

CIGRE CONFERENCE

**“For synchronous operation of the east-west interconnection”
17 – 19 September 2003**

Prospects of East-West Electricity Market Integration

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EURELECTRIC**

- **Trends in Electricity Markets**
- **European Union - Russia Energy Dialogue**
- **EURELECTRIC Contributions**
- **Challenges Ahead**

TRENDS IN ELECTRICITY MARKETS

EU Electricity Market

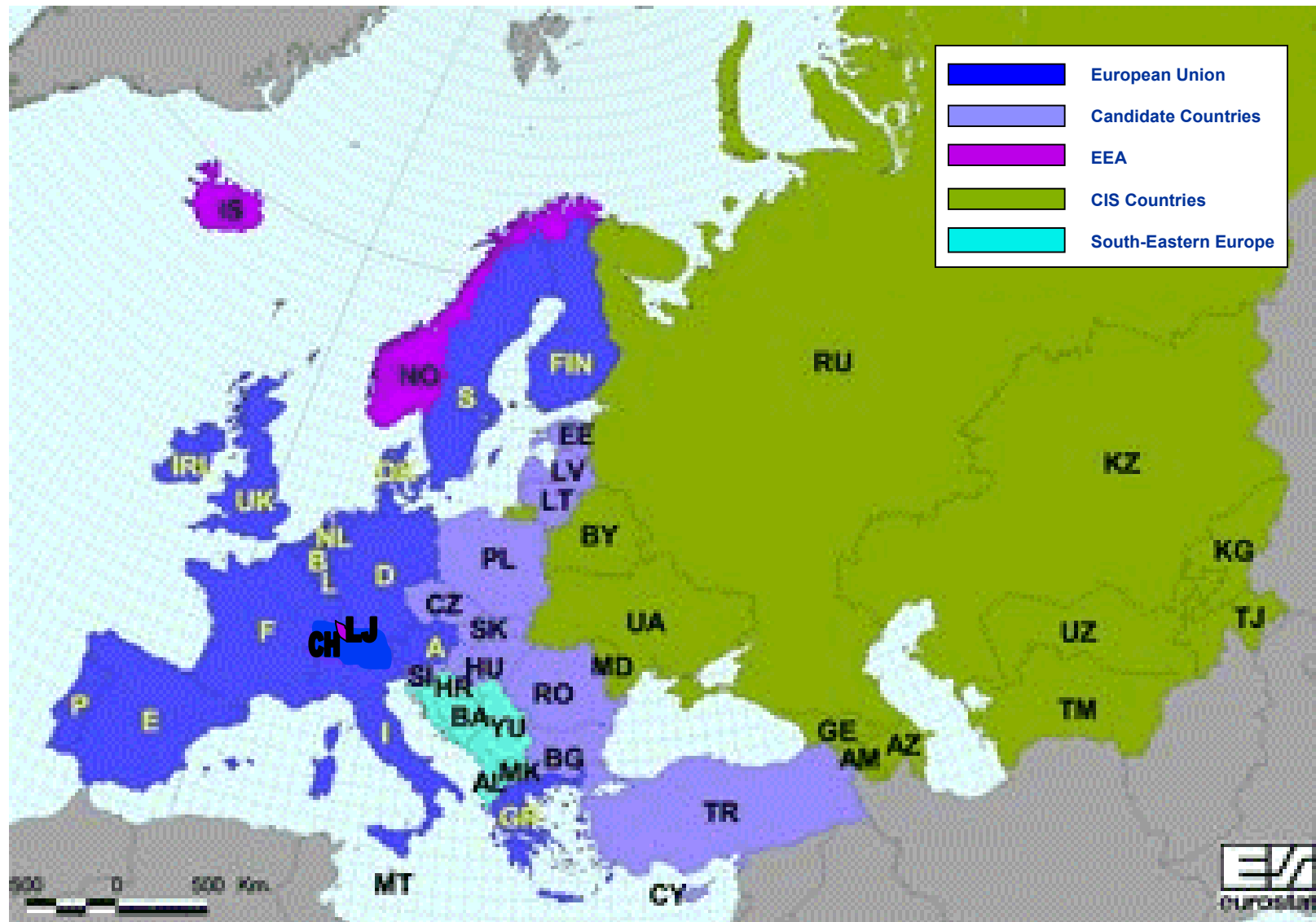
- **Electricity Directive, December 1996**
 - 70 % of the EU electricity market is open to competition
- **Liberalisation package, June 2003**
 - Opening a market for commercial clients by mid-2004
 - Full market opening by mid-2007

TRENDS IN ELECTRICITY MARKETS

Developing Energy Co-operation

- **Developing Energy Co-operation with Neighbouring Countries of the Enlarged EU, EC, May 2003**
 - Integrated European electricity and gas market (>35 countries)
 - Common standards for market access
 - Environmental protection
 - Safety rules
- **Three key mechanisms**
 - South – East European regional energy market initiative
 - Euro – Mediterranean energy forum
 - EU – Russia energy dialogue

Political Map of Europe



TRENDS IN ELECTRICITY MARKETS

Effort in CIS Countries

- **CIS countries market reforms**
 - **Market liberalisation**
 - **Industry restructuring**
 - **Separation of network operation**
 - **United grid company**
 - **System operator**
 - **Market operator**

POLITICAL CONTEXT

EU – Russia Energy Dialogue

- **EU-Russia Summit, October 2000**
 - **Instituting energy dialogue**

- **The 2nd Progress Report, May 2002**
 - **Preconditions for electricity trade**
 - **reciprocity in market opening**
 - **cost-based pricing**
 - **environmental protection**
 - **high level of nuclear safety**

EURELECTRIC CONTRIBUTION

Position paper on imports of non-EU electricity

- **Conditions for trade should not be artificially restrictive but some criteria need to be fulfilled**
- **EURELECTRIC supports the principle and objectives underpinning the EU-Russia Energy Dialogue**
- **EURELECTRIC supports the idea of creation a “Common European Economic Area”**
- **EURELECTRIC calls for an early ratification of the Energy Charter Treaty**
- **Signatories of Energy Charter Treaty should be WTO members**

EURELECTRIC CONTRIBUTION

Activities

- **EURELECTRIC - CIS EPC Protocol, November 2002**
- **1st phase: two reports, Nov. 2002 – Sept. 2003**
 - Market legislation and market rules
 - Environmental legislation and policy situation
- **2nd phase: a joint EURELECTRIC – UCTE – CIS EPC Conference, Brussels, 13 – 14 November 2003**
 - Physical interconnections, market structure, environment
 - A platform for discussion on conditions for further integration
- **3rd phase: a proposal of requirements for further East-West market integration** (the work will start in November 2003)

CHALLENGES AHEAD

Unity of market structure, environment and interconnection rules

- **EURELECTRIC supports UCTE and NORDEL as well as CIGRE to investigate technological and operational aspects of East-West interconnection**
- **Physical interconnections are a tool and make sense only in the framework of an agreed market and environmental framework**
- **Necessity of parallel progress on interconnection, market and environment rules**