

## 6th Market European Stakeholders Committee

Friday, 9 December 2016 from 10:30 to 16:30

CEER, Cours Saint-Michel 30a, 1040 Brussels

### Draft Minutes

Participants		
Christophe	GENCE-CREUX	ACER / Chair
Matthias	RÜTZEL	BNetzA
Mark	LANE	ENTSO-E
Zoltan	GYULAY	ENTSO-E
Marta	MENDOZA-VILLAMAYOR	ENTSO-E
Pascale	FONCK	ENTSO-E
Mathilde	LALLEMAND	ENTSO-E / Secretariat
Corné	MEEUWIS	JAO
Jerome	LE PAGE	EFET
Arben	KLLOKOQI	EFET
Pietro	BALDOVIN	EFET
Steve	WILKIN	Europex
Andrew	CLAXTON	Europex
Christian	BAER	Europex
Yolanda	CUELLAR	Europex
Rickard	NILSSON	Europex
Pierre	CASTAGNE	EURELECTRIC
Hélène	ROBAYE	EURELECTRIC
Charlotte	RENAUD	EURELECTRIC
Peter	CLAES	IFIEC
William	CHAN	IFIEC
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## 1. OPENING

### 1.1 Approval of minutes

The minutes of the 5<sup>th</sup> MESC meeting were approved (See [document](#)).

### 1.2 Update on recent developments

#### ACER decision and recommendation

The Chair informs that ACER issued its decision on Capacity Calculation regions on November 17<sup>th</sup> and the recommendation on the capacity calculation and resdispatching and countertrading cost sharing methodologies on November 11<sup>th</sup>.

#### Formalisation of the BZ review process

The Chair confirms that ACER intends to formalize the bidding zone review process. A letter will be sent to ENTSO-E and copied to TSOs and NRAs confirming the findings from the market report and asking the affected TSOs to 'formally' start the BZ review. The content of the study shall remain the same. TSOs stress the need to maintain the agreed scope (coordinated feedback from NRAs) to avoid further delays and an increase of costs and complexity.

EFET asked whether the scope of the initial technical and market reports would comply with the requirements of the CACM GL, as they do not cover the entire EU. The Chair mentioned that the Market Monitoring Report 2016 will be annexed to the market report, and that ACER has received comfort from the European Commission that this would be compliant with the Guideline. ENTSO-E mentioned that new technical and market reports will be issued in 2018.

#### **ACER's data monitoring request**

The Chair informs that regarding the data request by ACER to ENTSO-E (referring to Article 82.4. of CACM) the idea to centralize data collection through ENTSO-E is under discussion. ACER informs also that it received a letter from EC supporting the idea of asking ENTSO-E to develop a platform for data collection, but the assessment on the proportionality of each item and the need to avoid duplication shall be further discussed in a trilateral meeting between ENTSO-E, ACER and EC. ENTSO-E noted its concern about cost recovery and problem of inconsistency raised with this data collection issue and stressed the need to involve all NRAs in the discussion. The Chairman also confirms that the NEMOs data collection process will require further discussions with the NEMOs. Further discussions ACER – NEMOs will have to be organised next year.

### **1.2 Update on from the EC on the Winter Package**

The European Commission was not present at the meeting and could not present an update.

## **2. CAPACITY ALLOCATION AND CONGESTION MANAGEMENT GUIDELINES**

### **2.1 Update on the CACM GL implementation process**

**Europex summarized the status of NEMOs deliverables following CACM implementation** (see [presentation](#), by Andrew Claxton).

The stakeholder consultation on DA/ID methodologies just ended and the reviewed proposal will be submitted to NRAs in February. Europex stressed that interactions between algorithm-related methodologies and other methodologies to be elaborated under CACM implementation (such as the scheduled exchange methodologies) should be checked in order to avoid inconsistencies.

EFET highlighted the need for harmonisation on minimum and maximum prices and for more ambition, in particular to reflect the VoLL. Eurelectric and BNetzA supported this comment. Europex said that the proposed min/max prices are quite demanding for some countries, and step-wise change is appropriate. Justification will be provided following the consultation.

**ENTSO-E summarized the status of CACM implementation on TSOs and ENTSO-E side** (see [presentation](#), by Marta Mendoza).

Three methodologies are to be submitted to NRAs in December:

- DA firmness deadline
- Schedule exchange methodology
- ID gate opening and closure time

Europex stressed the ID gate opening time issue, which is set at 22:00 day-ahead, lacks ambition as many countries open ID trade already at 15:00-16:00. It considered that it would have been better to set an earlier harmonised ID gate opening time and then allow for later ID gate opening times as an exception rather than the rule.

