressing these issues, which was established with the involvement of all relevant TSOs and which is now beginning to be put to public consultation. Drafts on three first guidelines are already available (policies 1 to 3).

The CEER stressed the need to ensure the compatibility of security and reliability rules with the Regulation provisions, notably the guidelines on congestion management, and more generally the need to facilitate cross-border trade to the benefit of consumers. The European Commission recalled in this respect that the Regulation provides for the possibility to include in the guidelines on congestion management common rules on minimum safety and operational standards for the use and operation of the network.

This new drafting is an opportunity to develop an exhaustive set of precise and transparent standards. Thus many aspects, which were not expressed in the previous publications, are now intended to be tackled explicitly. All the methods that were part of the “common use” will compose the basis of the technical regulation in the inter-connected system of the UCTE. Nevertheless it is possible that subjects like operation security will evolve in order to meet concerns about late incidents.

The drafting of a new handbook is not sufficient to ensure the efficiency of those standards. An appropriate framework for their binding character and enforceability must also be set up. The UCTE suggests a contractual ("Multi-Lateral Agreement) and a legislative (through the EU) framework.

It is legitimate to wonder whether those new technical standards can influence the market both over the interconnections and in general. They could for instance imply too much limitation of the available transfer capacity. It is important that the regulators are in a position to survey and influence UCTE activities each time they interfere with regulatory matters.

Balancing issues

Balancing markets, although they represent a small portion of traded electricity have a very important impact on the conditions of competition within and between member states. As they are the platform on which the TSOs buy and sell the energy which is required for system balancing and management of internal congestions, they are also of paramount importance for the safety of short term operation of the transmission grids.

The CEER Electricity WG, in line with the European Commission's strategy paper has therefore identified Balancing rules as an important issue in view of the efficient implementation of the new Directive and Regulation and of the creation of safely operated regional markets.

Therefore, work should focus on the perspective of the integration of balancing markets, following the road map below.

Calculation methods for electricity interconnection capacity

At present, each European TSO evaluates its interconnection capacity with the neighbouring grids, based on the information which is available to him. The capacity which is used when the capacity is allocated is in general the minimum of the values calculated by the involved TSOs.

The increase of cross border flows which results from the implementation of the IEM and the high variability of these flows, consequent to the development of wholesale day ahead markets calls for a better coordination of the procedures applied for the assessment of interconnection capacities.

Approach

As regards operational standards, it is necessary to:

- analyse the content of the policies communicated by UCTE sufficiently early on official CEER request;
- perform a comparative analysis, examining whether those new standards are more or less binding than the previous ones and the relevancy of such UCTE proposal;
- analyse the contractual and legislative framework suggested by the UCTE and see whether they are relevant and consistent with the European current regulatory framework that is mainly based on ex ante action; and
- identify the possible interferences between technical standards and market mechanisms and their consequences.

As regards balancing issues, the first aim is providing a comprehensive and detailed review of the objectives that shall be pursued when integrating balancing markets. This part of the work will be based on the analysis of experiences of balancing markets integration in Europe and abroad and on the review of academic literature.

As a starting point, the work will examine – but not limit its scope of work to – the following various reasons for integrating balancing markets in the IEM:

- Objectives related to the effective implementation of competition
- Fairness of competition on the energy markets.

In many member states or control areas, balancing energy is a captive market for the incumbent companies who can take advantage of the profits made on balancing energy to distort their prices on wholesale and final prices. Although volumes are small, profits can be important as prices can be very high. Incumbent companies can also distort balancing prices. It is therefore important to promote competition to supply balancing energy, an efficient way being to set up balancing markets in every control area (where it is appropriate) and to connect these balancing markets so that all producers can compete in any control area.

- Mitigation of market power

Competition for balancing energy is structurally weaker than for wholesale energy, as the ability of an offer to fit the need of the TSO and of a producer to provide an offer may strongly depend on the technology and location of the generator, on its technical skills, on its availability and so on.

Incumbents who have a local dominant position therefore have a strong incentive to exercise market power. This can be mitigated by the increased competition which results from the integration of balancing markets.

- Development of financial hedges

In case of failure to provide energy, the cost incurred by a market player is the price of imbalances. Robust financial hedges can therefore only rely on balancing prices as underlyings. Liquid and interconnected balancing markets are therefore necessary for the implementation of derivatives which ensure effective hedging.

