

An assessment of inter-TSO compensation algorithms in the Internal Electricity Market of the European Union

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Abstract-

The parties involved in the implementation process of the Internal Electricity Market (IEM) of the European Union have agreed that countries must be compensated for the costs they incur when hosting cross-border flows. This results in a scheme of compensations, charges and net payments among the involved countries or transmission system operators (TSOs). This paper compares the most relevant methods amongst the ones that were initially considered for computing compensations and charges in the IEM. The considered methods are described first. Then, the results produced by each of them when applied to an actual snapshot of the European system are presented. Finally, the methods are compared from a quantitative and qualitative point of view. Based on the results of this comparison, the paper recommends the adoption of the Average Participations method as the most adequate procedure to compute compensations and charges among countries in the IEM.

Index Terms- Transmission pricing; Cross-border tariffs; European electricity market

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