ENTSO-E explained that certain TSOs actually want an ID gate opening time significantly earlier than 22.00, but as it is an all TSO proposal, 22.00 sets the latest time for ID gate opening across Europe, providing flexibility for regions to adopt much earlier timelines. Further explanation will be outlined in the explanatory document that will be published by ENTSO-E on 14 December together with the methodology.

Eurelectric asked how to streamline the approval process, given the experience we had with the CCR approval. ACER mentioned that they would favour gearing up the role of ACER in the approval process. BNetzA pointed out that the lawfully CACM process with an all NRA agreement cannot be assessed after one decision. Especially the CCR decision was heavily influenced by a highly political issue. The current procedure ensures the participation and collaboration of all European NRAs when the European electricity market is fundamentally changed by these decisions.

## 2.2 Update on Definition of Capacity Calculation Regions

**ACER issued its decision on Capacity Calculation Regions on November 17<sup>th</sup>**, (see [Decision](#)).

The decision approved the all TSOs CCR proposal, but requests the merging of the CEE-CWE CCRs into one region, the Core Region. It also confirms the all TSOs proposal for a DE-AT bidding zone border. ACER proposed in addition the need to define indicators stressing interdependencies between regions, in order to target less CCRs in the future.

**ENTSO-E stated officially that all regional work has started.** The Fallback methodology is the first deliverable at regional level to be delivered in December, but due to the late ACER decision on CCRs the deadline is not feasible for most CCRs. It should be noted however that some CCRs (IU, Channel, SWE and Italy North) have already consulted on their deliverables or started it.

**ENTSO-E confirmed its commitment to work on CWE-CEE merge into one CCR**, referring to the published statement of the 16 concerned TSOs (see [document](#)). A public stakeholder consultation for the Core region and dedicated website will be provided.

**The question of governance** was discussed. Europex asked for possible Member States arrangements around the new CCRs. Regarding the CWE-CEE merger, Eurelectric advocated for a joined forum and BNetzA acknowledged that governance is being discussed. ENTSO-E is also working with the TSOs on the governance issue. Eurelectric and EFET asked about the possibility of further delays in the development of methodologies and other process (e.g. Intraday flow-based), ENTSO-E answered that they are doing their best to stick to the original timelines.

## 2.3 Update on Capacity Calculation and Cost Sharing Methodologies

**ACER recalled the three high level principles in its recommendation** (see [recommendation](#)) on the capacity calculation and resdispatching and countertrading cost sharing methodology:

1. TSOs should not include internal critical branches in capacity calculation methods unless it can be justified in terms of increased economic efficiency **and** to ensure SoS.

2. TSO should not be allowed to reduce cross-border capacity because of loop flows unless it can be justified in terms of increased economic efficiency **and** to ensure SoS.
3. Methodology for sharing the cost of redispatching and countertrading should be based on the polluter-pays principle.

#### **ENTSO-E Presentation and discussion**

**ENTSO-E presented its view on capacity calculation** (see [presentation](#), by Marta Mendoza). ENTSO-E stressed the role of the TSO to maximise capacity while ensuring SoS, and stressed the physical reality to be translated into capacity calculation.

#### **ENTSO-E explained its position on the three main principles stated by ACER in its recommendation:**

1. **Internal critical branch:** The geographical position of a grid element does not represent the electrical inter-dependencies. TSOs need to reflect in capacity calculation which element are electrically affected and therefore limiting cross-border trade. In case of remaining congestions, 3 solutions are considered: new BZ configuration, grid investment, continuous redispatching (as a structural solution if more economically efficient).

ACER reminds that the recommendation is open to have some internal critical network elements included in the capacity calculation methodology provided TSOs can properly and transparently justify their inclusion. Europex and EFET stressed the need for transparency on critical branches, and an explanation regarding the available capacity (Flow-Based should not decrease the capacity available to the market).

EFET stressed that if internal lines do affect cross-border capacity, data such as outages on these lines should be published (adhering to the Transparency regulation and REMIT).

2. **Loop flows:** Loop flows are part of the zonal market and should be considered. If cross-border capacity is reduced by a certain threshold by loop flows, two solutions are considered: grid investment and bidding zone reconfiguration. ENTSO-E stressed that the amount of loop flows will depend on the bidding zone size.

ACER reminds that the recommendation is open to the idea of a threshold for loop flows provided this threshold is well properly and transparently justified. Europex claimed that loop flows are jeopardizing the capacity. Europex advocated for locational incentives for generation facilities, inside bidding zones. Besides, loop flows can be the consequence of national decisions (e.g. subsidies in Poland).

Eurelectric position is to use redispatching to tackle the loop flows.

EFET believes that ACER's recommendation pushes ENTSO-E to provide more transparency on solutions and costs possible for TSOs in the capacity calculation process. EFET reminded ENTSO-E of its neutral market facilitator role and that, without threatening SoS, cross-border capacity should be calculated in order to maximise overall welfare, not limit TSOs' financial exposure.

