Minutes of Workgroup
European Market Design
29/09/2015

Present:

B. De Wispelaere (FEBEG)
J. Mortier (FEBEG)
M. Van Bossuyt (FEBELIEC)
A. Gillieaux (EFET)
S. Harlem (FEBEG)
N. Pierreux (BELPEX)
S. Gabriels (FOD Economie - Energie)

V. Illegems (VIL) - partially
T. Oldenhove (TOL) - partially
V. Saenz de Miera (VSA) - partially
I. Gerkens (IGE)
M. Verelst (MVE, president ad interim)

Excused:

P. Fonck (Elia)
J. Hensmans (FOD economie - energie)
W. Gommeren (AGORIA)

Agenda

1. Approval of Minutes of Meeting 29/06/2015
2. Short status update on European Harmonised Auction Rules
3. Capacity Calculation Regions
4. Short status update on Forward Capacity Allocation Network Code
5. Status update on NWE+ Intraday Project and Quick Wins/Intermediate solutions on Belgian Borders
6. Short Status update on Interconnection Belgium-Luxemburg
7. AOB & Closing remarks

1. **Welcome & agenda**

P. Fonck being excused, Martine Verelst assures the presidency of the meeting.
The agenda of the meeting is approved.

2. **Approval of Minutes of last meeting 29/6/2015**

The project of minutes of 29/06/2015 is approved.

3. **Status update on European Harmonised Auction Rules and the JAO**

Elia (VIL) explains the merger of two main allocation offices (CASC.EU and CAO) as from beginning of September 2015 into one allocation office JAO (Joint Allocation Office). This can be viewed as a step towards the establishment of a single allocation platform as requested in the network code FCA.

The new website of JAO is not yet operational and refers to the websites of the former two platforms. A new allocation tool will be launched soon, with a test period. Elia advises market participants that want to participate in the allocation of long term transmission rights or shadow allocations to register for participating to those tests.

Regarding the European Harmonised Auction Rules (EU HAR) for the allocation of Long term Transmission Rights (LTR), CREG will most probably give its approval in October 2015[1]. Some minor issues remain regarding the translation of the EU HAR rules into French. These are however not blocking since the English EU HAR version will have priority in case of discussion.

The firmness in case of curtailment is described in a specific appendix for the CWE region.

It is to be noted that Appendix 8, the Dutch border specific annex, will not exist anymore. This means that, from delivery period 2016 on, the Dutch borders will only have one yearly auction of long term transmission rights and no more two as currently is the case. This impacts the Belgian market in a sense that the BRPs should be aware that the scheduled first allocation of yearly LTR of mid-October for the BE-NL border will not be organized if the EU HAR are approved. The allocation of yearly LTR for the BE-NL border will be done in a single round and is scheduled to take place on 20/11/2015.

The product that will be allocated on the Belgian borders will be “FTR Options” (Financial Transmission Right Options) instead of PTR (Physical Transmission Rights) with UIOSI (Use It Or Sell It). In Belgium, the draft advice of the CREG about the EU HAR supports the introduction of FTR options on the Belgian borders but comments collected during the public consultation organized by the CREG may result in a fine-tuning of the decision regarding the implementation of FTR options. The EU target model does not indicate a “perfect” product

[1] In the meantime, CREG has officially approved the EU HAR (9 October 2015): see on http://www.creg.info/pdf/Decisions/B1446FR.pdf

for this timeframe; the three permitted products for the long term timeframe (PTR with UIOSI, FTR options and FTR obligations) are seen as equal options and the choice should depend on the goals to achieve regarding the market design (size & number of market actors).

Regarding the implementation of the EU HAR, every CWE national regulatory authority has given already a positive feedback. The acceptance of the rules by all relevant NRAs of the TSOs acquiring a service from the same allocation platform is crucial because it is operationally not possible to allocate LTR by the same allocation platform according to different rules.

A representative of FEBEG asks about the possible implications of the final decision of the CREG regarding the implementation of FTR options. Elia will first study the final decision, which is not available yet, and will then take the actions needed to comply with this decision.

4. Capacity Calculation Regions

Elia (VSA) gives the context of the determination of the Capacity Calculation Regions (CCR) proposal: it is an obligation issued from the implementation of the CACM regulation. Goal of CACM is the coordination and harmonization of capacity calculation and allocation in the day-ahead (DA) and intraday (ID) market, to be achieved by setting requirements for the TSOs to cooperate on the level of CCRs, on a pan-European level and across bidding zone borders in general. The CCR defines a collection of Bidding Zone Borders where coordinated capacity calculation is applied.

The CCRs should thus be approved before implementing many of the other requirements of CACM, since they are their basis. The consultation process on the CCRs was complemented with an ENTSO-e workshop on 14th of September (see slides); all remarks received are now under examination. The final CCR proposal shall be submitted to all NRAs by 13th of November 2015 : each TSO will submit the proposal to each NRA.

The proposal on CCR is based on the existing borders and initiatives, the incoming projects of interconnections (Nemo as for example, both in CWE and UK regions) and the pathway for EU market integration. The Channel region is an interim solution designed to provide for a step-wise technically feasible path for the Flow Based method expansion. It would be the same for the Nordic one. Regarding the Swiss integration process, the technical readiness is not a bottleneck. There is a special article set in CACM that does not enable integration of the Swiss borders into market coupling until a Political Agreement is signed by which Switzerland accepts to implement the main European legal provisions on the electricity market (cfr. CACM Articles 1(4) and 1(5)). TSOs are awaiting for authorization to proceed further. The DE/AT border situation is subject to ACER and NRAs opinion on the subject.