Objectives related to the security and efficiency of grid operation

- Reduction of balancing costs

Balancing costs directly influence the price of imbalances which usually affects more small players than big actors. It is therefore desirable to reduce them, not only in view of reducing the overall costs of energy, but also in view of fostering competition.

In a well functioning market there is a large random element in balancing costs. A system can be short and require increases of production while the neighbouring system is long and calls for decreases. As "Decremental (Dec.)" offers are generally much cheaper than "Incremental (Inc.)" offers, it can be very efficient to compensate the production deficit in one country by the production surplus in another country.

Furthermore, balancing costs may differ from country to country, depending on the technology mix. The efficiency gains which may result from the utilisation for balancing of hydro instead of Combined Cycle or nuclear could not be obtained prior to the deregulation of

the sector. Each vertically integrated firm usually took care of the imbalances only with its generation capacities. The increased real time coordination of the TSOs that the new legislative framework requires now makes it possible.

- Short term security of supply

Short term security of supply can benefit from the integration of balancing markets, as when the production capacity of a system is tight, it could call for additional reserves from the neighbouring systems. Such arrangements already exist, which predate the Directive, but the efficiency of sharing reserves can be enhanced by an adequate market design and up-to-date inter TSO arrangements.

- Reduction of operational margins

Real time exchanges of balancing energy may enable TSOs (especially the TSOs operating a “small system” with large production units) to reduce their operational margins and therefore to reduce their costs and tariffs.

- More efficient congestion management

Short term congestions on the transmission infrastructures within one country are essentially managed by redispatching. Properly integrated balancing markets and an appropriate coordination scheme between TSOs can enable all system operators to benefit from the redispatching possibilities which are available outside their system for more efficient use of their own grid and of their interconnections.

In view of the objectives selected, the WG will draw guidelines relating to the practical implementation of balancing integration and propose an implementation schedule. Such guidelines should notably tackle (but not be limited to) the following issues:

- Market sequence

At present, the electricity markets in Europe are dominated by medium term (from 1 year transactions to day ahead trades) bilateral markets. A small part of the trades is made on day ahead power exchanges and, in some countries, by means of intra day bilateral gates.

When proposing guidelines for the integration of balancing markets, it is necessary to bear in mind that the organization of procurement and supply on the balancing markets must be coherent with the previous trading arrangements. The WG will therefore deal with the following questions:

- What is the respective role of sellers and buyers in the competitive process?
- What operational coordination between TSOs does the exchange of balancing energy require?
- How can intra day cross border trade be compatible with integrated balancing markets? What coordination of the organisation of intra-day trades is required at regional / EU level?
- Can a production unit be offered simultaneously to many system operators – if this is the case, how is gaming and/or misuse (e.g. no response upon call in one system after capacity is engaged in other) prevented?
- At which point and to what extent (in terms of operational power system security and security margins/constraints) shall balancing markets stop and TSOs' mutual assistance under UCTE-like agreements (the emerging new UCTE Operational Handbook) be activated?
- Management of reserves
 - How can a TSO ensure that it will have an appropriate level of reserves in real time?
 - Is each TSO responsible for prohibiting exports when the situation is tight, or shall each market player be responsible for providing an appropriate level of reserves in real time?
 - How to ensure that no TSO mobilizes an abusive volume of reserves ahead of real time?

- How can a TSO ensure that the appropriate margin is available in real time for the operation of its system? Under which conditions (e.g. if capacity has already been committed to the TSO, or if there are no technical reserves, etc.) is a TSO allowed to prohibit a producer connected to its grid offering balancing energy outside its system?
- Is a common balancing market compatible with capacity payments (German and Spanish case for example)?

The present absence of any control of the overall coherence of the balancing mechanisms applied in the member states, associated with the development of intra day exchanges, can result in perverse incentives to export their imbalances, thus endangering the security of system operation. This may require in addition the specification of a minimum set of requirements for balancing markets design.

- System operation
 - How to ensure that the balancing offer presented by an external agent is effectively available and can effectively be transmitted to the buying TSO?
 - How to ensure that the firmness of national and foreign offers is similar?
 - How to control sales of balancing energy against production?
- Transparency

What information on balancing energy shall necessarily be published by the TSOs?

This part of the work will be conducted in close relation with ETSO and UCTE. The WG will require proposals from the TSOs and discuss and evaluate them.

