

6th AHAG Meeting

Tuesday 21 September 2010 10:30 to 17:00

CEER Secretariat, rue le Titien 28, 1000 Brussels

FINAL MINUTES

Participants			
Asta	Sihvonen-Punkka	EMV (Finland)	Chair
Rodrigo	Escobar	RIG (ERGEG)	
Sven	Kaiser	E-Control (Austria)	
Alain	Marien	CREG (Belgium)	
Bente	Danielsen	DERA (Denmark)	
Pamela	Taylor	Ofgem (UK)	
Francesco	Cariello	AEEG (Italy)	
Christophe	Gence-Creux	CRE (France)	
Sabrina	Mlynek	BNetzA (Germany)	
Jean-Pierre	Becret	CEFIC	
Martina	Beitke	CEFIC	
William	Webster	EFET	
Nicolas	Barbannaud	EFET	
Andrew	Mcintosh	ENTSO-E	
Clotilde	Levillain	ENTSO-E	
Frank	Vandenberghe	ENTSO-E	
Juha	Kekkonen	ENTSO-E	
Andrew	Claxton	EuroPEX	
Jean-Francois	Conil-Lacoste	EuroPEX	
David	Assaad	EuroPEX	
Gunnar	Lundberg	Eurelectric	
Anne-Malorie	Geron	Eurelectric	
Hans	Gruenfeld	IFIEC	
Peter	Claes	IFIEC	
Matti	Supponen	European Commission	
Natalie	McCoy	CEER Secretariat	

1 Opening

The meeting opened at 10h33 Asta Sihvonon-Punkka (EMV, Finland) in the Chair.

1.1 Approval of the agenda

The Agenda was approved in the form shown in these minutes.

1.2 Approval of the minutes

The 5th AHAG minutes were approved with changes. In addition, EFET noted that it has concerns regarding exclusivity of Elbas in the context of intraday market issues, which were discussed under agenda item 3.1 below.

Review of agreed action points¹

Action	Description	Who	When Due	Status
A-100628-01	The AHAG Chair proposed that all these questions regarding the PCR and CWE projects are also discussed at the day-ahead governance meeting on Monday 5 July.	Day-ahead and governance project team	As soon as possible	DONE
A-100628-02	The AHAG intraday project team should discuss the intraday pilots and then report to the AHAG.	Intraday project team	21 September 2010	DONE
A-100628-03	Written comments to the draft CACM framework guideline should be sent by Friday 9 July at the latest.	AHAG Members	9 July 2010	DONE
A-100628-04	The AHAG Chair proposed that the September AHAG meeting focus on intraday trading issues and another on long-term transmission rights.	AHAG Members	21 September 2010	DONE

2 ERGEG work on draft Framework Guideline on Capacity Allocation and Congestion Management - update

The AHAG Chair informed the members that the draft framework guideline on capacity allocation and congestion management has been approved by ERGEG and published as a public consultation document. A number of questions for stakeholders accompany the consultation. In particular, ERGEG and the Commission would appreciate information regarding quantitative costs and benefits of the provisions.

Following the consultation, ERGEG will prepare an evaluation of the responses received and then carefully consider what changes it should include in the draft framework guideline.

EFET (William Webster) noted that in their view the proposals are not sufficiently ambitious, while the role of NRAs was overplayed (and the role of ACER underplayed). An important point for EFET is to set the boundary between the monopoly elements of the transmission service and the

¹ These are outstanding points from previous meetings, for the present meeting's actions and decisions see the end of this document.

competitive elements in terms of trading (platforms and exchanges). Another point is the need for more precision on what is allowed, what isn't allowed and a glossary with definitions. This should help ENTSO-E when preparing the codes. EFET is working on more specific comments.

The AHAG Chair welcomed this initial feedback and invited the members to provide detailed comments through the consultation.

