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Report to the European Commission on the implementation of the ITC mechanism in 2013

November 2014

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1 Introduction

This is the third annual report prepared by the Agency for the Cooperation of Energy Regulators (the “Agency”) on the implementation of the Inter-Transmission System Operator Compensation (“ITC”) mechanism and the management of the ITC fund, pursuant to point 1.4 of Annex Part A of Commission Regulation (EU) No 838/2010 on laying down guidelines relating to the inter-transmission system operator compensation mechanism and a common regulatory approach to transmission charging¹ (the “Regulation”). The Agency has prepared this report based on the data submitted by the European Network of Transmission System Operators for Electricity (“ENTSO-E”) and on information received from 26 National Regulatory Authorities (“NRAs”) regarding the criteria for the valuation of transmission losses.

The ITC scheme, defined by the Regulation, was implemented on 3 March 2011. Under the Regulation, the ITC fund was established by the ENTSO-E for the purpose of compensating transmission system operators (“TSOs”) for the costs incurred on national transmission systems due to hosting cross-border flows of electricity. The ITC fund consists of two parts, which are aimed at covering, respectively, the costs of incurred transmission losses and the costs of making infrastructure available. TSOs participating in the ITC mechanism (“ITC Parties”) receive compensation from the ITC fund based on the cross-border flows (“Transits”) they carry, and contribute to the ITC fund based on their net imports and exports. Non-participating countries connected to the ITC Parties (“Perimeter countries”²) pay fees for their imports from and exports to the ITC Parties’ networks.

The implementation of the provisions of the Regulation regarding the ITC mechanism and management of the ITC fund is carried out by ENTSO-E through the legal framework of the ITC clearing and settlement multi-year agreement (ITC agreement) concluded between 34 ITC Parties on 9 February 2011.

The report is structured as follows:

- Section 2 summarises the Agency’s review process;
- Section 3 presents the Agency’s findings on the general alignment of the ITC mechanism with the Regulation and specific aspects of the implementation of the ITC mechanism in 2013;
- Section 4 provides the Agency’s concluding remarks on the implementation of the ITC mechanism in 2013; and
- The Annex contains tables of relevant data and information about the criteria and documents regarding the valuation of losses.

2 Process of review

The Agency reviewed the implementation of the ITC mechanism and the management of the ITC fund in 2013 based on:

- ITC Clearing and Settlement Multi-Year Agreement (“the ITC Agreement”);

¹ OJ L 250, 24.9.2010, p.5.

² Belarus, Moldova, Morocco, Russian Federation, Turkey and Ukraine

- Relevant data and written explanations from ENTSO-E in relation to the ITC mechanism in 2013;
- NRAs' criteria for valuating transmission losses for the purpose of calculating the losses compensation amount in the ITC mechanism.

ENTSO-E operates the ITC mechanism through the ITC Agreement, which sets out contractually the duties and entitlements of ENTSO-E and all the ITC Parties. It also sets out the detailed ITC procedures, including the submission, audit and validation of data, calculation of compensation and contribution amounts, and the clearing and settlement of the ITC fund.

The ITC settlement lags the real time by six months to accommodate data audit and validation steps. The final data relating to the implementation of the ITC mechanism in 2013 were submitted by ENTSO-E to the Agency at the end of June 2014. The Agency appreciates the fact that ENTSO-E had also provided some descriptive information.

Through the ITC Agreement, ENTSO-E appointed two TSOs (Amprion GmbH and Swissgrid ag) as 'ITC Data Administrator' to manage relevant data and to conduct clearing and settlement duties. The ITC Agreement includes yearly and monthly data audit and/or validation procedures involving all the ITC Parties.

The Agency regards that such a self-governance arrangement in the operation of the ITC mechanism is a proportionate approach and ought to be sufficient for assuring the accuracy of the operation of the ITC mechanism. In general, the Agency does not consider it necessary for its own review to conduct a detailed audit or validation of all the input and intermediate data used in the operation of the 2013 ITC mechanism. As indicated in Section 3.3 of this Report, the Agency verified the criteria for the valuation of losses at national level as the Regulation requires such a specific verification. The Agency also considered appropriate to review how the audit processes worked in terms of:

- the output of the audit process for the losses and the yearly vertical load, and
- the approach for handling the missing data or data of insufficient quality in the final settlement process.

3 Review of the 2013 ITC implementation

The ITC fund amounted to €245 million, consisting of €100 million relating to infrastructure and €145 million relating to losses. Of these, €228 million were recovered through contributions from ITC Parties and the remaining €16 million through the Perimeter countries' fees.

A 12% decrease of the ITC fund in 2013 against 2012 (€279 million) is observed due to the decrease in the losses component of the ITC Fund (decrease of the transit flows and of the value of losses, see Sections 3.2 and 3.3 of this Report).

Table 5 in the Annex provides an overview of the compensations drawn from, and contributions made to, the 2013 ITC Fund by the ITC Parties. It also shows the contributions from Perimeter countries collected through those ITC Parties directly connected to them.

3.1 General alignment between 2013 ITC implementation and the Regulation

The Agency's review of the relevant parts of the ITC Agreement has been carried out in 2011 and described in the Agency's Report on the implementation of the ITC mechanism in 2011³. The Agency notes that no major amendments to the ITC Agreement were introduced in 2013⁴ and that the general arrangements are still in line with the guidelines set out in the Regulation.