ENTSO-E is committed to its role of neutral market facilitator and is willing to bring more transparency in the decision making process and the underlying technical issues. It should be stressed that there is no established cost sharing methodology today, which is however needed to enable fair decision making at the cross-border level.

3. **Polluter principle:** There is a need for a cost sharing methodology, and this work will start in each CCR to fulfil the CACM obligations. TSOs are not against this principle even if there are different views in the TSO community on how to implement it. Cost recovery insurance by all NRAs will facilitate discussions between TSOs.

BNetzA acknowledges the need.

**Stakeholders ask for a transparent consultation on the capacity calculation methodology, as it exists in CWE project. They expect foras such as the CWE Flow-Based Consultative Group (CCG) to tackle capacity calculation questions for the whole Core CCR going further.**

ENTSO-E recalled that TSOs are committed to more transparency in capacity calculation, and facts already prove this commitment (publication of methodologies and data). Market mechanisms must reflect the physical capability of the grid with Flow-Based capacity calculation considered the optimal approach. On the other hand, loop flows are part of the zonal model, and the amount of loop flows depends on the size of the BZ. ACER's recommendation seems to point for smaller bidding zones. ACER believes on the contrary that its recommendation gives the right incentives to countries to let them decide between grid investment, redispatching costs or new bidding zone configuration.

ENTSO-E believes that increasing cross-border capacity will be feasible through three main tools: network code implementation (flow based CC and BZ reconfiguration), reinforcement of the grid, cooperation between TSOs.

#### **Eurelectric presentation and discussion**

**Eurelectric presented its view on capacity calculation** (see [presentation](#), by H       Robaye).

Eurelectric advocated for a fair assessment of redispatching costs, in order to avoid reducing cross-border capacity instead of doing redispatching.

Physical constraints should not be solved by decreasing commercial capacity. Proper incentives should be put in place (for TSOs on redispatching) and the cost sharing methodology should be defined. Eurelectric stressed that bidding zone reconfiguration is not the sole remedy.

ENTSO-E noted that incentives do exist for TSOs to maximise capacities, but these incentives are not harmonized at European level. ENTSO-E stressed that the cost sharing methodology is extremely important and the support of regulators is needed.

The Chairman invited all TSOs and NRAs to take into account the recommendation when developing/approving their methodologies.

## **2.4 Update on the NRAs' request for transparency in CWE FBMC**

**ENTSO-E gave an update on the status of the transparency framework within CWE region** (see [presentation](#), by Zoltan Gyulay).

CWE TSOs have worked on a concrete translation of the CWE NRA guidance on transparency.

German TSOs (Amprion, TransnetBW and Tennet GmbH) are still discussing CWE NRAs' request with BNetzA to agree on a formal position (outcome expected by the end of this year).

Therefore, CWE TSOs agreed on a step-wise approach with first publications made by Elia, RTE, Tennet B.V. and APG. BNetzA confirms its willingness to go forward on this process for Germany, and hopes for the full data publication in Q2 2017.

Concerning transparency in general, EFET informed the MESC of the response provided by Amprion, Transnet BW and APG regarding the limited or inexistent publication of internal line outages and maintenance for their respective control areas, contrary to the practice of the other CWE TSOs. The above-mentioned TSOs informed market participants that they are not requested to publish such information according to the Transparency Regulation or REMIT as they do not affect cross-border flows or transactions. Yet, EFET remarked that the ENTSO-E presentation on item 2.3 states on slide 8 that “cross border trades require both cross border lines as well as internal lines”. Hence, EFET will reiterate their request for full transparency on internal line outages and maintenance at the next CCG meeting and expects the concerned NRAs’ support in that regard.

## **2.5 Update on the publication of PRBs at BZ level**

**Eurelectric asked for PRB to be published at bidding zone level.** The concerned NRAs (i.e. Nordic+Baltic area and the 4MMC area) are preparing their positions and will report back at the next MESC.

**Europex gave a summary of the review on PRB publication** (see [table](#)). It was stressed that depending on the situation (size of the bidding zone, market liquidity), publishing PRB could reveal market strategy; local circumstances can therefore influence the decision on PRB publication, even if it remains technically feasible.

## **2.6 Update on PCR reproducibility**

**Europex presented an update on PCR reproducibility** (see [presentation](#), by Andrew Claxton). PCR algorithm focused on reducing PRBs and increasing welfare. However, the methods used inhibit the ability to reproduce the results. Therefore, the public description of the algorithm (Euphemia) should be updated, as CACM requires the results to be repeatable.

EFET provisionally support the view but will consult members internally, Eurelectric will consult internally but seems ok.