The efficiency and competitiveness of each country's balancing market is the responsibility of its regulator (where it exists). In principle, the WG shall therefore only consider each member state's specific arrangements in view of their compatibility with the required level of integration.

Identification of the characteristics of the imbalance codes that require integration or coordination will therefore be needed. The following questions are raised, for example:

Shall (and can) prices and conditions applied for imbalances be harmonised?

Shall (and can) the bid formats and schedules be harmonised?

What kind of operating reserves shall be subject to integration? Shall primary and secondary reserves be subject to it, or shall it be limited to exchanges of tertiary reserve?

As regards calculation methods for electricity interconnection capacity:

The CEER work on assessment of interconnection capacities will review and assess the various procedures currently applied in Europe.

The task force will also propose CEER recommendations for the update of these procedures. Such recommendations will notably relate to:

- the adequacy with market needs and efficient grid operation of the dates and times of capacity calculations and publications;
- the coordination among TSOs for each assessment of interconnection capacity, for example:
 - the consistency of the list of cases of the possible grid situations which is taken into account when estimating the interconnection capacities;
 - the consistency of the interpretation of the definition of the events affecting grid operation which shall be taken into account in the calculation;
 - the consistency of models used to make the calculation;
 - the consistency of the applied repartition scheme of the available capacities among electrical borders, especially when the grid is meshed;
- the possible implementation of coordinated operation schemes in order to increase interconnection capacity; such coordinated operation schemes might reduce uncertainty and then allow decreasing operational reliability margins.

If necessary, the task force will consult the parties involved, notably individual TSOs, ETSO, UCTE, Nordel, producers, EFET and others.

Deliverables and outputs

ISSUES TO BE ADDRESSED	DELIVERABLES AND OUTPUTS
Setting operational standards and rules for electricity transmission system operation.	<ul style="list-style-type: none"> ▪ An informed CEER position on the UCTE set of security and reliability standards with the objective to maximise the flexibility of system operation to the benefit of market functioning and electricity trade.
Balancing issues; comparison of electricity balancing service tariff structures and technical issues.	<ul style="list-style-type: none"> ▪ Report to be presented at the Florence Electricity Forum in Autumn 2004.
Comparison of calculation methods for electricity capacity interconnection.	<ul style="list-style-type: none"> ▪ Recommendations

INTER-TSO COMPENSATION TASKFORCE

CEER priority issues:

- Provision of information to the EC, on a regular basis, about electricity TSO costs and physical flows in transmission networks
- Definition of guidelines on inter-TSO compensation.

Background

Information for the EC:

One of the aims of the Electricity Regulation on Conditions for Access to the Network for Cross-border Exchanges is to promote an intensification of trade in electricity in order to complete the internal market in the electricity sector and to speed up liberalisation in this sector. Information about TSO costs and physical flows in transmission networks is essential for a good functioning of cross-border trade of electricity. Article 10 of the Regulation provides for a central role of the European Commission in obtaining and judging this information.

Harmonisation of this kind of information is an important step in achieving the goals of the Regulation. The CEER has already been working on this topic and achieved great progress. The new Regulation gives the work already done by the CEER a new impulse in speeding up the process of addressing the question of what kind of information is needed. Other questions which have to be answered are how often the information has to be provided, and how (internet or paper etc).

The next step will be to produce a format and a database. Questions about access (given to whom) and transparency/confidentiality of the information will have to be answered. Differences between member-states in terms of the possibilities to require this information could be a problem.

While working together with ETSO the provisions laid down in Article 10.2 will not likely be needed. Article 10.2 provides that in cases where the information is not provided to the Commission, the Commission may request all information directly from the undertakings concerned. The Commission may even fine the undertakings for not delivering the information timely or adequately. Other basic conditions for delivering information are that it should be easy to do, and its purpose should be clear. The Task Force will take cognisance of these conditions.

Moreover, CEER shall review its recommendations on transparency (dated October 2002), evaluate their actual implementation and, if necessary, issue additional recommendations concerning the kind of information to be provided as well as access conditions to such information, paying attention to the market players' requests.

Inter-TSO compensation:

At present ETSO has established a temporary system to address the costs of hosting cross-border flows of electricity on the TSO-networks. This system has been working sufficiently for the last two years. CEER has stressed the importance of transparency and harmonisation of the elements used in this system, and has been working on criteria and definitions. This process needs a new impulse on behalf of the new Regulation (Article 8), which gives a role to the Commission in adopting and amending guidelines when appropriate.