3.2 Reduction of Transits

Under the Regulation, the Transit of electricity carried by an ITC Party is a key input to the determination of the compensation amount it is entitled to receive from the ITC fund (see more details in Sections 3.4 and 3.5 of this Report). Point 1.6 of Annex Part A of the Regulation requires that, for the purpose of calculating Transits, the amount of imports and exports at each interconnection between ITC Parties is reduced in proportion to the share of capacity allocated in a manner which is not compatible with Point 2 of the guidelines on congestion management set out in Annex I of Regulation (EC) No 714/2009⁵.

The Agency notes that ENTSO-E took the following steps in line with the definition in the Regulation related to transit reduction:

- the affected ITC Parties indicated, for each concerned border, the overall exports and imports as well as the schedules which are allocated in a manner which is not compatible with point 2 of the guidelines on congestion management set out in Annex I of Regulation (EC) No 714/2009;
- the ITC Data Administrators translated this information into the amount by which the relevant Transit needs to be reduced; and
- the reduced Transit was then the basis for calculating the compensation amounts relating to both the infrastructure and the losses parts of the ITC fund.

Table 1 in the Annex provides a summary of the Transits through each ITC Party's network before and after such adjustments. The four concerned borders⁶ and the four ITC Parties affected by the reduced Transit in 2013 remained the same as in the previous year, as described in the Agency ITC Report on the implementation of the ITC mechanism in 2012. The amount of Transit after reduction registered a decrease of 5% in 2013 (217 TWh) compared to 2012 (227 TWh). The amount of the reduction (6.5 TWh) remained around 3% of the transit before reduction as in 2012.

3.3 Compensation for transmission losses

³http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ITC%20monitoring%20report%202011.pdf

⁴ Amendments in the ITC Agreement were made for:

- Schedule O (Ex-Ante Financial Spreadsheet), Schedule P (ENTSO-E convention on Business Day), Schedule S (Contact details), Schedule T (List of yearly Vertical Loads), Schedule U (List of lines and measurement points) and Schedule X (Table of losses costs) updated on yearly basis;
- The written notice issued by the Data Administrator on the following technical aspects of clearing and settlement: "The Final settlement is invoiced in two cycles per year, covering the periods January to June and July to December".

⁵ Point 2.1 of Annex I of Regulation (EC) No 714/2009 stipulates that "capacity shall be allocated only by means of explicit (capacity) or implicit (capacity and energy) auctions".

⁶ The four (oriented) borders affected by transit reduction are: Switzerland → Germany, Germany → Switzerland, Switzerland → Italy and France → Switzerland.

Point 4 of Annex Part A of the Regulation defines the key steps for calculating the amount of compensation that an ITC Party should receive for transmission losses incurred by carrying cross-border flows. These are summarised below:

- a) the physical amount of the relevant losses must be calculated by ENTSO-E based on the difference between actual losses with the Transit flows and estimated losses without the Transit flows on the ITC Party's network; and
- b) the value of the losses incurred by a national system as a result of the cross-border flows of electricity shall be calculated on the same basis as those approved by the respective NRA in respect of all losses on the national transmission system. Where the relevant NRA has not approved a basis for the calculation of losses, ENTSO-E is required to estimate the value of losses for the purposes of the ITC mechanism.

ENTSO-E sets out the detailed method for the calculation of the level of losses in the ITC Agreement. Based on the review of the ITC Agreement and the dataset submitted by ENTSO-E, the Agency notes that this aspect of the implementation of the ITC mechanism is in line with the definition in the Regulation.

Table 2 in the Annex provides a summary of the annual transmission losses volume in the ITC Parties' networks due to the carrying of cross-border transits, the values of losses adopted by them, and the compensation they received from the ITC fund in 2013.

ENTSO-E is required by the Regulation to publish the calculation of the amount of losses and its method. The Agency acknowledges that ENTSO-E published the calculation method and the results for 2013⁷, as it already did for 2011 and 2012.

3.4 Criteria for valuating losses

For EU Member States, the Agency collected from 26 NRAs (the EU NRAs, except Cyprus and Malta) the criteria for valuating losses on their national transmission system. The Agency verified the criteria taking into account the Regulation's requirement that losses are valued (for the purposes of the ITC mechanism) in a fair and non-discriminatory way. The Agency found that the Energy Market Authority in Finland does not approve the basis for the calculation of losses because, according to the Finnish electricity market legislation, it has no power to ex-ante approve or confirm any methodology for network operators to calculate/evaluate network losses. The Energy Market Authority is able to supervise calculation methods and costs of losses only ex-post. The value of losses for the purposes of the ITC mechanism for Finland is estimated by the Finnish TSO based on power exchange prices⁸.

The Agency notes that three main criteria for assigning value to losses can be identified:

- power exchanges (PXs) prices and pool prices;
- bilateral contracts;
- auctions.

It is possible to use several criteria together, for instance a combination of PX and bilateral contracts or auctions and PX.

⁷ <https://www.entsoe.eu/about-entso-e/market/inter-tso-compensation/Pages/default.aspx>

⁸ Further, in France, the NRA approved the criteria for valuating losses after the definition of the forecasted value for ITC in 2013. However, the criteria were the same ones approved for year 2012.

15 NRAs use criteria based on PX prices and pool prices, 5 NRAs use auctions/tenders on yearly or quarterly basis and 1 NRA has a criterion based on contract prices. Furthermore, 3 NRAs use a combination of the aforementioned criteria and 1 NRA uses a different approach based on regulated weighted generator prices.

The Agency concludes that 23 EU NRAs adopted criteria for valuating losses using a market-based approach whereas for 2 NRAs (Bulgaria and Croatia) this is not the case.

