

Rte

Réseau de transport d'électricité



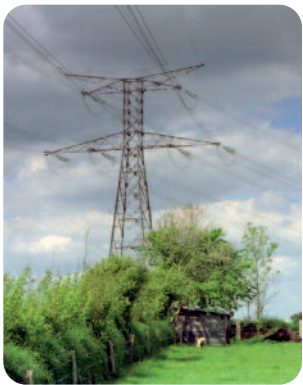
CUSTOMER RELATIONS

MARCH 2011

ACCESS TO INTERCONNECTIONS

*Are you looking to access the European energy market?
RTE offers interconnections access services in coordination
with neighbouring TSOs*

Energy is our future, let's save it!



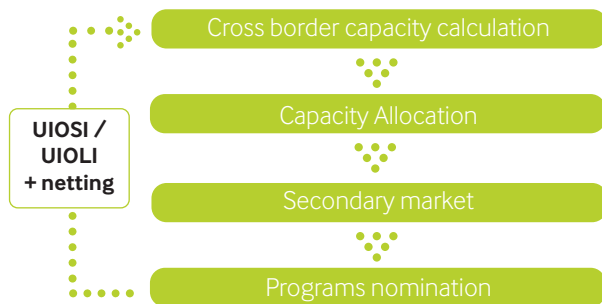
HOW TO RECONCILE NETWORK SECURITY AND MARKET FLUIDITY?

Key elements of the European electricity market, international interconnections allow cross border energy exchange between neighbouring countries market players. They also guarantee the secure operation of the European power system. Indeed, they allow generation reserves to be

pooled in order to deal with unexpected outages affecting generation or transmission facilities, or sudden fluctuations in electricity demand. France is interconnected with six neighbouring countries via 46 cross-border lines. EU Regulation 1228/2003 sets out guidelines on interconnection access mechanisms to be implemented in Europe.

HOW DOES ACCESS TO INTERCONNECTIONS WORK?

A cross-border transaction (import or export) takes place following two main steps: allocation and nomination.



Interconnection access procedure, valid for all timeframes (LT, Day-Ahead, Intraday)

ALLOCATION

The allocation phase consists of acquiring interconnection capacity for a given period and in a given direction.

Physical transmission rights (PTRs) are calculated and allocated by the TSOs for various timeframes:

- "long term" (annual, monthly, six-monthly, quarterly or by weekend, in some cases);
- daily and intraday.

On French borders:

- "long term" PTRs are allocated via explicit auctions;
- "daily" PTRs are allocated via explicit or implicit auctions (market coupling);
- "intraday" PTRs are allocated via explicit auctions, a pro rata mechanism or a continuous mechanism, depending on the interconnection concerned.



THE SECONDARY MARKET

A secondary capacity market allows market participants to transfer their long term PTRs (entirely or partially) to other market participants or make them available for sale at subsequent auctions.

NOMINATION

The nomination phase consists of declaring to RTE the cross-border exchange program, in the limit of the previously acquired PTRs.

- Long Term physical transmission rights are nominated at the start of day D-1.
- Rights acquired at daily auctions are nominated during the afternoon of day D-1.
- Rights acquired through intraday mechanisms may be nominated at a range of gates scheduled throughout the D day, depending on the interconnection concerned.

NON-NOMINATED RIGHTS

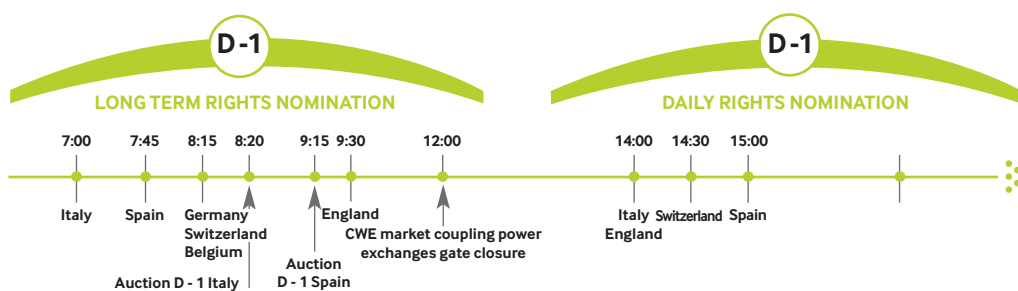
Rights acquired through long term allocations that have not been nominated are automatically made available for sale again via daily allocations. The holder of non nominated long term rights receives financial compensation (Use It or Sell It, or UIOSI) equivalent to:

- the marginal price of the resale auction when the daily allocation mechanism is an explicit auction;
- the market price spread when the daily allocation mechanism is an implicit auction.

