Current status of cross-border management in the CWE region

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Alain Marien
Technical Operation of the Markets

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Plan

• Topics
  – Capacity Calculation (CC)
  – Day Ahead Capacity Allocation: Market Coupling (MC)
  – Forward capacity allocation
  – Intraday capacity Allocation

• For each topic,
  – Capacity Allocation and Congestion Management Framework Guideline (CACM FG),
  – Cross-Regional roadmap
  – Status/Recent developments

Disclaimer: this presentation only reflects current views of its author and does not necessarily represent the view of CREG
Capacity Calculation: CACM FG

• The CACM NC shall foresee that:
  – CC: FB method where transmission networks are highly meshed with high interdependencies between interconnections
  – Zones delimitation: TSOs:
    • propose the delimitation of zones,
    • guided by the principle of overall market efficiency which includes all economic, technical and legal aspects of relevance,
    • for subsequent approval by the relevant NRAs.
Capacity Calculation: FB?

- FBMC = a practical way to choose between electricity transfers:
  - Taking into account network constraints
  - And the economic value of the transfer (market based)
- More precisely, FBMC optimise regional cross border flows
  - Within network security constraints
  - in order to maximise the regional socio-economic welfare
- Lets the market decide which exchange should have priority!
Capacity Calculation: (Cross) regional roadmap

• Cross regional roadmap:
  – Lead regulator: E-Control & CREG

• CWE Region
  – FB MC foreseen for Q2 2013
  – Zone study Q2 2012

• CEE
  – Implicit or FB first? (end 2011)
Capacity Calculation: recent developments: FB

- CWE Enhanced Flow-Based MC feasibility report
- Status:
  - promising test results; subject to fine-tuning of the methodology and regulatory approval
- Ongoing discussions with TSOs concern
  - the allocation of congestion rents; “non intuitive prices”;
Capacity Calculation: recent developments: zone study

- Initially, an answer to CREG concerns related to (the risk of) a decrease of cross-border transmission capacities and the issue of minimum levels of guaranteed capacity per border
- Today, also a requirement included in the CACM FG
- Kick off meeting October 25\textsuperscript{th}: scoping discussions
  - on the geographical extension
  - on the criteria
  - and on the role of the study in TSOs proposal foreseen by the CACM FG
• Capacity Calculation
• Day Ahead Capacity Allocation: Market Coupling
• Forward Capacity Allocation
• Intraday Capacity Allocation
Day Ahead Capacity Allocation

- CACM FG:
  - The CACM Network Code(s) shall foresee that
    - TSOs implement implicit auctions
    - via a single price coupling algorithm
    - which simultaneously determines volumes and prices in all relevant zones,
    - based on the marginal pricing principle.
Day Ahead Capacity Allocation: Cross-regional roadmap

• Lead regulators: BNetzA & DERA

• General approach:
  – focus on NWE price coupling implementation by 2012
  – open to other borders if ready and if no delay for NWE project
  – stepwise extension towards European Price Coupling (EPC)

• NWE project:
  • NRAs from NWE (CWE, NE, GB) established Cross-Regional Coordination Committee (CRCC) to lead the NWE process.
  • Lead regulators of all other regions, ACER and one NRA per additional market coupling project (e.g. CZ-SK-HU) have observer status.
  • Project initiation (TSOs/PX) documents under negotiation or signed (All Party Cooperation Agreement; Project Initiation Terms; Non-Disclosure Agreement).
  • Resources already planned.
Day Ahead Capacity Allocation: status & recent events

- CWE MC & ITVC with Nordic region since November 2010
- Recent meeting of the NWE DA MC (NRAs, TSOs, PXs) in Copenhagen:
  - Timeline, algorithm, costs acceptance & allocation, geographical extension, ...
- NWE Stakeholder workshop organised by Ofgem, BNetzA and DERA the 9th December in London on implementing the European target model in day-ahead and intraday
• Capacity Calculation
• Day Ahead Capacity Allocation: Market Coupling
• Forward Capacity Allocation
• Intraday Capacity Allocation
Forward Capacity Allocation: CACM FG

- CACM Network Code(s) shall foresee that:
  - options for enabling risk hedging for cross border trading are
    - Financial Transmission Rights (FTR)
    - or Physical Transmission Rights (PTR)
    - unless appropriate cross-border financial hedging is offered in liquid financial markets on both side of an interconnector.
  - a single platform (single point of contact) for the allocation of long-term transmission rights (PTR and FTR) at European level
  - greater harmonisation of the nomination rules, deadlines and processes
  - except in the case of force majeure, capacity holders shall be compensated for any curtailment.
  - compensation shall generally be equal to the price difference between the concerned zones in the relevant time frame.
Forward Capacity Allocation: Cross regional roadmap