5 countries (Czech Republic, Estonia, Latvia, Romania and Slovakia) reported in 2013 a change in the criteria related to the valuation of losses. The Agency notes that in Estonia the losses value increased by 38% in 2013 compared to 2012 after the change of criteria.

A summary per country of the criteria for valuating losses over the years 2011-2013 is shown in table 6 in the Annex. The website links to the relevant national documents for losses valuation are shown in table 8 in the Annex.

3.5 Losses values

The Agency reviewed the ENTSO-E's audit process for losses values and yearly vertical load in terms of its capability to identify and correct potential errors in order to ensure the quality of data for the settlement process.

The Agency observes that four requirements for changes (three for the losses values and one for the yearly vertical load) have been identified during the ENTSO-E audit process, which started on 15 January and ended on 25 February 2014. The main reasons included in the explanatory notes are related to errors in reporting the data and to pending NRA's approval.

The variation of energy prices for different products in different markets and from auctions and bilateral contracts resulted in a range of losses values from 40.67 €/MWh in Estonia to 75.51 €/MWh in Italy, with an average (weighted by the volumes of losses) at 53.83 €/MWh. The Agency notes that the 5% decrease of transit volumes in 2013 translated into a 20% decrease in the losses volumes. In 2013 the ITC fund losses compensation encountered a decrease of 24% compared to 2012.

The evolution of losses values per country over the years 2011-2013 is illustrated in Fig.1A and Fig.1B in the Annex.

The losses values for 2013 are shown in Table 7 in the Annex.

For ITC Parties from third countries⁹, the Agency reviewed ENTSO-E's approach for setting the relevant values. ENTSO-E used the losses values received in the annual ITC data submission.

The Agency notes that the weighted average value of losses of ITC Parties from third countries in 2013 is 60.67 €/MWh, which is 13% higher than the weighted average value for the EU ITC Parties (53.83 €/MWh).

In comparison to 2012, a decrease of 2% of the weighted average value of losses for EU ITC Parties and an increase of 0.2% for the third countries have been registered. The absolute average value decreased by 2%.

The Agency also notes that Albania's value of 7.00 €/MWh is an outlier with respect to the values provided by other ITC Parties. Given that Albania received negative losses compensation from the

⁹ In 2013: Albania, Bosnia and Herzegovina, FYR of Macedonia, Montenegro, Norway, Serbia and Switzerland.

ITC fund, a change from its current losses value to the weighted average value of losses of ITC Parties from third countries (60.67 €/MWh) would have increased the amount of its negative compensation (which is effectively a payment into the ITC fund) from €0.023 million to €0.196 million.

3.6 Compensation for cross-border infrastructure

Point 5 of Annex Part A of the Regulation defines the key parameters for calculating the amount of compensation that an ITC Party should receive for the provision of infrastructure to carry cross-border flows of electricity. These are summarised below:

- a) the annual cross-border infrastructure sum is set at €100 million until determined otherwise by the European Commission after receiving a proposal¹⁰ from the Agency; and
- b) the Transit Factor and Load Factor are used to apportion the above sum to each ITC Party. Transit Factor refers to the amount of Transits carried by an ITC Party as a proportion of the total Transits carried by all ITC Parties. Load Factor refers to the relative amount of Transits (measured by the square of Transits divided by level of the Load plus Transits) in proportion to the relative amount of Transits for all ITC Parties. In apportioning the infrastructure compensation amount for an ITC Party, the Transit Factor has a weighting of 75% and the Load Factor of 25%.

Based on the review of the ITC Agreement and the final dataset submitted by ENTSO-E, the Agency notes that the compensation amounts relating to the provision of cross-border infrastructure were derived according to the above requirements.

Table 3 in the Annex provides a summary of the annual amount each ITC Party received in 2013 from the two components based on their Transit Factors and Load Factors.

3.7 Contributions to the ITC fund

Point 6 of Annex Part A of the Regulation sets out that each ITC Party shall contribute to the ITC fund based on its share of the total absolute amount of Net Imports and Net Exports of all ITC Parties.

Point 7 of Annex Part A of the Regulation sets out that an ITC Party shall levy a transmission system use fee on all scheduled imports and exports between its national transmission system and that of a Perimeter country. ENTSO-E is required to calculate this Perimeter countries' fee each year in advance based on projected flows for the relevant year.

Based on the review of the ITC Agreement and the final dataset submitted by ENTSO-E, the Agency notes that ITC Parties' contribution amounts were derived according to the requirements of points 6 and 7 of Annex Part A of the Regulation. Relevant ITC Parties also collected contributions from Perimeter countries with which they have direct connections. ENTSO-E's calculation of the Perimeter countries fee was based on the equivalent losses and infrastructure compensation for historical flows of the previous year. According to ENTSO-E, this is the best possible projection for flows in the subsequent year. In 2013, the Perimeter countries fee was 0.7 €/MWh.

¹⁰ In its recommendation the Agency considered that a new regulatory framework for ITC should be developed limiting the ITC infrastructure compensation to existing infrastructures, while, where appropriate, the new investments should be subject of Cross-Border Cost Allocation (CBCA) agreements. Further the Agency considered that an ex-post compensation mechanism should be implemented to compensate for both the costs induced by the loop flows phenomenon and the losses induced by cross-border flows.