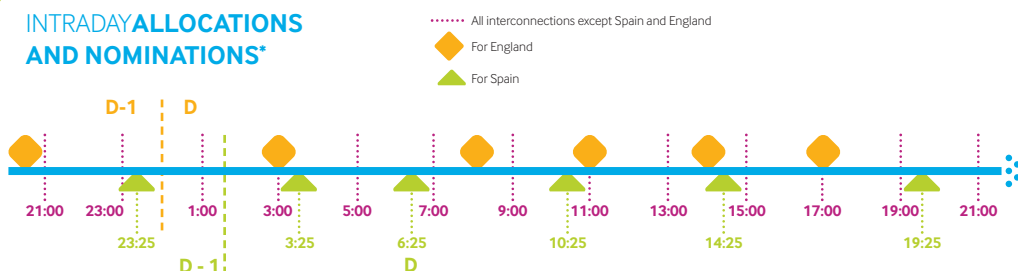
Non nominated rights acquired at daily allocations, are made available for sale again at intraday allocations, on condition that the safety of the electricity system allows it.

The holder of non nominated daily rights do not receive any compensation (Use It or Lose It, or UIOLI).

LONG TERM AND DAILY RIGHTS NOMINATION



INTRADAY ALLOCATIONS AND NOMINATIONS*



*Since the allocated capacity is an obligation, nomination to RTE on the France-Germany border no longer exists under the new intraday Capacity Service.



CENTRALIZED AUCTION SERVICES



Allocations are fully coordinated across all RTE's interconnections, including common access rules with each of RTE's neighbouring TSOs.

In particular, since October 2008 in the "Central West Europe" region, the TSOs in France, Belgium, the Netherlands, Germany and Luxembourg set up a common company as a single point of contact with the market, called the "Capacity Allocation Service Company" (CASC). CASC acts as a single auction office, responsible for running the auctions for annual and monthly transmission capacity allocations on the borders between the five countries, and based on common rules. In 2011, this service will be extended to the "Central South Europe" region with the Italian, Slovenian, Austrian, Greek and Swiss TSOs.

THE FRANCE-ENGLAND INTERCONNECTION

For IFA, the interconnection linking France and England, a joint service was set up in 2009 by RTE and National Grid. It deals with allocation and nomination processes.

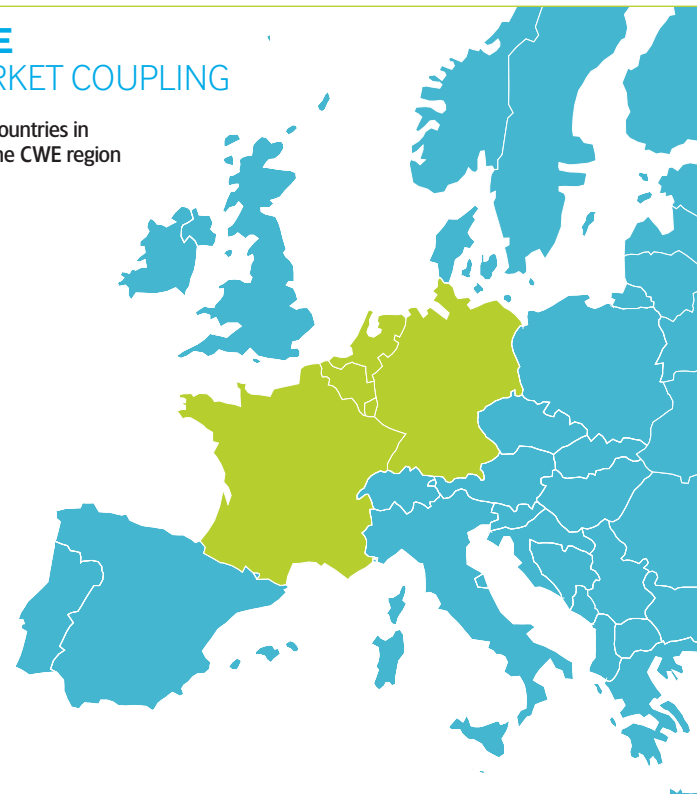
"MARKET COUPLING"

Under this mechanism, the trading on the power exchanges on both sides of the border and the acquisition of interconnection capacity are coordinated and combined into one single operation ("implicit" allocation).

Market coupling, based on gathering the order books of power exchanges on both sides of the interconnection, ensure that available transmission capacity is used in an optimal way. However, the mechanism is limited by the capacity available on borders. When no congestion occurs on borders between coupled markets, those markets define a single price area. If the demand for imports or exports on a border exceeds the available interconnection capacity (congestion), there is a difference in prices between the power exchanges on each side of the border. In practice, since November 9, 2010, a market coupling mechanism has been operated for the CWE region, involving the TSOs and power exchanges in France, the Netherlands, Belgium and Germany. Alongside that, a second interim initiative called "ITVC" has been launched, coupling the CWE region to the Nordic region (Interim Tight Volume Coupling).