3 Intraday Market

3.1. APX-Belpex-NPS ELBAS based initiative

APX (Andrew Claxton) gave a presentation on the work that has been undertaken regarding the PCG target model as regards intraday markets. The model's provisions/requirements are quite ambitious – but are feasible. A prototype algorithm has been developed by Belpex based on an optimizer that demonstrates the feasibility of the PCG target model.

APX has prepared a list of options for how to go about putting the model into practice – from centralised shared order books (SOB) to tightly linked SOB to loosely linked SOB to independent SOB. The options become progressively looser and less feasible in practice. An intraday implicit solution faces similar issues (of governance) as day-ahead market coupling. Intraday's specific issues may warrant a more top down approach for implementation. A common matching system is required (SOB). Decentralisation is possible (local operations, clearing, settlement, etc.) but the processing should be centralised (common algorithm). A joint venture/cooperation is needed to deliver the common matching system.

Joint PX cooperation could materialise in the form of a joint venture. The solution is based on a single system platform, decentralised where possible

In the short term, APX considers that Elbas is an interim solution, with the aim of moving towards a joint venture model. There are a number of open issues in the Elbas project – finalisation of enduring requirements, specification of innovative platform, implementation and testing and governance arrangements. Sorting these issues out could continue to take place in parallel to Elbas's operation, with a view to settling everything during 2012.

APX feels that realising the target model requires more pro-active, urgent leadership and cooperation from TSOs and PXs.

EFET (Nicolas Barbannaud) expressed its concerns about the exclusivity of Elbas in the interim period. Three examples were given to show that the platform doesn't fulfill some basic market needs such as cross border rebalancing, cross border decisions to start a power plant or allowing transit flows for energy bought outside of the Elbas platform.

APX agreed that ELBAS is not currently able to tackle all market needs but said that these needs can be addressed later on.

EFET considers that this would be fine if the platform was not granted some exclusivity rights on intraday capacities, which is not the case and that standard continuous trading platforms are good for trading on spinning reserves and for standardised products but not for all trading and do not provide the same service as TSOs.

EFET is therefore very concerned about setting up a monopoly based on an "interim" solution which could negatively impact all the regional intraday markets at the same time as bringing a new intraday service and with no guarantee on future evolutions.

Frank Vandenberghe (on behalf of Belpex) remarked that in his understanding the model can address these issues (and be customised by specifying a special product through the trading platform).

EFET underlined that it must be ensured that market participants feel confident and comfortable

right from the start that they can do the full range of operations via the platform otherwise this will restrict some intraday activities to the national level, which would in practice mean that the benefits of efficiency from a common platform are not achieved.

EuroPEX (Jean-Francois Conil-Lacoste) underlined that the choice of the platform is not based on a monopoly situation but from the existing liquidity that has been built over time.

IFIEC underlined pivotal role for exchanges in providing access to the intraday market (exclusively open to Members), and asked whether or not this would require regulating the conditions and tariffs for access to the exchanges. In other words, it is generally accepted that grid access is regulated because low entry barriers are crucial for market access. If access to an important market segment is controlled by a monopolist (TSO, or exchange), it follows that tariffs and conditions are regulated.

3.2. Franco-German border intraday arrangements

Epex Spot (David Assaad) gave a presentation on the arrangements in place on the France-Germany border for an intraday cross-border project. The goal of the project is to develop quick and not very costly solutions for intraday and to reduce risks. The project builds on existing market rules and preserves the current process for allocating capacity (OTC). The TSOs across the border have accepted to harmonise their cross-border capacity allocation mechanisms. Explicit (OTC) capacity allocation is harmonised in both directions. The TSOs are working on an implicit capacity allocation mechanism. The trading system is being harmonised as well, to allow cross-border trading. There will be a cross-border functionality to link the French and German systems.

The TSOs' capacity platform is connected to the PX trading platform – information is updated and transferred instantly.

Orders will be tradable locally or cross-border, and the current rules are maintained. The model can be applied to all continental trading.

Epex Spot explained that this type of project would not have been possible in the past – when there was no liquidity in the market. There is no ex ante reservation of the capacity for OTC vs. implicit. The capacity is bid continuously. EuroPEX underlined that it is open to whatever final solution is used for intraday – which need not necessarily be the Germany-France arrangements.

