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Report on German Transmission System Operators' revenues from congestion management

First time investments in the expansion of the transmission grid

Kurth: „Significant progress in the development of an integrated European energy market“

The Federal Network Agency published its second report on German Transmission System Operators' revenues from congestion management at German borders today.

„German TSOs have been able to post revenues totalling € 245 m for the period from mid-2007 to mid-2008. The larger part of the revenues are being used to lower the transmission and distribution tariffs. For the first time the TSOs are also investing some of their revenues in the expansion of the transmission grid. This means that EU specifications on the cross-border trade of electricity are being met“, explained Matthias Kurth, President of the Federal Network Agency.

Market-based congestion management methods are auctions for the allocation of scarce transmission capacities at the interconnectors. The German TSOs allocate available transmission capacity at all German congested borders in auctions. Under EU legislation the income derived from auctions must be used by the TSOs for measures guaranteeing the availability of allocated capacity, decreasing the transmission and distribution tariffs and for grid investments. The Federal Network Agency monitors the use of the revenues from congestion management and compiles an annual report about the TSOs’ income and their use of it.

The Federal Network Agency is also endeavouring to improve and optimise the congestion management methods. Along with the other German market players the Agency is a member of four of the seven European regions forming part of the regional initiatives within the European Regulators Group for Electricity and Gas (ERGEG). Germany couples the regions Central Western Europe, Northern Europe, Central Eastern Europe and Central Southern Europe. For this reason the Agency considers it important to ensure the interregional compatibility of the solutions developed in the regions.
The Federal Network Agency is particularly keen on improvements in TSOs' cooperation in auctioning capacity at congested borders. As a result it has been possible to make substantial progress in the development of an integrated European energy market. To date, allocation of capacity at German borders was coordinated with neighbouring countries' TSOs on a bilateral or multilateral basis. In future, regional auction offices will facilitate congestion management methods between the TSOs. Improved cooperation between TSOs benefits market players in that they only need to approach one platform for capacity allocation and in that the capacity of all interconnectors in the region is allocated centrally“, expounded Mr Kurth.

Such an auction office (CAO) has already been established in Freising in the region Central Eastern Europe. It is a cooperative effort between the German TSOs Vattenfall Europe Transmission GmbH and E.ON Netz GmbH and the TSOs in Austria, Poland, Slovenia, Slovakia, the Czech Republic and Hungary. As far as the region Central Western Europe is concerned there are plans to establish a common auction office (CASC) in Luxemburg for the TSOs from Belgium, Germany (EnBW Transportnetze AG, E.ON Netz GmbH, RWE Transportnetz Strom GmbH), France, Luxemburg and the Netherlands which are active in this region. In the region Northern Europe the coupling of the Nordic market with the continental market is imminent with the launch of implicit auctions between Germany and Denmark. The requisite auction office (EMCC), already in place in Hamburg, will ensure an optimised allocation of congestion management capacities through the cooperation of the power exchanges Nordpool Spot and EEX, the Danish system operator Energienet.dk and the German TSOs Vattenfall Europe Transmission GmbH and E.ON Netz GmbH.

The EU Commission and as part of merger control the Federal Cartel Office had given their approval to all three projects.