See the Agency's Recommendation No 05/2013 of 25 March 2013 on a New Regulation Framework for the Inter-Tansmission System Operator Compensation

http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Recommendations/ACER%20Recommendation%202005-2013.pdf

Table 4 in the Annex provides a summary of the annual Net Import and Net Export and the contribution amount each ITC Party paid into the ITC fund in 2013, including the contribution it made on behalf of Perimeter countries it has direct connection with.

3.8 Accuracy of data

ENTSO-E carried out a distinct monthly internal audit on the data submitted by the ITC Parties for the monthly preliminary settlement, which eliminated the need for further corrections of the monthly results at the time of the final settlement.

4 Concluding remarks

The Agency notes that the implementation of the ITC mechanism and the management of the ITC fund in 2013 continue to be in line with the requirements set out in the Regulation.

With regard to the specific requirements of Annex Part A of the Regulation, the Agency found the following:

- Point 1 (Reduction of Transit due to capacity allocation not compatible with point 2 of the congestion management guidelines set out in Annex I of Regulation (EC) No 714/2009¹¹): There were four relevant borders, involving four ITC Parties, whose Transits have been reduced and compensation amounts adjusted accordingly.
- Point 4 (Fair and non-discriminatory criteria for the valuation of transmission losses): All EU ITC Parties determined the value for losses according to criteria approved by the respective regulatory authority with the exception of Finland. The value of losses for Finland was estimated by the Finnish TSO. 23 NRAs out of 25 adopted market-based criteria for the valuation of losses.
- Point 7 (Ex-ante calculation of Perimeter country fee based on projected flows for the relevant year): ENTSO-E's calculation was based on the levels of the previous year, which it regards as the best possible projection for flows in the subsequent year.

¹¹ OJ L 211, 14.8.2009, p.15, Regulation (EC) No 714/2009 of the European Parliament and of the Council on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003

Annex – Tables and Figures

Please note that while the actual ITC settlement is to the Euro cents, the tables below present all monetary values in Euro millions rounded to three decimal places.

Table 1 Reduction of Transits

ITC Party	Transit before adjustment (MWh)	Reduction due to non-auctioned interconnection capacity (MWh)	Transit after reduction (MWh)
Albania / AL	611,825	0	611,825
Austria / AT	16,518,855	0	16,518,855
Belgium / BE	6,193,605	0	6,193,605
Bosnia Herzegovina / BA	3,682,363	0	3,682,363
Bulgaria / BG	3,349,483	0	3,349,483
Croatia / HR	7,111,645	0	7,111,645
Czech Republic / CZ	9,590,696	0	9,590,696
Denmark / DK	7,425,309	0	7,425,309
Estonia / EE	2,441,012	0	2,441,012
Finland / FI	2,404,243	0	2,404,243
France / FR	10,030,784	626,123	9,404,661
Germany / DE	33,090,544	7,295	33,083,249
Great Britain / GB	4,046,244	0	4,046,244
Greece / GR	2,527,837	0	2,527,837
Hungary / HU	4,756,577	0	4,756,577
Ireland / IE	282,751	0	282,751
Italy / IT	1,478,157	4,982	1,473,176
Latvia / LV	3,140,003	0	3,140,003
Lithuania / LT	1,127,385	0	1,127,385
Luxembourg/LU	0	0	0
FYR of Macedonia / MK	1,535,003	0	1,535,003
Montenegro / ME	2,482,749	0	2,482,749
Netherlands / NL	14,736,389	0	14,736,389
Northern Ireland / NI	369,779	0	369,779
Norway / NO	3,488,286	0	3,488,286
Poland / PL	7,082,698	0	7,082,698
Portugal / PT	2,869,420	0	2,869,420
Romania / RO	2,373,361	0	2,373,361
Serbia / RS	4,182,517	0	4,182,517
Slovakia / SK	9,664,505	0	9,664,505
Slovenia / SI	6,846,139	0	6,846,139
Spain / ES	9,161,452	0	9,161,452
Sweden / SE	13,641,313	0	13,641,313
Switzerland / CH	24,873,707	5,831,225	19,042,482
TOTAL	223,116,638	6,469,625	216,647,013

Table 2 Derivation of compensation for transmission losses

ITC Party	Impact of Transit on losses volume (MWh)	Value of losses for ITC (€/MWh)	Compensation (€million)
Albania / AL	-3,238	7.00	-0.023
Austria / AT	176,251	56.07	9.882
Belgium / BE	58,178	60.32	3.509
Bosnia Herzegovina / BA	30,673	46.63	1.430
Bulgaria / BG	26,816	50.66	1.358
Croatia / HR	71,114	63.38	4.507
Czech Republic / CZ	53,676	57.60	3.092
Denmark / DK	316,036	43.69	13.808
Estonia / EE	56,138	40.67	2.283
Finland / FI	83,588	52.13	4.357
France / FR	164,572	69.44	11.428
Germany / DE	516,281	53.42	27.580
Great Britain / GB	-69,489	63.96	-4.445
Greece / GR	23,501	68.12	1.601
Hungary / HU	27,038	54.48	1.473
Ireland / IE	5,603	66.51	0.373
Italy / IT	-9,404	75.50	-0.710
Latvia / LV	61,309	45.84	2.810
Lithuania / LT	3,882	50.10	0.195
Luxembourg/LU	0	54.47	0.000
FYR of Macedonia / MK	4,581	66.00	0.302
Montenegro / ME	8,111	62.62	0.508
Netherlands / NL	63,428	62.70	3.977
Northern Ireland / NI	1,742	66.51	0.116
Norway / NO	38,751	38.82	1.504
Poland / PL	87,070	46.38	4.038
Portugal / PT	35,888	57.60	2.067
Romania / RO	-19,725	50.22	-0.991
Serbia / RS	37,545	60.00	2.253
Slovakia / SK	40,138	63.66	2.555
Slovenia / SI	33,124	55.51	1.839
Spain / ES	69,973	50.33	3.522
Sweden / SE	361,153	51.38	18.556
Switzerland / CH	306,861	65.35	20.053
TOTAL	2,661,167	N/A	144.810