The CEER has already made a comparison between two possible models (November 2003). The Task Force will have to work out an option between the possible models, where possible together with ETSO. The elements required by EU legislation and the Forum conclusions are identified, including the long term requirements of the Inter-TSO-Compensation mechanism.

One of the important aspects that have to be addressed by the Task Force is the information needed to make a good comparison; such data will have to be provided by ETSO. The second is to make a choice using the criteria set out in the Regulation. The third item is to discuss the implementation of a new system and the requirements needed to make an easy switch. If funds are needed, the CEER should deal with three crucial questions:

- the amount of the fund;
- the distribution of the fund; and
- how to forward the money to the grid users.

Approach

As regards information to the EC, it is necessary to:

- make a proposal on the kind of information needed;
- propose a format for the information needed;
- address questions about confidentiality/transparency (who will have access, will there be a direct exchange from the TSO or indirect via the member- states);
- decide how often and when the information must be given; and
- investigate the possibilities of forming a database.

As regards inter-TSO compensation:

The major goal is to have a sound long-term inter-TSO compensation mechanism designed, agreed among the stakeholders and implemented accordingly.

This goal must be consistent with the regulatory measures required in Member States in order to implement the system successfully. For the successful achievement, a close surveillance must be exercised by the CEER in order to verify correct implementation of the transitory mechanism currently in place.

In order to achieve this major goal, following tasks and objectives are defined:

1. Development of the CEER position on the long-term inter-TSO payment mechanism
 - a. Discussion and co-operation with EU Commission and ETSO will be proactively continued.

- b. The elements to be accomplished in a long-term solution [3] are:
 - i. Definition of the horizontal network and of the criteria to assess the cost of the horizontal network
 - ii. Standard costs for the determination of inter-TSO compensation
 - iii. Determination of the payments by and to each TSO
 - iv. Implementation of the net outcome of compensation/charges to the internal network end-users of each TSO
 - c. Compatibility with the new Directive and Regulation
 - d. Consistency with other regulatory measures listed above
 - e. Surveillance of the ETSO's data acquisition process, verifying the data capability to support the long-term solution
2. Surveillance of the ETSO's data acquisition process, verifying the data capability to support the long-term solution
 3. Monitoring the process of incorporation of the accession countries to the IEM, especially the efforts in the framework of SEEER and SETSO.

Deliverables and outputs

ISSUES TO BE ADDRESSED	DELIVERABLES AND OUTPUTS
Provision of information to the EC, on a regular basis, about electricity TSO costs and physical flows in transmission networks.	<ul style="list-style-type: none"> ▪ Proposal of information to be collected, addressing any confidentiality and transparency issues, and suitable frequency. ▪ Assessment of the advantages and possible troubles to create and manage a central database.
Definition of guidelines on inter-TSO compensation.	<ul style="list-style-type: none"> ▪ Agreement on a CEER position and proposal of the key criteria for the long-term inter-TSO compensation mechanism. ▪ Consistency check and – if necessary – adjustments to other regulatory measures.

3 Gas Working Group

Issues to be addressed:

- A. Setting operational standards and rules for gas transmission system operation
- B. Comparison of gas balancing service tariff structures
- C. Interoperability and transit
- D. Incentives for new gas infrastructure
- E. Comparison of calculation methods for gas interconnection capacity
- F. Definition of criteria for exempting new gas infrastructure from TPA
- G. Definition of guidelines on the management and allocation of available transfer capacity of gas interconnections

Organisation

It is suggested that the organisation of taskforces within the working group is grouped as follows:

1. **Network Access Rules Taskforce:** covering continued monitoring of implementation of Guidelines for Good Practice, coordinating issues of common interest in relation to the Gas Regulation in particular ensuring issue G is addressed;
2. **Gas Balancing Taskforce:** analysis of balancing regimes, in particular approaches to gas balancing tariffs;
3. **Gas Infrastructure Taskforce:** covering incentives and exemption criteria for new gas infrastructure.

