

Statement **on the Inter-TSO Compensation regarding the public consultation launched by ACER**

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First of all I would like to express my deep respect to the opportunity given by the ACER for all stakeholders to provide any other comments which they may have with regard to the Inter-TSO Compensation in addition to the routine procedure pursuant to point 5.3 of Annex Part A of Commission Regulation (EU) No 838/2010. I consider such opportunity as an attempt of the ACER to collect material for the report provided in point 1.4 of the same regulation. *(1.4. The Agency shall oversee the implementation of the ITC mechanism and report to the Commission each year on the implementation of the ITC mechanism and the management of the ITC fund.)*

For long time I have been involved in the substance and some activities related to ITC. Based on my knowledge and the experience attained, let me rate the amount of the ITC fund as a minor issue in comparison to the generic failings in principles and methodologies of the Inter-TSO Compensation mechanism as a whole.

Here I simply list the main faults and kindly invite you to acquaint a deeper description given in the reference below.

- TSOs pay each other instead of the importers and exporters who own the electricity and who use the networks of the TSOs for the transmission of this power.
- Local consumers pay to the local TSO a transmission (access) tax based on the amount of electricity consumed plus or minus an additional fee or subsidy according to some unfounded criteria for the usage of some unidentified networks by third users, in consequence of these inter-TSO payments.
- The price for the usage of the network infrastructure of a TSO has no sound basis.
- The price for the usage of a network infrastructure differs between EU users connected to a local network and those connected to any other network.
- The price for the compensation for electrical losses in a network differs between EU users connected to a local network and those connected to any other network.
- The customers that have nothing to do with export or import or transit subsidize the exporters, importers and transit traders of electricity and ultimately get to pay instead of the individual final consumers supplied by these traders.
- A system of incorrect terms, statements and regulations contributes to the existing unfair treatment between the users inside and outside of a TSO's network

In summary, the existing EU power transmission tariff system has significant shortcomings in its ITC part. These give rise to bias and customer payments veer far away from Pareto optimality.

In order to increase EU welfare by improvements in the common power market, I plead for reconsideration and a more precise definition of the ITC problem. I believe that a broad scientific and public discussion of the proposed main principles is needed during the harmonization stage of the ITC reformulation process as a part of further improvements in the legislation on cross-border trade and for the establishment of a single European Power Market. I see the publication of all related to transmission charges data by ENTSO-E according to p. 4 article 15 of Regulation 2009/714 as a necessary precondition to this discussion. Without full transparency the level of the public's knowledge is too limited for the correct formulation of a broad public problem and even more for its fair solution.

The fair solution is that local and external network users be charged according to a single principle. A reduction in the current scope of inter-transmission compensation, taking into consideration the actual role of the TSOs, is objectively necessary.

References:

Stoilov D., Dimitrov Y., Francois B., Challenges facing the European power transmission tariffs: The case of inter-TSO compensation. Elsevier, Energy Policy, vol. 39, issue 9, September 2011, p. 5203-5210, ISSN 0301- 4215.

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