

Vattenfall's views on the proposal for a revised internal electricity market regulation

Vattenfall welcomes the Commission's intentions and proposals for the recast of the Electricity Regulation. The proposals made are sound and allow for further market integration with regional cooperation at its core. As intended markets are made fit for renewables, and renewables made fit for the market.

More focus on regions is the way forward - We welcome and support an increased focus on regional solutions, most notably in the form of:

- Establishment of regional operational centres for transmission networks: To emphasize the importance of regional system planning, Vattenfall proposes that Regional Operational Center's be given a formal advisory role in transmission investment planning for the region concerned (Article 34). The ROC thereby will add a unique regional perspective to the national views of TSOs allowing for a well-informed decision on the regional investment plan.
- Establishment of a regional process to evaluate the reliability of supply from a regional perspective (Article 18, Article 19): Regardless whether you (i) already have, (ii) intend to introduce or (iii) believe to do without a separate remuneration for ensuring security of supply - Vattenfall's vision is that the decision must be based on an objective method and assessment of the regional system's resource adequacy situation. This can be done on a pan-European level (Article 19), however, a regional assessment would also already be an improvement compared to today . In this context, we support that every country should be required to develop a reliability standard and a harmonized calculation methodology is developed. (Article 19,20)

Uphold the market, giving all players the same conditions

- Vattenfall is very positive about the Commission's proposal to limit the number of exemptions that have so far hampered the emergence of a fully functioning market. We welcome the proposed balancing responsibility for all market parties. Vattenfall believes that the Commission proposal should be further strengthened and set clear deadlines for any use of derogations from the general rules. (Article 4 and 12)
- We support the wording of Article 5 on balancing markets, and notably the principles of open and non-discriminatory access of all market participants. It should be safeguarded in the negotiation process.
- We support the key principle of using market-based mechanisms to determine a redispatch / curtailment order. With the option of non-market based measures remaining, transparency is needed on motivation and causes for these. The total impact of the non-market based curtailment or redispatching and any financial compensation shall result neither in a financial advantage nor disadvantage for the owner of the facility. (Article 12)

Trading opportunities need to be maximized - Proposals for the day-ahead and intraday market have a one-sided focus on gate closing times. In order to maximize market participants opportunities for trading the regulation must also recognize the gate opening time, as early as possible, not only gate closure time (as late as possible). Otherwise there is a risk that intraday gate opening will be unnecessarily postponed which leads to inefficiencies and further uncertainty. This is especially relevant for the intraday market. (Article 6, Article 7)

Harmonized transmission grid tariffs are a prerequisite for a common market - Vattenfall gives strong backing to the Commission's proposal to address the lack of sufficiently harmonized transmission grid tariffs and connection costs from which the internal market is still suffering. Vattenfall considers that the Commission's proposal should be supplemented with clear instructions for how to design transmission grid tariffs to maintain and develop flexibility in the supply system. (Article 16)

DSO entity should focus on topics with need for European regulation. Vattenfall welcomes the opportunity to cooperate in the development of new EU rules via a new DSO entity. The DSO entity should be given appropriate decision-making rights for the selection of the topics new network codes and concentrate on issues of paramount importance for the electricity and energy markets which require European regulations. The work and decision-making capacity of the DSO entity may be ensured by means of appropriate representation rules.

Main points that should be improved during the negotiation process

- **Balancing Responsibility (Article 4):** introducing clear end dates for derogations from balancing responsibility
- **Day-ahead & Intraday markets (Article 6, 7):** ensuring gate opening time as early as possible
- **Forward markets (Article 8):** allowing all market participants to hedge price risks and maximizing hedging opportunities
- **Redispatch & Curtailment (Article 12):** increasing transparency on non-market based curtailment / redispatch measures, ensuring same treatment of all generation sources and adequate compensation for non-market based measures
- **Network charges (Article 16):** aiming for harmonization of transmission grid tariffs between member states and developing transmission tariff structure that enables flexibility in the supply system; ensure regulatory framework for innovative solutions in the distribution network
- **Regional operational centres (Article 34):** giving a formal advisory role in transmission investment planning to Regional Operational Centres