Table 3 Derivation of compensation for cross-border infrastructure

ITC Party	Transit (MWh)	Load* (GWh)	Transit Factor based compensation (€million)	Load Factor based compensation (€million)	Total Infrastructure compensation (€million)
Albania / AL	611,825	6,970	0.212	0.032	0.243
Austria / AT	16,518,855	27,245	5.719	3.996	9.715
Belgium / BE	6,193,605	73,044	2.144	0.310	2.454
Bosnia Herzegovina / BA	3,682,363	11,880	1.275	0.558	1.833
Bulgaria / BG	3,349,483	32,500	1.160	0.201	1.360
Croatia / HR	7,111,645	17,189	2.462	1.334	3.796
Czech Republic / CZ	9,590,696	34,172	3.320	1.347	4.667
Denmark / DK	7,425,309	21,070	2.571	1.240	3.811
Estonia / EE	2,441,012	7,261	0.845	0.394	1.239
Finland / FI	2,404,243	59,576	0.832	0.060	0.892
France / FR	9,404,661	434,634	3.256	0.128	3.383
Germany / DE	33,083,249	329,050	11.453	1.937	13.390
Great Britain / GB	4,046,244	309,500	1.401	0.033	1.434
Greece / GR	2,527,837	51,523	0.875	0.076	0.951
Hungary / HU	4,756,577	28,464	1.647	0.436	2.083
Ireland / IE	282,751	25,806	0.098	0.002	0.100
Italy / IT	1,473,176	285,781	0.510	0.005	0.515
Latvia / LV	3,140,003	6,326	1.087	0.668	1.755
Lithuania / LT	1,127,385	9,392	0.390	0.077	0.468
Luxembourg/LU	0	4,220	0.000	0.000	0.000
FYR of Macedonia / MK	1,535,003	8,904	0.531	0.145	0.676
Montenegro / ME	2,482,749	4,058	0.859	0.604	1.463
Netherlands / NL	14,736,389	52,912	5.102	2.057	7.159
Northern Ireland / NI	369,779	9,018	0.128	0.009	0.137
Norway / NO	3,488,286	88,398	1.208	0.085	1.292
Poland / PL	7,082,698	83,998	2.452	0.353	2.805
Portugal / PT	2,869,420	37,622	0.993	0.130	1.124
Romania / RO	2,373,361	37,630	0.822	0.090	0.912
Serbia / RS	4,182,517	32,103	1.448	0.309	1.757
Slovakia / SK	9,664,505	17,610	3.346	2.195	5.541
Slovenia / SI	6,846,139	12,602	2.370	1.545	3.915
Spain / ES	9,161,452	193,648	3.172	0.265	3.437
Sweden / SE	13,641,313	101,874	4.722	1.032	5.755
Switzerland / CH	19,042,482	50,408	6.592	3.346	9.939
TOTAL	216,647,013	2,506,387	75.000	25.000	100.000

* This is the total amount of electricity which exits the national transmission system to distribution systems and end consumers direct connected to the transmission system, and to electricity producers for their consumption in the generation of electricity.

Table 4 Derivation of contributions to the ITC fund

ITC Party	Net Import (MWh)	Net Export (MWh)	Contribution to infrastructure (€million)		Contribution to losses (€million)	
			Perimeter countries	ITC Party	Perimeter countries	ITC Party
Albania / AL	1,710,719	814,391	0.000	0.699	0.000	1.040
Austria / AT	10,442,585	1,658,597	0.000	3.349	0.000	4.985
Belgium / BE	10,371,564	617,263	0.000	3.041	0.000	4.527
Bosnia Herzegovina / BA	99,566	3,161,631	0.000	0.903	0.000	1.343
Bulgaria / BG	886	2,192,240	0.960	0.607	0.960	0.903
Croatia / HR	4,143,125	270,012	0.000	1.221	0.000	1.818
Czech Republic / CZ	10,541	17,852,828	0.000	4.944	0.000	7.358
Denmark / DK	4,152,702	3,024,543	0.000	1.987	0.000	2.956
Estonia / EE	14,718	2,408,937	0.000	0.671	0.000	0.998
Finland / FI	11,211,630	2,948	1.620	3.104	1.620	4.620
France / FR	892,805	48,247,711	0.000	13.601	0.000	20.242
Germany / DE	2,737,244	37,574,381	0.000	11.157	0.000	16.605
Great Britain / GB	13,658,941	419,916	0.000	3.897	0.000	5.799
Greece / GR	1,483,156	55,812	0.440	0.426	0.440	0.634
Hungary / HU	7,128,942	1,106	1.529	1.973	1.529	2.937
Ireland / IE	2,347,096	105,879	0.000	0.679	0.000	1.010
Italy / IT	42,871,176	57,447	0.000	11.882	0.000	17.683
Latvia / LV	782,084	509,347	0.000	0.357	0.000	0.532
Lithuania / LT	3,465,563	0	1.317	0.959	1.317	1.428
Luxembourg/LU	4,137,023	0	0.000	1.145	0.000	1.704
FYR of Macedonia / MK	2,429,019	836	0.000	0.673	0.000	1.001
Montenegro / ME	508,472	855,240	0.000	0.377	0.000	0.562
Netherlands / NL	18,509,131	272,211	0.000	5.198	0.000	7.737
Northern Ireland / NI	1,510,100	45,612	0.000	0.431	0.000	0.641
Norway / NO	6,333,103	10,801,467	0.048	4.742	0.048	7.058
Poland / PL	458,010	4,266,694	0.368	1.308	0.368	1.946
Portugal / PT	5,230,693	2,454,045	0.000	2.127	0.000	3.166
Romania / RO	67,828	2,274,668	0.022	0.648	0.022	0.965
Serbia / RS	464,672	3,235,749	0.000	1.024	0.000	1.524
Slovakia / SK	983,314	499,250	0.045	0.410	0.045	0.611
Slovenia / SI	675,245	1,837,800	0.000	0.696	0.000	1.035
Spain / ES	1,042,055	3,878,077	1.881	1.362	1.881	2.027
Sweden / SE	794,301	11,165,478	0.000	3.310	0.000	4.927
Switzerland / CH	4,500,670	5,830,320	0.000	2.859	0.000	4.256
TOTAL	165,168,679	166,392,437		100.000		144.810