The Commission (Matti Supponen) enquired whether this system generates congestion rents and how trading across projects (e.g. from France to Belgium) for intraday can take place.

ENTSO-E (Juha Kekkonen) noted that for intraday, we see differing projects which might result in competing solutions in Europe for an intraday solution, while in day-ahead there is a common understanding and plan for that market.

The AHAG Chair enquired whether these different solutions are in fact compatible – as different borders within one country (e.g. Germany) are covered by different arrangements. How are these issues being handled, in particular to ensure that information on capacity at real-time is correct/reliable.

Epex Spot explained that anyone can connect to the capacity platform – TSOs can have all the real-time information.

EFET remarked that this market design is fine because the non exclusivity is a guarantee that regional intraday markets will not be negatively impacted during the interim period during which this platform cannot answer all market needs. This non exclusivity allows to develop a value added service in the same time as preserving the access to intraday capacities to all users and for all market needs. The convergence between various continuous trading platform can easily be achieved by setting as an obligation on all platforms to develop a shared order book so that they become compatible (continuous market coupling).

The good point of the approach is that there is no risk in using it, rather it provides an additional service.

3.3. NWE project

ENTSO-E (Andy McIntosh) provided a brief update on the NWE project. Many of the points have already been addressed within the context of the discussion on the 2 previous agenda items.

The NWE region project is building out of what is being discussed in AHAG (the same applies for the region's work on day-ahead). Its thinking is shaped by what is happening in the AHAG intraday project team.

The NWE TSOs have agreed to create a common company to coordinate capacity. In day-ahead it will be a contracting entity (for market coupling) and they foresee a similar role for intraday. Setting up a new company will be a challenge, but there is a commitment to take it forward.

They are committed to having some type of market based pricing of intraday capacity. According to Eurelectric's view clarification is needed how this relates to and complies with the PCG

target model. There are still a number of differing solutions for intraday. The NWE solution is a capacity management module and a shared order book function (in line with the target model). The work has been guided by and is completely compatible with AHAG's work to date.

In their view, the governance solutions for day-ahead can be applied for intraday, despite technical differences in the markets. They are aiming to achieve a common governance model for intraday and day-ahead.

Eurelectric (Anne-Malorie Geron) saw this work as a major step forward towards a governance model for day-ahead and intra-day and urged TSOs and PXs to come up with a joint proposal at the next AHAG meeting. There are high expectations from the market that in view of the next Florence Forum the two parties agree upon a combined model accompanied with clear implementation steps and timescale.

EFET pointed out that the same comments on non exclusivity have to be made until the platform is able to handle all market needs.

3.4. Way forward in the Intraday market project

ENTSO-E (Frank Vandenberghe) provided an update on the project's work since the last AHAG meeting. The project has discussed in some detail 6 initiatives on intraday. The other exchanges also expressed their willingness to go into cross-border continuous trade. ENTSO-E would welcome support for leadership in taking forward an intraday solution.

Regarding SOB – all the bids must be presented together, simultaneously, with one single algorithm. There is no discussion anymore that there will be a single algorithm – now we need to start developing it. This means that the products of these order books must be harmonised to an extent. Within the project team, the PXs expressed their commitment to develop the SOB. In addition, the TSOs committed to develop a capacity management module (CMM) in a one-to-one relationship with the SOB.

Following these commitments, the question is how to put the work into practice and how to move the market to these new mechanisms. There is a need to define a roadmap to achieve the target model. Discussion has begun in the project team on this issue. The project team hopes to report on further progress regarding this roadmap at the next AHAG.

Eurelectric (Gunnar Lundberg) enquired about the timeline for such work.

EuroPEX (Jean-Francois Conil-Lacoste) explained that at the moment there is not enough capacity on the markets to have SOBs in place – this will take time and depend on development of liquidity. Hence, the use of interim solutions.