One representative of FEBEG regrets that there will be a separated Channel region, whilst this should have been included in CWE ex-ante; that appears to be a missed opportunity for further coordination. According to Elia, the Channel region configuration as a separated CCR obeys the physical logics of the combined impact of DC cables within South UK and CWE : the technical path for the implementation of FB advanced hybrid coupling (starting from standard hybrid) will require an implementation study and at least six months of parallel run. It goes without say that a scheme for further integration of this region towards the target model is going to be considered too. These processes are actually contemplated in Article 20 of CACM. However, the actual technical feasibility and effects of any proposal in all the involved parties cannot be either ignored or taken for granted.

One representative of FEBEG stresses that TSO cooperation is important to avoid the extra complexity of the CCR and a negative impact on the global welfare. Elia communicates that regional and pan-European cooperation is ongoing and that it is in the best interest of all parties to avoid negative impacts on welfare, so that any capacity calculation method applied is feasible, well tested and does not produce unexpected results.

5. Update on Forward Capacity Allocation Network Code

Elia (VSA) gives a short status update on Forward Capacity Allocation Network Code (FCA NC). The European Commission is targeting to vote on the FCA NC by the end October meeting (29-30). The FCA NC is not applying enough the subsidiarity principle, in order to take into account specific aspects existing only at some borders. Among others, LTR products design takes place at a regional basis, when this should occur on a per border basis in order to allow for specificities.

Summary of the situation in firmness is provided very briefly (caps and regime), Elia provides its reasons to support a monthly cap. The FCA clause regarding the sharing of firmness costs (Art.61(3)) is briefly presented by Elia, who does not recommend its inclusion. Reasons are provided too.

Regarding timelines, the European Commission strongly reduced the operational implementation time for many aspects and that might create some complications in the processes and sometimes in the process of integration itself. There are reasons provided in order to demonstrate that some calendar cuts will have the opposite effect than the intended one (example: the regional platforms transitory period elimination will oblige the whole EU to wait for the implementation of the Single Allocation Platform until all the different local issues in some few borders are solved). Many other deadline cuts are proposed with no project development or operational reasons support. This will endanger the technical feasibility of these deadlines, which in the TSOs proposal were already ambitious but achievable.

Elia shows also some of the inconsistencies with the implementation planning of CACM, timelines, processes, etc; however many are now partially corrected. The representative of FOD highlights the role of the federal administration within the NCs' adoption process and the possibility for it to intervene during the comitology process, in order to relay inputs or remarks from stakeholders. This approach has proven to be effective in the past, and he invites Elia and other parties to approach them further for coordination, if needed. This suggestion is welcomed by all parties.

6. Status update on NWE+ Intraday Project and Quick Wins/Intermediate solutions on Belgian Borders

The delivery planning until go-live of the NWE+ Intraday project has not changed. Some key achievements have been made for the project progress at both global and local level.

On the Belgian borders it was decided to implement some quick wins between now and the expected go-live of the XBID project. These quick wins are now under development.

An intermediate step had to be taken by Belpex in changing the Elbas platform to the Eurolight platform beginning of September 2015. The representative of Belpex highlights the successful start of Eurolight, even if some connectivity issues had to be solved.

The first quick win will be implemented in January 2016 : an explicit First-Come-First-Served (FCFS) allocation on the France-Belgian border. This will be implemented in DBAG's current Intraday Capacity Service system. This implies the switch to 24 gates and 1 hour neutralisation time.

The second step will be the implementation of the implicit allocation on the FR-BE and NL-BE borders. This is foreseen by the end of Q3 2016. The trading platform used at EPEXSpot in France and Germany will then also be implemented for the Belgian and Dutch hubs.

One approval package for both quick wins will be submitted to the NRAs in the coming week. It is still unclear if the explicit FCFS allocation on the FR-BE border will remain in parallel with the implicit allocation or if it will become the fallback solution. This issue will be the subject of a CREG-CRE consultation end of October or beginning of November. It is currently expected to receive an official decision in December 2015, latest January 2016.

One representative of FEBEG asked how diverging opinions from Belgian and French market parties on the consultation will be managed. According to Elia, the NRAs committed to take one unique decision on this issue.

7. Interconnection Belgium-Luxembourg

Elia (TOL) reminds the project launched between Elia and Creos in Luxembourg to develop the first direct interconnector between Belgium and Luxembourg and to strengthen the Luxembourgian grid. Elia highlights a 2-month prolongation of the project, in order to add a trial period foreseen for Q1 2016, this latter is needed in order to gain experience on real time flows and to operate in real time the PST placed at the bidding zone border. Regarding the capacity calculation, a stepwise approach is chosen, with day-ahead capacity allocation implemented on the new interconnection and its integration into the CWE FB allocation methodology. Long term and intraday capacity products for this interconnection will be added in a later phase.

The representative of FEBELIEC is asking what effects are foreseen on the FB domain. Elia answers that some simulations have been done already but no major or significant impacts had been observed for the Belgian zone. At the present time, the current constraints on the Luxembourg grid will not allow to use optimally the interconnection capacity of 400 MVA. Nevertheless, it is not a critical branch, thanks to the PST. After strengthening of the Luxembourgian grid, the interconnection will have, in the long term, more capacity for transit to Belgium. Elia answers to the representative of FEBELIEC that the Alegro project will come after 2017.

One representative of FEBEG underlines the fact that the PST is needed for Security of Supply (SoS) in the Creos grid and will not help to enhance the import capacities from Germany. Elia specifies that an interconnection will exist between the bidding zones but the Creos grid is not designed to fit transit flows at least for the short term. The power plant Twinerg will stay into the Belgian zone until end 2017.
In conclusion, the representative of FEBELIEC reminds the importance of the Alegro project and the need of having direct flows from Germany. The consumers hope that the Alegro project will not be delayed more.

8. AOB

The next meeting will be planned in the first half of December 2015. A doodle will be sent out soon.