In addition to the above, the CEER shall continue monitoring interoperability issues (covering in part issue point C above) and comparison of calculation methods for gas interconnection capacity (issue E above). Both of these issues are to be primarily taken forward by EASEE-gas and GTE respectively; however the WG intends to agree and propose to the CEER GA the best strategy to interact with these organisations on these issues.

Transit is part of cross-border transport. As the latter is assigned to the Gas Focus WG, the corresponding TF will deal with transit issues.

These terms of reference provide the scope for each area of the WG's work. Discussion will continue to be via Gas Working Group meetings unless the topic is sufficiently detailed to justify specific meetings of the taskforces (as decided by taskforce leaders with agreement of the GWG).

Timetable

It is anticipated that the GWG will continue to meet monthly.

Resources/ use of consultants

It is not anticipated that the use of consultants paid by CEER resources will be required.

NETWORK ACCESS RULES TASKFORCE

CEER priority issues:

- Setting operational standards and rules for gas transmission system operation; and
- Definition of guidelines on the management and allocation of available transfer capacity of gas interconnectors.

Background

In relation to the CEER issues identified above, these issues have largely already been covered by the rules set out in the GGP2 and the new Gas Regulation. In addition, the CEER already has developed policy papers on congestion management and capacity allocation, principles for balancing rules and positions on the GGP2.

Approach

In relation to the GGP/Gas Regulation, the GWG should cooperate, as necessary, in identifying the key issues of common concern regarding the Gas Regulation to arrive, where possible, at an official CEER position. This should identify gaps in the Gas Regulation; possible concerns with the wording; and specifically ensure that the CEER priority issue – namely management and allocation of capacity issues - are effectively addressed.

Where a common position is not possible on particular issues, the group should, at the very least exchange information and Members views on different approaches and possible problems in arriving at a common position.

In addition, the CEER has been requested by the Madrid Forum to monitor implementation of the GGP2. The GWG has already drafted questionnaires to be sent to Member States.

Deliverables and outputs:

There are a number of deliverables:

- CEER report and presentation to the Madrid Forum on implementation of Guidelines for Good Practice II;

The objective is to present a report at the next Forum on how the Guidelines for Good Practice 2 (GGP2) have been implemented.

To ensure that the results still being up to date when presented at the next Madrid Forum, answers should refer to situation as of 01-07-2004 but highlight anticipated modification that would be effective by 01-01-2005.

- CEER common position/information exchanges on Gas Regulation.

The Gas WG will develop a CEER position on the proposal for Regulation of the European Parliament and the Council on Conditions for Access to the Gas Transmission Networks, and will monitor the different steps and follow changes in the text until its final approval.

The CEER was invited to report at the next Madrid Forum on the necessary accompanying measures (decided at national level) in practice in the various Member States in line with the requirements of the Gas Directive. Information will be collected from different members of the Gas WG.

GAS BALANCING TASKFORCE

CEER priority issues

- Comparison of gas balancing service tariff structures

Background

The CEER presented a policy paper on gas balancing to the last Madrid Forum with guidelines and principles for balancing rules. In addition, the proposed Gas Regulation contains certain rules in relation to balancing markets, reflecting the negotiations of the Guidelines for Good Practice 2 (GGP2) at the Forum.

An uncompleted part of this work is to assess how the different approaches in each Member State accord with these rules and the possible problems/issues that exist in the application of different balancing regimes in each Member State.

Approach

- The particular focus of this work should be on the way balancing markets act as a barrier to effective market functioning.
- Clearly the first-stage would need to be to collect information on balancing regimes in each Member State.
- Reflecting the CEER principles, it may be possible to undertake an assessment of the key issues and difficulties that emerge from different regimes.
- This in particular should focus on CEER's priority issue, namely the way in which gas balancing penalties/tariffs are applied.
- The paper should identify the most important distortions to trade and competition that may emerge from differential treatment or inappropriate balancing rules.
- The paper could also include recommendations on possible priority areas for change in terms of a reasonably common approach.

- In addition, an important issue to consider is the interaction of different balancing regimes between regions, however it is anticipated that this analysis should be undertaken within the SEM WG,

Deliverables and outputs

The taskforce will produce a report covering the items discussed above. Depending on the sensitivity of these findings, this report may need to be split into a public and internal document.