ENTSO-E underlined that if the power exchanges across the border agree on cross-border intraday arrangements, TSOs will not refuse to give capacity to the involved exchanges.

EuroPEX (Andrew Claxton) noted that at the moment, there are uncoordinated initiatives, but this is due to uncoordinated environments. There is no problem in principle for the exchanges to cooperate – but they require some clarity on the environment. Although there is agreement on SOB, the reality is that things happen bottom-up, and a top-down direction is needed to coordinate the projects.

The AHAG Chair agreed that a top-down guidance is important. The Commission's work on a governance guideline should help to focus the work together with the future network code.

Eurelectric enquired what is meant by a single algorithm (is this different from the manual clicking of bids)..

With regard to the next steps for intraday, the AHAG Chair proposed that the intraday project team can use this discussion (on what is happening and what remains to be done) to prepare an update for the December 2010 Florence Forum. A roadmap of the next steps would also be helpful.

The Intraday Project team will prepare a draft plan for reaching the target model (steps which need to be taken) for discussion at the November AHAG meeting.

4 Day-ahead market coupling and the Governance Project

4.1. Update on the draft Governance Guideline

The Commission provided an update on the work to develop a governance guideline. There is a basic agreement on the division of the responsibilities, with a two-tier approach for a legally binding guideline and an operational agreement.

There are 2 options for how to make the provisions binding – through contractual arrangements or through national regulation.

The project team has held two further meetings and the Commission has prepared an overview of how the governance could be structured: with a common TSO market coupling company and a PX cooperation mechanism (the precise model for how to interface with the TSOs has not been agreed).

EuroPEX (Andrew Claxton) noted that the substance of the arrangements will be in the operation rules of the market coupling. Appropriate regulatory involvement in the process will be important.

ENTSO-E underlined that it will work from the principle that TSOs may join the joint company when they wish.

In terms of the next steps, the Commission reported that it has started the work on the governance guideline by using as an interim step a so called options paper and it will also prepare an impact assessment. The PCR project has announced its work on a single algorithm. Existing implementing projects will serve as experience to contribute to this work (but should not run in the opposite direction from what is planned).

An options paper will be prepared for discussion at the (13-14) December Florence Forum.

4.2. Update on the market coupling initiatives

4.2.1. NWE project (Day-ahead and intraday markets)

The NWE day-ahead project is working on a single price coupling solution with coordinated matching. The project will join with CWE, Nordic and GB markets from its outset. A TSO joint company is being formed (which any TSO may join). NWE is pursuing a contractual approach to make the operational arrangements binding on the involved parties.

Eurelectric underlined the importance of including some avenue for market parties (e.g. a market parties platform) in the new structures.

NWE reports to AHAG on its work.

4.2.2. PCR

EuroPEX presented an update of the PCR's implementation plan. The hope is that it could be adopted in several regions with activities happening independently of each other, but based on a joint algorithm, systems, communications, operational procedures and agreements. The first step is for the PXs to use the same algorithm – following which it is fairly easy to link markets for a price coupling. Alongside the NWE option, other regions could implement the PCR approach in parallel – as they are compatible.

There are commercial issues related to agreeing a common algorithm – such as the ownership of the algorithm itself.

The operational procedures (which need to cover all range of issues, including in case of problems) will be an important part of the work.

EuroPEX has developed a draft of what functional requirements of the algorithm should be met.

The PCR could report on its work (and any issues for discussion) to AHAG.

4.2.3. ITVC/CWE

EREGEG (Sabrina Mlynek) provided an update on the planning to launch the ITVC. Testing is ongoing and the aim is to launch on 9 November. The regulators have reached an agreement on the firmness issue and a solution is imminent on minimum capacity. A press release is expected for the end of this week. An Interim Solution Agreement (ISA) has been reached between the parties regarding the governance of ITVC.

