

Commission de Régulation  
de l'Electricité et du Gaz

# **Current status of cross-border management in the CWE region**

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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

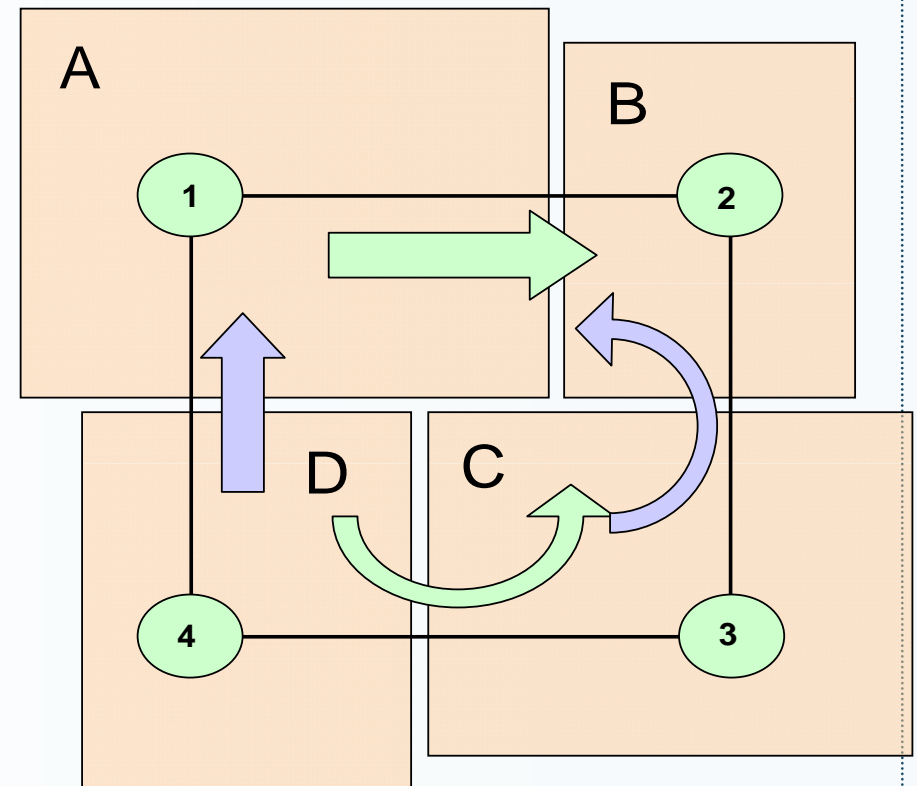
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# Capacity Calculation: CACM FG

- 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<sup>th</sup>: 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 9<sup>th</sup> 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
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# Intraday Capacity Allocation: CACM FG

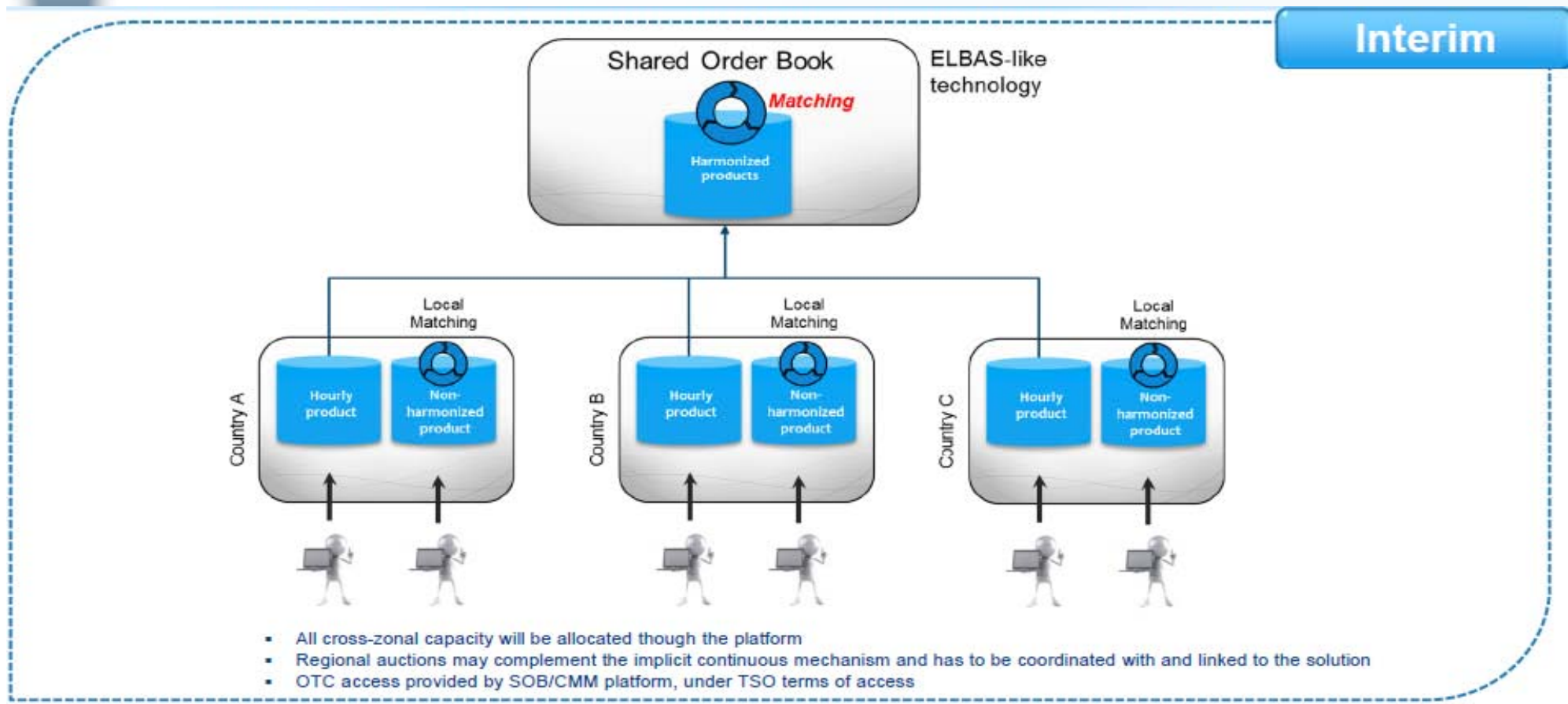
- CACM Network Code(s) shall set out all necessary provisions for the implementation of the pan-European intraday target model
  - supporting continuous implicit trading,
  - with reliable pricing of intraday transmission capacity reflecting congestion (i.e. in case of scarce capacity).
- As a transitional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



# Intraday Capacity Allocation: timeline

Tasks	Deadline	Responsibility
<b>INTERIM SOLUTION</b>		
Complete TSO/PX MoU	September 2011	TSOs and PXs
Develop PX core arrangements*	June 2012	PXs
Develop TSO core arrangements	June 2012	TSOs
Local implementation in NWE	During 2012	TSOs and PXs
<b>Go live of interim solution</b>	<b>End of 2012</b>	
<b>TARGET MODEL</b>		
Develop Governance arrangements	Ongoing	NRAs, TSOs & PXs
Develop and consult on options for intraday capacity recalculation and pricing	During 2013	PXs and TSOs
Develop and consult on options and specifications for sophisticated products	During 2013	PXs and TSOs
Implementation of intraday capacity recalculation	Mid 2014	TSOs
Implementation of sophisticated products	End 2014	PXs
Implementation of pricing of capacity	End 2014	TSOs and PXs
<b>Go live of Target Model / enduring solution</b>	<b>End of 2014</b>	

\* 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



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