Electricity regulation: cross-border exchanges, date of application by Slovenia

2004/0109(COD) - 26/04/2004 - Legislative proposal

PURPOSE : to amend the Electricity Regulation as regards the date of some provisions to Slovenia. PROPOSED ACT : Regulation of the European Parliament and of the Council. CONTENT : Regulation 1228/2003/EC on access to the network for cross-border exchanges in electricity (the "Electricity Regulation") aims at setting fair rules for cross-border exchanges in electricity, taking into account the specificities of national and regional markets. According to Article 6 "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". The Electricity Regulation Guidelines provides further detailed rules on its implementation. It will apply from 1 July 2004. Slovenia has submitted to the Commission a request for amendment of the Electricity Regulation, which would allow Slovenia to continue operating its current system of congestion management at the interconnections with Austria and Italy until 1 July 2007. At the moment, half of the total available capacity of the two interconnections in question is allocated by Slovenia on the basis of this system. In fact, according to an arrangement between the transmission system operators concerned, the other halves of the total capacity are allocated by the Italian respectively the Austrian system operator. Under the current Slovenian system the available capacity, in case total demand for capacity exceeds the capacity available (congestion), is allocated to applicants for capacity on a pro rata basis (pro-rate curtailment of the requests for capacity). The capacity is allocated free of charge. Eligible for applications of capacity are Slovenian consumers (Austrian border) and respectively Slovenian electricity producers (Italian border). A minimum of 1 MW must be requested by applicants (which de facto excludes on the consumer side small consumers, notably households). Such a system cannot be considered a non-discriminatory, market based solution in the sense of the Electricity Regulation. Slovenia has provided the following justification of the request: - With regard to the interconnection with Austria the pro-rata allocation has resulted in allocation of capacity to large, energy intensive industrial consumers located in the north of the country, notably aluminium and steel producers. If the capacity is allocated on the basis of market mechanisms instead, for instance auctioned, it would no longer be made available free of charge. The companies in question would thus see their cost of production increase, which would make them uncompetitive in the short term and endanger the currently implemented final phase of their restructuring process. - With respect to the interconnection with Italy the allocation allows electricity producers to sell part of their production on the Italian market and benefit from the higher price level for electricity in Italy, compared to Slovenian prices. If the capacity is no longer allocated free of charge but at a price resulting from a market mechanism the additional cost would be close to the current price difference between the Italian and the Slovenian market. Notably one producer - the largest electricity producer in Slovenia - has to bear high costs arising frominvestment in environmental protection, necessary to meet EC acquis. The Commission finds it appropriate to amend the regulation as requested by Slovenia. Slovenia has invoked reasons which justify such a transitional period. This situation is unlikely to change before 1 July 2007. Whilst there are concrete plans to extend the capacity of the two interconnections concerned, the state of these projects is such that no significant extension of the current capacity can be expected before 1 July 2007. The proposal amends the Electricity Regulation in such a way that Article 6 (1) and the related provisions of the Guidelines apply in Slovenia only from 1 July 2007.