GAS INFRASTRUCTURE TASKFORCE

CEER priority issues:

- Incentives for new gas infrastructure
- Definition of criteria for exempting new gas infrastructure from TPA

Background

There is a common view that the European Union (EU25) as a whole will need increased investments in particular because gas consumption will continue to grow more quickly than domestic production. This involves investments in upstream infrastructure (production, pipelines, liquefaction trains, LNG cargo's), transport (including interconnections), storage and LNG terminals. This study will focus on activities subject to European TPA regulation, which excludes the upstream business.

Some European regions will need to develop investments, in particular in transport and LNG terminals so as to allow for more imports, especially in countries/regions with fast growing consumption or declining production.

Investments in transport are also needed to improve interconnections between grids/countries and to allow for more trade and competition. Some of these investments are linked to the development of liquidity on gas hubs.

Investments in storages are needed to improve security of supply and to allow for an efficient supply to customers.

Investments in infrastructures are therefore needed:

- to ensure security of supply with the development of new entry points, interconnections between countries/regions and storage capacities; and
- to develop competition with new investments allowing for gas trade and participating to the integration of regional markets.

This has been recognised by the European Commission which has set up a programme to financially support transport energy infrastructures projects. To allow for these investments, there is a need to ensure that the regulatory framework does not impede these investments but instead, on the contrary, that the regulatory framework is well adapted to both allowing for competition in the gas sector and providing incentives for efficient investments, obtaining the right balance between both requirements.

The 2003 CEER paper on “Financial reward for infrastructure” noted that the modalities for investments in gas infrastructures in the different EU 15 countries differs widely.

The Gas Directive 2003/55 added a new possibility to the financing of new infrastructures with article 22, allowing new investments to be made under some conditions for exemptions to the TPA regime. This new possibility adds a new way of financing new investments but may also add to the uncertainty with regard to the conditions according to which investments are made.

Approach

To reduce any potential regulatory risk which may impede or delay new investments, there is a need to define a CEER position to clarify regulatory conditions in EU member states and, in this context, to provide guidance to future investors.

The present document will make a brief description of the projected gas demand and supply balance and the projects related to the development of large infrastructure. Then it will describe the state of play in the countries concerned by these projects, and ultimately define a CEER position with regard to the regulatory framework which should aim at developing investments and promoting competition.

- A short questionnaire will be circulated to get an overview of planned investments in EU15 and of policies in place in Member States to promote investments.

Deliverables and outputs

- The taskforce will produce a report covering the items discussed above.

4 New Member States Working Group

Background

The Working Group may be dissolved by 1st May 2004 with the accession of the new Member States to the European Union. Until this date, the work will continue as during 2003 and should prepare the regulators of the new Member States for the full membership in the EU and in CEER.

Since there will be several countries waiting for accession to the EU (at least Romania, Bulgaria and Turkey), the CEER needs to discuss whether to continue this WG.

Organisation/ Timetable

The WG shall organize workshops on specific topics (e.g. cross-border trade) to support regulators from new Member States.

Resources/ Use of consultants

It is not anticipated that the use of consultants paid by CEER resources will be required.

Deliverables and outputs

The New Member State (NMS) Working Group (WG) was established during 2000. The CEER recognises the importance of collaborating closely and sharing experiences with regulators from New Member States. It is hoped this process will help to ensure the smooth integration of these regulators into the framework of the CEER once their country joins the European Union.

5 South East Europe Electricity Regulation Working Group

The work of this Working Group will be continued as during 2003. However, further mandates might be added as the new Memorandum of Understanding for establishing a South-East European market not only includes electricity but also gas. In addition, the European Commission will start negotiating a legally binding Treaty to set up a South-East European Energy market. The WG SEEER will have to attribute additional work to these issues.

Background

The CEER WG on South East Europe Electricity Regulation has been set up with the objective to plan a leading role of the Regulators in establishing an effective and competitive SEE Electricity market. Recent evolutions in the region (the new Athens MoU and the expected legal binding Energy Treaty between the EU and the SEE countries within 2004) indicate that it is very probable that the scope of the SEEER WG will have to expand to also include gas issues within 2004. In such a case, the name of the WG will have to be revised to South East Europe **Energy** Regulation.

The environments in which the activities of this Working Group are taking place differ from those experienced by the other CEER WGs. This is mainly because the SEE region consists mostly of countries that are not EU members. There is neither a harmonized legislative framework, nor the equivalent to the EU Directives and, consequently, there are no fixed regional points of reference for the energy sector of the region. In addition to that, a large number of International Funding Institutions and governmental agencies from all over the world (the so-called Donors' Community) have been active in the region for many years now, establishing, in some cases, mechanisms that are not following the EU practice.