Table 5 Overview of compensation and contribution to the ITC Fund

(All figures in €million)	Compensation		Contribution on behalf of Perimeter countries		Contribution ITC Party		Final net position
	losses	infrastructure	losses	infrastructure	losses	infrastructure	
Albania / AL	-0.023	0.243	0.000	0.000	1.040	0.699	-1.518
Austria / AT	9.882	9.715	0.000	0.000	4.985	3.349	11.263
Belgium / BE	3.509	2.454	0.000	0.000	4.527	3.041	-1.604
Bosnia Herzegovina / BA	1.430	1.833	0.000	0.000	1.343	0.903	1.018
Bulgaria / BG	1.358	1.360	0.960	0.960	0.903	0.607	-0.713
Croatia / HR	4.507	3.796	0.000	0.000	1.818	1.221	5.264
Czech Republic / CZ	3.092	4.667	0.000	0.000	7.358	4.944	-4.544
Denmark / DK	13.808	3.811	0.000	0.000	2.956	1.987	12.675
Estonia / EE	2.283	1.239	0.000	0.000	0.998	0.671	1.853
Finland / FI	4.357	0.892	1.620	1.620	4.620	3.104	-5.713
France / FR	11.428	3.383	0.000	0.000	20.242	13.601	-19.032
Germany / DE	27.580	13.390	0.000	0.000	16.605	11.157	13.207
Great Britain / GB	-4.445	1.434	0.000	0.000	5.799	3.897	-12.706
Greece / GR	1.601	0.951	0.440	0.440	0.634	0.426	0.612
Hungary / HU	1.473	2.083	1.529	1.529	2.937	1.973	-4.412
Ireland / IE	0.373	0.100	0.000	0.000	1.010	0.679	-1.217
Italy / IT	-0.710	0.515	0.000	0.000	17.683	11.882	-29.760
Latvia / LV	2.810	1.755	0.000	0.000	0.532	0.357	3.676
Lithuania / LT	0.195	0.468	1.317	1.317	1.428	0.959	-4.359
Luxembourg/LU	0.000	0.000	0.000	0.000	1.704	1.145	-2.849
FYR of Macedonia / MK	0.302	0.676	0.000	0.000	1.001	0.673	-0.695
Montenegro / ME	0.508	1.463	0.000	0.000	0.562	0.377	1.032
Netherlands / NL	3.977	7.159	0.000	0.000	7.737	5.198	-1.799
Northern Ireland / NI	0.116	0.137	0.000	0.000	0.641	0.431	-0.818
Norway / NO	1.504	1.292	0.048	0.048	7.058	4.742	-9.100
Poland / PL	4.038	2.805	0.368	0.368	1.946	1.308	2.853
Portugal / PT	2.067	1.124	0.000	0.000	3.166	2.127	-2.102
Romania / RO	-0.991	0.912	0.022	0.022	0.965	0.648	-1.737
Serbia / RS	2.253	1.757	0.000	0.000	1.524	1.024	1.461
Slovakia / SK	2.555	5.541	0.045	0.045	0.611	0.410	6.985
Slovenia / SI	1.839	3.915	0.000	0.000	1.035	0.696	4.023
Spain / ES	3.522	3.437	1.881	1.881	2.027	1.362	-0.191
Sweden / SE	18.556	5.755	0.000	0.000	4.927	3.310	16.074
Switzerland / CH	20.053	9.939	0.000	0.000	4.256	2.859	22.877
TOTAL	144.81	100.000	8.23	8.23	136.58	91.77	0.000

Table 6 Summary of criteria for valuating losses at national level (2011-2013)