4.3. Eurelectric presentation on DA

A number of Eurelectric's points have been discussed during previous agenda items. Eurelectric is in favour of beginning integration/harmonisation in one region and the spreading the solution to other regions when they are ready. They also envisage a single regulated entity which would be responsible for price coupling (e.g. EMCC, CASC or another body). The entity could be owned by the TSOs and PXs, with the possibility of flexible and open ownership to allow new members. Within the body, a stakeholder platform should be foreseen.

EuroPEX insisted that it is important to respect the role of the PX and the assets that they bring to the table. TSOs understand this relationship. There is no need for a joint company between PXs and TSOs, or for EMCC to manage it.

CRE (Christophe Gence-Creux) proposed that there is visible hope that the PCR and NWE projects are compatible. Perhaps a pragmatic approach could be to **ask the two (PXs and TSOs) to present a joint proposal/programme to the Florence Forum.**

The AHAG Chair concluded that indeed the two initiatives seem compatible and do not compete but rather complement each other towards reaching the same solution.

5 Lunch Break

6 Capacity calculation project

ENTSO-E (Clotilde Levillain) reported on the progress of the project team's 6 deliverables. Approximately 60-70% of the work has been completed. The key issues relate to the zones (area and prices). They are preparing a methodology for evaluating a zone. In addition, ERGEG asked the group to work on an evaluation of the zone delineation of the CWE. The project team is also studying the differences between ATC and flow-based calculation. The third issue under discussion in the group relates to how to measure firmness of capacity.

Regarding transparency, the team collected input from the stakeholders and to identify priorities. This work fed in to the preparation of ERGEG's draft comitology guideline on fundamental electricity transparency data.

EFET stated that a lot of work had been done on tutorials, which is very important for transparency and for understanding the various components of this topic. It is important however to check each project in this field as an imperfect implementation of a "good" methodology (on paper) might have a negative impact. It is also important that the improvements that can be achieved through a better coordinated capacity calculation do not benefit only to a better management of the network (grid security) but also in the ability by TSOs to offer more capacities to the market.

7 Forward market and the long term transmission rights

7.1. CRE Thematic report: "Access to long-term capacity for electric interconnections: towards a single European set of rules"

CRE presented its report, published in April/May 2010. The reason behind the report stems the importance of longer maturity transmission rights for competition and the importance of solving important pending issues in the context of the FG on CACM:

- Firmness
- Maximization of cross-border capacity
- PTRs/FTRs
- Secondary markets

An important message in the report is that regulators should be more involved in the decisions regarding the two inter-related issues (firmness and level of interconnection capacity made available to the market).

7.2. EFET views on the forward market arrangements and the recent developments

EFET has a positive view of CRE's report. The main issues are covered in the report and now we need to make sure that these concepts which are now well known and understood can be implemented in all regions.

ENTSO-E underlined the importance of treating firmness and long term rights as a function of what is happening in reality.

7.3. Presentation by CEFIC

The CEFIC presentation will be taken up at the next AHAG meeting.

7.4. EC update on the planned study on LT transmission rights

The Commission reported that the funds for the study are still being researched internally, after which a consultant may be selected by the Commission and the work begun.

8 Any other business

9 Next meetings

Tuesday 2 November – ENTSO-E offices

Friday 3 December – Eurelectric offices

NEW DATE 2011:

Wednesday 26 January – CEER

The meeting adjourned at 16h10.

Summary of all ongoing and outstanding action points:

Action	Description	Who	When Due	Status
A-100921-01	The Intraday Project team will prepare a draft plan for reaching the target model (steps which need to be taken) for discussion at the November AHAG meeting.	Intraday project team	26 October 2010	PENDING
A-100921-02	ENTSO-E and EuroPEX were requested to work on a joint proposal that covers both NWE and PCR initiatives	ENTSO-E and EuroPEX	First draft 2 November 2010	PENDING
A-100921-03	CEFIC will give its presentation on LT transmission rights at the next AHAG meeting	CEFIC	2 November 2010	PENDING

Summary of decisions

Decision	Description
D-100921-01	Minutes of the 5 th AHAG meeting were approved.
D-100921-02	The draft agenda of the 5 th AHAG meeting was approved.