CWE MARKET COUPLING

■ Countries in the CWE region





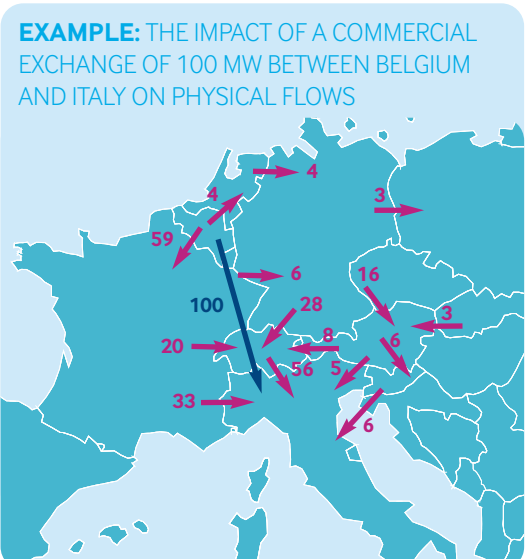
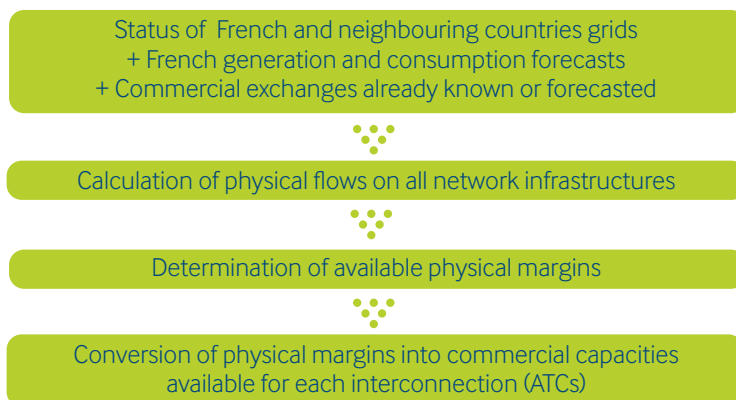
❖ CROSS BORDER CAPACITY CALCULATION

The volume of cross-border exchanges is limited by the physical interconnection capacities of each national transmission grid with the one of its neighbours.

Working in coordination with their neighbours, RTE evaluates the exchange capacities available (NTCs) across their various interconnections, for the multiannual, annual, monthly, weekly, D - 2 and day-ahead timeframes.

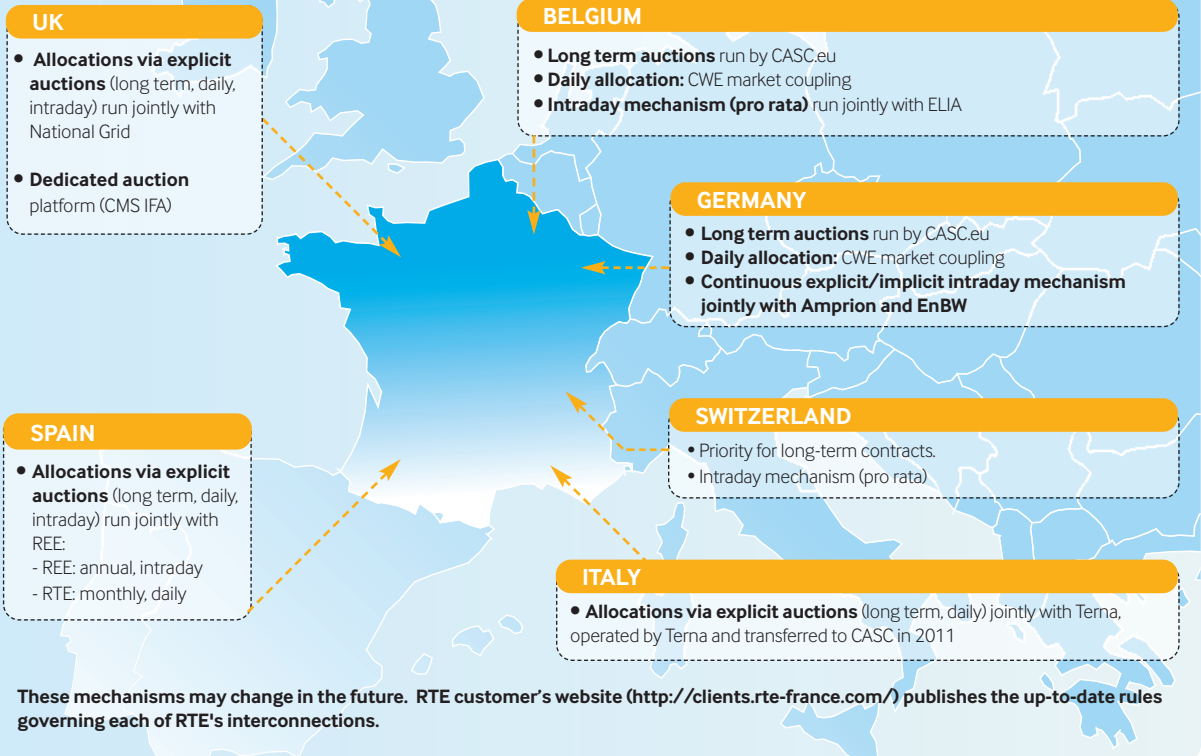
The physical capacities of lines depend solely on the infrastructure's technical characteristics and