Country	2011-2012	2013
AT	The TSO buys via auctions upfront products (from 2 years in advance till day-ahead) according to the predicted required quantities in a regular process (weekly tendering). The average price of these procurements becomes the value of losses.	
BE	Losses values calculated based on average price of yearly tenders	
BG	Generators' weighted average price	
CZ	Bi-annual tenders	Electricity purchased through electronic auctions, (annual, quarterly, monthly, day ahead or intraday basis) and also balancing market
DE	Average base-load prices	
DK	Losses values calculated based on a weighted average of Nasdaq Commodities OMX forward prices plus prices of contracts for difference in the two Danish price areas. The calculation uses a 60% weight for the price in the DK1 price area and a 40% weight for the price in the DK2 price area	
EE	Approved limit for the weighted average of prices of electricity	The losses are calculated on an hourly basis, using Nord Pool Spot wholesale market prices
ES	Losses values calculated based on the average wholesale market price (Day ahead market, balancing market and redispatching)	
FI (see main text)		
FR	Losses values calculated based on forward products and hourly adjustments with spot products and balancing market prices	
GB	Losses values calculated based on forward market prices, quarterly weighted	
GR	For 2011 set at 0, as importers were charged losses through Transmission Loss Factors. For 2012, as in 2013	Losses value estimated based on weighted average Day-ahead market prices
HR ¹²		Historical and signed contractual prices
HU	Losses values calculated based on the weighted average market purchase price	
IE	Cost of losses calculated using estimated base-load prices using the average Directed Contracts price	
IT	Losses values are calculated as the weighted average wholesale market price (Day ahead market)	
LT	Losses values calculated based on forecast bilateral contracts prices, prices in the spot market, prices from neighbouring countries (mainly Nordic countries) and forecast balancing costs	
LU	Losses values based on yearly public tendering procedure	
LV	Losses values calculated as the weighted average of Baltpool price adjusted with balancing price	Losses value calculated as weighted average of Nord Pool Spot prices of the Latvian trading area adjusted by balancing price
NI	Losses values calculated based on the average Directed Contracts (DC) price for the same period. DC auctions are now held quarterly which provides more up to date information. (same as for IE)	

¹² Croatia became an EU Member State during 2013.

Country	2011-2012	2013
NL	Losses values calculated based on yearly auctions	
PL	Losses values calculated based on the forward electricity prices, prices of bilateral contracts for next year and historical prices	
PT	Losses values calculated based on the weighted average hourly price for day ahead energy market – MIBEL - for the whole year and for the Portuguese area	
RO	Losses values calculated based on forecasted value of acquisition cost of electricity covering losses	Losses values calculated based on annual average price established on the Centralised Market for Bilateral Contracts and Day Ahead Market
SE	Losses values calculated based on electricity futures which Svenska Kraftnät procured for the year, including a premium for the risks that may be related to the management of network losses	
SI	Losses values calculated based on average peak (30%) and baseload (70%) futures prices from EEX	
SK	Losses values calculated based on average EEX power exchange electricity price with adjustments	Losses values calculated based on Average PXE stock Exchange electricity price with adjustments

Table 7 Losses values (€MWh) for year 2013

Country	Losses values ¹³	Losses values for ITC (set ex-ante by TSOs) ¹⁴
AT	58.68	56.07
BE	n.a.	60.32
BG	64.10	50.66
CZ ¹⁵	57.20	57.60
DE	n.a.	53.42
DK	43.69	43.69
EE	40.67	40.67
ES	50.33	50.33
FI	52.13	52.13
FR ¹⁶	58.90	69.44
GB	63.96	63.96
GR	68.12	68.12
HR	63.38	63.38
HU ¹⁷	52.50	54.48
IE	65.59	66.51
IT	62.99	75.50
LT ¹⁸	55.52	50.10
LU	54.47	54.47
LV	45.84	45.84
NI	65.59	66.51
NL	80.81	62.70
PL	46.38	46.38
PT ¹⁹	44.75	57.60
RO ²⁰	46.16	50.22
SE	51.38	51.38
SI	55.51	55.51
SK	63.66	63.66

¹³ When losses values are not set ex-ante for a yearly period (e.g. through yearly auctions), the actual value of losses and the value of losses forecasted for ITC may differ.

¹⁴ Values in this column are the same as those in Table 2.

¹⁵ The difference between the two losses values is due to the effect of the exchange rate used.

¹⁶ The losses value in the left column is a planned value (April 2013) for the tariff calculation regarding the period 2013-2016. The actual value for losses is not yet available.

¹⁷ The difference between the two losses values is due to the effect of the exchange rate used.

¹⁸ The losses value in the left column is the actual value for 2013.

¹⁹ The losses value in the left column is ex-post average value for 2013.

²⁰ The difference between the two losses values is due to the effect of the exchange rate used.

Table 8 Website links of the relevant documents for losses valuation

Country	Criteria regarding valuation of losses	Value of losses 2013
BG		http://dker.bg/files/DOWNLOAD/res-C-25-29_07_2013.pdf
ES	Royal Decree 216/2014, of 28 th March, establishing the methodology to calculate the voluntary price for small consumer of electricity and its legal regime. See the seventh interim provision.	
FR		http://www.cre.fr/en/documents/deliberations/decision/turpe-4-htb2
GB	forward market trade prices (as reported by ICIS Heren): http://www.icis.com/heren/channel.aspx?channel=power	-
GR		http://static.diavgeia.gov.gr/doc/%CE%92%CE%95%CE%94%CE%91%CE%99%CE%94%CE%9E-%CE%97%CE%A7%CE%97
HU	http://192.168.54.12/gcpdocs/201105/skmbt_c451101122115201.pdf	http://192.168.54.12/gcpdocs/51/1092%20oper%202012%20határozat%20RHD%202013.pdf
IE		http://www.allislandproject.org/en/market_decision_documents.aspx?page=3&article=74bd081f-ded5-407a-a681-85aaeadc7fd4e http://www.allislandproject.org/en/market_decision_documents.aspx?page=3&article=ad2dfa2c-4a9f-4c76-ac35-2ba02908060f http://www.allislandproject.org/en/market_decision_documents.aspx?article=f6f362d9-7989-4032-a36a-fa75e4fbb174; http://www.allislandproject.org/en/market_decision_documents.aspx?article=67507fe6-32e9-4acf-8280-d815d353e90a; http://www.allislandproject.org/en/market_decision_documents.aspx?article=2d921c38-f249-49ea-aba7-a78e04f9a99c ; http://www.allislandproject.org/en/market_decision_documents.aspx?article=356f03dd-fb57-4355-a296-fa463f90de7a
LT	www.reqla.lt/Docs/O3-139.docx	
LU	http://www.legilux.public.lu/leg/a/archives/2012/0075/a075.pdf#page=8	http://www.creos.lu/index.php?id=464
NL	https://www.acm.nl/nl/publicaties/publicatie/4164/Methodebesluit-voor-de-algemene-transporttaken-van-TenneT-vastgesteld	https://www.acm.nl/nl/publicaties/publicatie/11999/Methodebesluit-TenneT-transport-2014-2016
RO		http://www.anre.ro/ordin.php?id=1027.
SI	Slovenian version	