The active participation of the EU Institutions (mainly the EC, CEER and ETSO), the establishment of the Athens Process Forum, the prospect for joining the EU and the development of a legal basis for collaboration in the energy sector, has created a large momentum in the SEE region and has already achieved great progress in 2003. Developments are very fast, in many respects, and are expected to become faster.

The work of the CEER WG SEEER during 2004 will focus on the establishment of a stronger collaboration between its members (mostly non-CEER members), stronger collaboration with the European Institutions (mainly EC), ETSO and the Donors' Community, faster knowledge-transfer from the EU to the SEE, close monitoring of the evolutions in the region and the active participation at all levels of the Athens Process, through position papers, presentations and reports, as necessary.

Organisation

The current organization of the WG will be retained:

1. Institutional Compliance Taskforce

During 2004, the main tasks of the IC TF will be:

- to monitor and report on developments on the Institutional building in SEE region,
- collaborate with the EC for the Benchmarking of the implementation of the provisions of the Athens MoU and the forthcoming Treaty, and with the Donors' Community for the corresponding Benchmarking Reports they prepare for the Regulatory Authorities and the TSOs of the SEE region.

For this purpose, TF members will be in close communication with the EC and the Donors and will participate to corresponding meetings necessary for the accomplishment of their task.

2. Internal Market Taskforce

During 2004, the main tasks of the IC TF will be:

- to closely follow and contribute to the implementation of the SEE CBT 2004 mechanism, which has already started on a virtual basis, since 1.1.2004 and is expected to start on a real basis from July 2004 onwards,
- to monitor the implementation of the transparency guidelines and the imposition of congestion management mechanisms throughout the SEE countries,

- to monitor the evolutions of the synchronous reconnection of UCTE 1 and UCTE 2 zones and
- to collaborate with ETSO (SETSO) and UCTE for the implementation of the above. A series of meetings is already being discussed between IM TF and SETSO for these reasons.

3. *Market Investment and Facilitation Taskforce*

During 2004, the main tasks of the MIF TF will be:

- to actively contribute to the development of the Action Plan for the implementation of the Standard Market Design of the SEE Regional Energy Market,
- to monitor, along with EC, ETSO and UCTE and in collaboration with the Donors the implementation of the aforementioned Action Plan and
- to further develop the proposals of the SEEER WG on the Standard Market Design of the SEE REM and seek far wider acceptance between SEE market participants.

For the accomplishment of these tasks, a series of meetings is going to take place, the exact number of which cannot be foreseen in advance, with all relevant stakeholders during the course of 2004.

In addition to the above, representatives of the SEEER WG, after the appointment of the chairmen of the WG and in collaboration with the CEER Secretariat, will participate in all meetings that will take place and in which the representation of the CEER is requested or required during the course of 2004. Moreover, the chairmen of the WG will represent CEER during the meetings of the Athens Process Forum (two meetings of the Forum are expected in 2004: one in May and the second in autumn 2004).

Timetable

There are going to be approximately 6 WG meetings during 2004 with a corresponding number of TF meetings. Ad-hoc TF meetings will also be scheduled, according to needs, to deal with important issues such as the implementation of the SEE-CBT mechanism, the work on the SEE regional market design and implementation, the ongoing work on benchmarking and institutional development, as well as the recently arisen issue of the coordination of the efforts of all participants for the harmonized development of the SEE energy market.

Resources / Use of Consultants

The tasks of the WG will be accomplished by the WG members' own resources, despite the fact that most of its members are only recently established Regulatory Authorities, with limited financial and human resources. It is also probable that collaboration with the working groups of the various Donors active in the region will be proven necessary for the accomplishment of the tasks of the WG.

Deliverables and Output

The deliverables of the SEEER WG will depend on the outcome of the efforts undertaken by the WG with regard to all the tasks described above. There is certainly going to be an updated version of the Standard Market Design discussion paper, which may also become a position paper of the WG, and papers – or at least reports – of the WG on Benchmarking and internal market issues depending on the evolutions. There are also going to be short reports, possibly in the form of presentations, from the participation of the representatives of the WG members in the various meetings and consultations with the other stakeholders and the Athens Process Forum.