the period of the year (capacities tend to be higher in winter). However, due to the complex functioning of a meshed power grid, there is no straightforward correlation between commercial capacities and physical capacities. Indeed, the physical flows depend only on generation and consumption at the interconnected network various nodes, and are not determined by the exports and imports declared by market participants. The method used to determine commercial import and export capacities follows these steps, for each timeframe:





CURRENT MECHANISMS FOR CROSS BORDER CAPACITY ALLOCATIONS



THE CONTRACTUAL FRAMEWORK



You are an electricity consumer, generator, supplier or trader and you wish to access interconnections. To do so, you must:

- subscribe to the Allocation Rules in force on the interconnection concerned, by signing a specific contractual agreement in order to take part in the allocation process;
- subscribe to **the Access Rules for Imports and Exports on the French Public Power Transmission Network** by signing

a Participation Agreement to the current rules, in order to be able to send nominations to RTE;

- attach your export and import transactions to a Balance Responsible perimeter.

These procedures have been implemented either jointly with neighbouring TSOs (Italy, England, Germany, Spain and Belgium), or unilaterally where the context has not allowed or required a bilateral agreement with the neighbouring TSOs (Switzerland).

A TRANSPARENCY POLICY

For each interconnection, RTE publishes the following information on its Customer website (<http://clients.rte-france.com>):

- *outages affecting interconnection infrastructures and forecasts for interconnection capacities (NTCs);*
- *auctions data: calendars, specifications, results;*
- *the overall programs nominated at each gate closure.*

These data are also available on the inter-TSO publication platform, [ENTSOE.net](http://www.entsoe.net) (www.entsoe.net).

HARMONIZATION AND INVESTMENTS FOR BETTER INTERCONNECTIONS

RTE, as a member of ENTSO-E, continues to work with its neighbours on proposals aimed at ensuring efficient access to interconnections.

As part of the four Regional Initiatives in which France is involved, RTE is actively working towards regional and pan-European harmonization of the methods used to calculate and allocate capacities, and in particular, the "flow-based" regional

allocation mechanisms, the market coupling extension and the development of intraday access to interconnections.

RTE is also investing with its neighbours in new interconnections (France – Italy, France – Spain, France – England) and in measures to strengthen existing interconnections (France – Belgium, France – Germany), in order to boost the volume of interconnection capacity made available to market participants.



PRICE DEFINITION

The prices of interconnection capacities are fixed for each border and each product (long term, daily, intraday) by the auctions results (explicit or implicit).

Due to the TSO compensation mechanism set under the aegis of ENTSO-E, no cross-border exchanges are taxed. All incomes from interconnection mechanisms are used in accordance with applicable EU legislation.

GLOSSARY

- ATC: Available Transfer Capacity; Available commercial capacity of an interconnection, for a given timeframe.
- Congestion: situation where demand for imports and exports on a border exceeds the available interconnection capacity.
- CSE: Central South Europe region (France, Italy, Austria, Slovenia, Greece).
- CWE: Central West Europe region (France, Germany, Belgium, Netherlands, Luxembourg).
- ENTSO-E: association of European electricity transmission system operators.
- FUI: France, UK, Ireland.
- IFA: France- England Interconnection.
- ITVC: Interim Tight Volume Coupling.
- Netting: Superposition of import and export nominations on a given interconnection, to free up additional commercial capacity.
- NTC: Net Transfer Capacity; total commercial capacity of an interconnection, for a given timeframe.
- PTRs: Physical Transmission Rights .
- SWE: South West Europe region (France, Spain, Portugal).
- TLC: Trilateral Market Coupling; market coupling between France, Belgium and the Netherlands, launched in 2006. It was replaced in November 2010 by CWE coupling.

FOR MORE INFORMATION:

- RTE Customer Area
<http://clients.rte-france.com>
- CASC
<http://www.casc.eu/en>
- ENTSOE.net
www.entsoe.net
- ERGEG
www.energy-regulators.eu



1, Terrasse Bellini – TSA 41000
F- 92919 LA DÉFENSE CEDEX
mail : marketservices@rte-france.com
Tel: +33 (0)1 41 66 70 00

<http://clients.rte-France.com>