Country	Criteria regarding valuation of losses	Value of losses 2013
SK	http://www.urso.gov.sk/sites/default/files/vyhl_225-2011.pdf	http://www.urso.gov.sk/sites/default/files/vyhl_184-2012.pdf

Fig.1A The evolution of the losses values per year and country (€MWh)

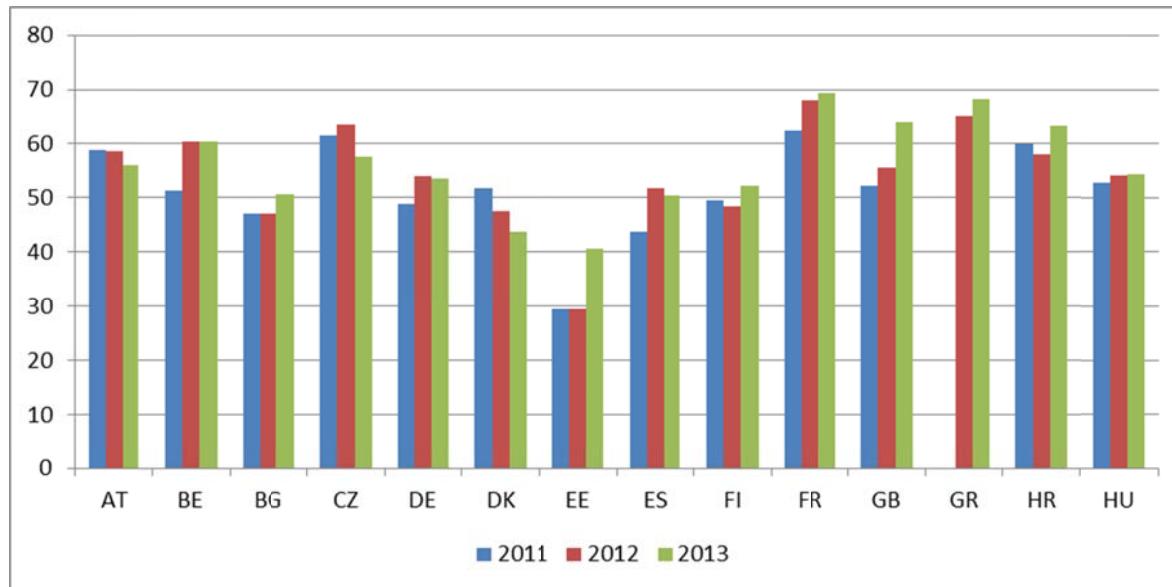
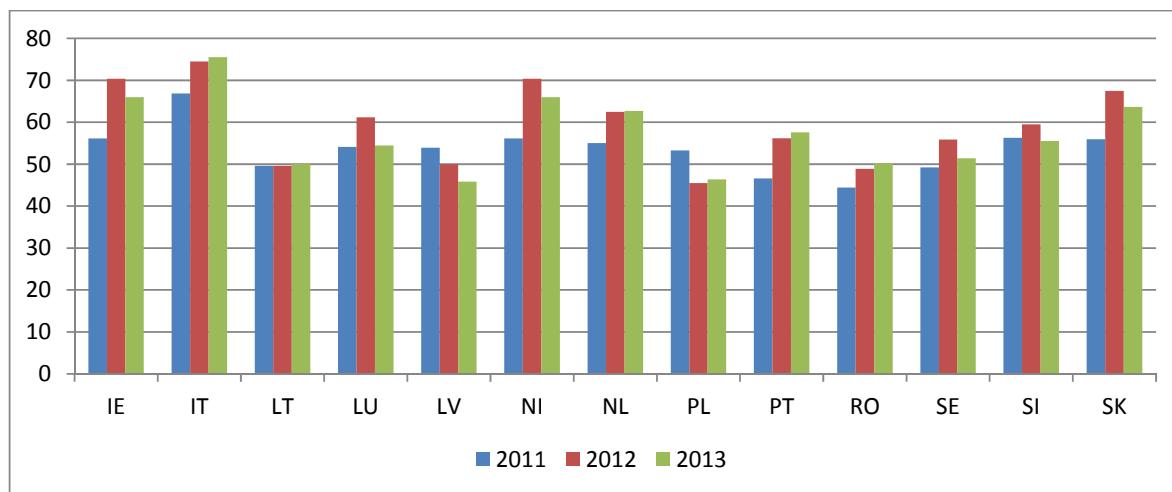


Fig 1B The evolution of the losses values per year and country (€MWh)





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