An update will be given at the next MESC.

## **2.7 Update on the XBID and LIP projects**

**Europex gave an update on the key achievements and next steps of XBID and LIP project** (see [presentation](#), by Yolanda Cuellar).

As key achievements, the Capacity Management Module (CMM), Shipping Module (SM) and Shared Order Book (SOB) are complete and Factory Acceptance Testing (FAT) have been successfully completed. The User Acceptance Testing (UAT) is underway.

Many challenges arise in the project, among them the question of shipping arrangements between NEMOs.

Eurelectric stressed that there should be no delay because of administrative problems, which seemed to be the case regarding shipping arrangements. Europex acknowledged this is a governance issue, but also a technical one (choice of the path of a transaction between two countries).

Europex described the planning, with three go-live phasis (2017, 2018, 2019): LIPS will gradually join the go-live. In addition, a map was provided to give an overview of explicit and implicit access to ID cross- border capacity.

### 3. FORWARD CAPACITY ALLOCATION

#### 3.1 Update on the ongoing developments

**ENTSO-E presented an update of implementation of FCA** (see joint ENTSO-E and ACER [presentation](#), by Mark Lane). More information will be given at the next MESC.

ENTSO-E highlighted the FCA planning process for 2017 and the status of key FCA requirements. Stakeholders will be consulted in January 2017.

Eurelectric stressed the need for strong coordination with discussion going on in the CWE Flow-Based forum on splitting capacity between different timeframes.

Europex asked about the facilitation of secondary trading. ENTSO-E stressed that there is no actual platform for secondary trading, with a simple bulletin board to be provided for capacity transfers. It was noted that the HAR consultation in January can be a way for interested stakeholders to provide comments on this topic.

EFET noted that the Polish NRA had not yet approved the early implementation version of the HAR for 2017 and that this can have an impact on capacity allocation at the Polish borders. ENTSO-E and ACER confirmed the voluntary nature of the current version of the HAR for 2017 allocation with the binding HAR currently under development following FCA entry into force in October. EFET believed some pressure could be put on the Polish NRA to approve the HAR already for 2017.

EFET asked whether there is currently a plan to phase out border-specific rules in the regional annexes in order to comply with the spirit of the FCA GL. ENTSO-E responded that no change is to be expected concerning the regional annexes at this point. Europex asked for further visibility on the regional annexes and the differences with the main body of the HAR. Europex suggested a scoring system similar to what has been developed for gas hubs to see how significant deviations are.

#### 3.2 JAO

**JAO presented on its performance and improvements** (see [presentation](#), by Corne Meeuwis). The presentation stressed that the auction tool is stable with no cancellation due to the tool since July. JAO proposed a number of changes in processes and procedures to the TSO's (among them the reconfiguration of the CEE auction in order to allow for partial cancellation) and summarized the main issues discussed in the JAO users group meeting.

JAO's improvement and change plan is on track in order to meet the requests (sustainability of the system, ease of use, publication etc.), and its business development plan will be submitted to its Supervisory Board meeting in December and General Assembly in January. Improvements in the governance of the organisation are also being implemented, as per the plan presented at the last MESC meeting.

EFET made a reference to a letter they sent on the 7<sup>th</sup> of December to JAO in order to request measures to mitigate issues faced in previous incidents. These measures should be implemented in the HAR under FCA, but also in the existing version of the HAR. EFET's concern is mostly on avoiding

auction cancellations, and invites JAO, TSOs and regulators to work on this issue. EFET will disseminate the letter among MESC members.

JAO stated that, since the development of the HAR is a responsibility of TSOs and coordinated by ENTSO-E, the EFET letter will be forwarded to ENTSO-E.

Eurelectric supported EFET's position as cancellations should be avoided as much as possible, especially when results are already published. They stressed the question of remedial actions to be taken into account in capacity calculation (issue discussed under 2.3).

ACER noted that a reporting obligation will be requested from JAO and TSOs each time there is an issue impacting auctions. Europex suggested using for this purpose the reporting mechanism developed by and for the NEMOs in case of problems in PCR.

## **4. NEXT MESC**

### **4.1. 2017 meetings**

**The provisional dates for 2017 MESC meetings are:**

- Monday 6 March (ENTSO-E's premises)
- Thursday 8 June (CEER, Brussels)
- Wednesday 6 September (CEER, Brussels)
- Tuesday 5 December (CEER, Brussels)

The MESC meeting are almost always organized back to back with balancing stakeholders group (which will be on 7 March, 7 June, 7 Sept, 7 Dec).

### **4.2. Actions / Points to be taken at the next MESC**

- NRAs' update on the publication of PRB at BZ level
- PCR reproducibility
- FCA Implementation
- EFET letter to JAO to be disseminated