- Lead Regulators: CRE & EI
- 4 important areas of work have been identified:
  - Harmonisation of the allocation rules
    - CWE-CSE: Q4 2011: Approval procedures and entry into force of the rules (NRAs + TSOs); firmness in line with the CACM FG in CWE
  - Harmonisation of the allocation platforms
    - CWE, CSE, SWE (IFE, from mid 2012): CASC
  - Harmonisation of the nomination process
    - Benchmark
  - Possible implementation of FTRs
    - Q4 2011: Assessment (ACER) of the legal consequences to move towards FTRs (would MiFID legislation be applicable and if so which impacts on the allocation platforms?)
Forward Capacity Allocation: CWE CSE Switzerland Auction rules

- One set of Rules for CWE CSE Switzerland for Capacity Allocation by Explicit Auctions, version 1.0
- CWE internal borders: day-ahead market coupling: compensation in case of reduction of held capacities in line with the FG:
  - Equal on the day ahead market spread
  - With a monthly cap on the compensations amount equal to the revenues of the monthly auction plus 1/12 of the yearly auction revenues
• Capacity Calculation
• Day Ahead Capacity Allocation: Market Coupling
• Forward Capacity Allocation
• Intraday Capacity Allocation
Intraday Capacity Allocation: CACM FG

- CACM Network Code(s) shall set out all necessary provisions for the implementation of the pan-European intraday target model
  - supporting continuous implicit trading,
  - with reliable pricing of intraday transmission capacity reflecting congestion (i.e. in case of scarce capacity).

- As a transitional measure, direct explicit access to the capacity will also be allowed, subject to the approval by the relevant NRAs

- With a Pan-European Shared Order Book (SOB) and Capacity Management Module (CMM), automatic matching and sophisticated products
Intraday Capacity Allocation:

Intraday Implementation project

• Lead Regulator: Ofgem

• Initiated by NWE TSOs to implement the European target model in NWE region (CWE, GB and Nordic), also called the “NWE intraday project”

• Also as an objective: an interim intraday market by the end of 2012 in the NWE region

• Extendable to other regions/borders ready to adopt the interim solution
Intraday Capacity Allocation: Interim Model

- An “ELBAS-like” solution for the SOB and CMM, with hub-to-hub shipping and coordinated capacity determination
- Explicit access allowed on some borders for OTC and TSO balancing actions

- All cross-zonal capacity will be allocated through the platform
- Regional auctions may complement the implicit continuous mechanism and have to be coordinated with and linked to the solution
- OTC access provided by SOB/CMM platform, under TSO terms of access
## Intraday Capacity Allocation: timeline

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<th>Tasks</th>
<th>Deadline</th>
<th>Responsibility</th>
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<td><strong>INTERIM SOLUTION</strong></td>
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<tr>
<td>Complete TSO/PX MoU</td>
<td>September 2011</td>
<td>TSOs and PXs</td>
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<td>Develop PX core arrangements*</td>
<td>June 2012</td>
<td>PXs</td>
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<tr>
<td>Develop TSO core arrangements</td>
<td>June 2012</td>
<td>TSOs</td>
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<td>Local implementation in NWE</td>
<td>During 2012</td>
<td>TSOs and PXs</td>
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<td>Go live of interim solution</td>
<td>End of 2012</td>
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<tr>
<td><strong>TARGET MODEL</strong></td>
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<td>Develop Governance arrangements</td>
<td>Ongoing</td>
<td>NRAs, TSOs &amp; PXs</td>
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<td>Develop and consult on options for intraday capacity recalculation and pricing</td>
<td>During 2013</td>
<td>PXs and TSOs</td>
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<tr>
<td>Develop and consult on options and specifications for sophisticated products</td>
<td>During 2013</td>
<td>PXs and TSOs</td>
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<tr>
<td>Implementation of intraday capacity recalculation</td>
<td>Mid 2014</td>
<td>TSOs</td>
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<td>Implementation of sophisticated products</td>
<td>End 2014</td>
<td>PXs</td>
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<td>Implementation of pricing of capacity</td>
<td>End 2014</td>
<td>TSOs and PXs</td>
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<tr>
<td>Go live of Target Model / enduring solution</td>
<td>End of 2014</td>
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*Features of the interim “Elbas-like” solution shall be discussed in a stakeholder workshop in Q4 2011*
Intraday Capacity Allocation: status

- CWE borders:
  - B-NI: Elbas like, implicit
  - B-Fr: Explicit, improved pro-rata
  - Fr-G: Implicit, with OTC access
  - NI-G: Explicit, FCFS

- CWE countries are active members of the NWE intraday project

- A project has been established to implement intraday trading on the NordNed interconnector in Q1 2012
Thank you for your attention