

1st AHAG Meeting

Thursday 28th January from 10:30 to 17:00

CEER, rue le Titien 28, 1000 Brussels

FINAL MINUTES (V4)

Participants			
Asta	Sihvonen-Punkka	EMV (Finland)	Chair
Matti	Supponen	European Commission	
Tahir	Kapetanovic	E-Control (Austria)	
Alain	Marien	CREG (Belgium)	
Cecile	George	CRE (France)	
Pamela	Taylor	Ofgem (UK)	
David	Haldearn	RIG	
Sabrina	Mylnek	BNetzA (Germany)	
Francesco	Cariello	AEEG (Italy)	
Bente	Danielsen	DERA (Denmark)	
Sören	Högel	CEDEC-VKU	
Jean-Pierre	Becret	CEFIC	
Martina	Beitke	CEFIC	
Paul	Dawson	EFET	
Jonas	Tornquist	EFET	
Andrew	Mcintosh	ENTSO-E	
Cecilia	Hellner	ENTSO-E	
Gunnar	Lundberg	EURELECTRIC	
Anne-Malorie	Geron	EURELECTRIC	
Andrew	Claxton	EuroPEX	
Jean-Francois	Conil-Lacoste	EuroPEX Chairman	
Hans	Gruenfeld	IFIEC	
Peter	Claes	IFIEC	
Natalie	McCoy	CEER Secretariat	

1. Opening

The meeting opened at 10h38 Asta Sihvonen-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 of the 8th PCG meeting

The 8th PCG minutes will be circulated to the former PCG members for electronic approval and will be uploaded to the ERGEG website once approved.

2. Priorities for electricity network codes and related framework guidelines - presentation by the European Commission

The AHAG Chair (Asta Sihvonon-Punkka) welcomed the participants and asked them to briefly introduce themselves.

The European Commission (Matti Supponen) provided an overview of the European Commission's priorities for framework guidelines and the related network codes – grid connection, system operation, transparency and capacity allocation and congestion management. The ENTSO-E work programme is consistent with these priorities.

The AHAG Chair reported that ERGEG has established project teams to take forward these priorities through draft framework guidelines for system operation, grid connection (electricity pilot) and capacity allocation/congestion management and ERGEG advice for comitology guidelines on transparency.

By transparency, the Commission means the issues currently covered within the Congestion Management Guidelines, the rest falls within the scope of the market integrity framework. It has yet to be explored what other issues (e.g. emissions trading) could be relevant. AHAG will focus on capacity allocation and congestion management. The transparency work will be taken forward by ERGEG in close cooperation with ENTSO-E and other stakeholders as relevant.

The official start of the 6-month time period for the framework guideline on capacity allocation/congestion management will be in March, when the Commission sends an official letter requesting the framework guideline. Regarding governance issues, it could be that the regulators are requested to develop a directly legally binding guideline.

The Commission presented a possible sequence of European market coupling, based in part on projects/initiatives which are already taking place. It will be important to ensure that the work on capacity allocation and congestion management does not negatively affect the existing projects and that these projects are also consistent with the work on capacity allocation and congestion management. As several regions could couple during 2011, it is important for the framework guideline work to progress rapidly. Two-way communication from both sides is important, also to share experience and perspectives.

3. The PCG target model - a recap of the PCG proposition on the target model presented to the December Forum

The AHAG Chair presented a recap of the PCG work, presented to the December Florence Forum. The full presentation is available on the European Commission under the Florence Forum section.

The 'target model' (TM) covers:

Forwards - forward markets should give efficient long-term price signals and facilitate cross-border

competition through forward transmission markets. There are two options, either to use PTRs with UIOSI principle or FTRs assigned by the TSOs. Moreover, a secondary market should be in place. Furthermore, financial firmness is important for the efficient functioning of the market by 2015.

Day-ahead - Single Price Coupling (SPC) all over Europe. In the TM, one single matching algorithm is able to establish prices and volumes across all borders between the “PX market areas” and/or bidding areas compatible with capacity calculation by 2015.

Intraday – continuous implicit trading and optionally a national/regional solution if necessary, that is compatible with the TM by 2015.

Balancing – focus on manually activated reserves, harmonisation of gate closure times and technical characteristics. Noted that full harmonisation of balancing markets is not a prerequisite for cross-border balancing by 2015. Implementation should be based on a pragmatic approach and start with pilot projects including Nordic, France-UK, Holland-Belgium, Germany-Austria, internal Germany.

Capacity calculation – objective to have harmonised coordinated capacity calculation methodologies among European TSOs and to have harmonised standards regarding necessary information and exchange of information among TSOs, generators and traders. So, would need to design a common grid model and coordinated capacity assessment and/or flow-based allocation. A project led by ENTSO-E will take these ideas forward.

4. Discussion on the role, scope of work and tasks of AHAG

The AHAG Chair introduced the work for AHAG, which was agreed between ERGEG and the Commission prior to the Florence Forum and replaces the Project Coordination Group (PCG). The role of AHAG is to advise, on an ad hoc basis, the European Energy Regulators (ERGEG, then the Agency) in the development of draft framework guidelines on capacity allocation and congestion management. AHAG provides a platform for the regulators to get feedback on their work and to monitor and coordinate agreed projects which are being carried forward following the work of the PCG. This will ensure a good flow of information between the projects and the work on the draft framework guideline.

In terms of ensuring transparency, AHAG will have a dedicated area on the ERGEG website. The names of the member associations will be listed, as will the meeting agenda, approved minutes and other documents that are agreed for publication.

Regarding the status of the target model from the PCG, elements of the model will feed into the work on the framework guideline and so AHAG will have an opportunity to discuss the target model through this work. In addition, stakeholders will also have an opportunity to contribute to the design/scope of the work during public consultation exercises.

Eurelectric (Anne-Malorie Geron) presented their views on the work for AHAG. Eurelectric is keen that the momentum and work from the PCG's work should not be lost. They believe it is now time to move to implementation and to setting roadmap dates and timings. They are very supportive of publishing the agenda, minutes, etc. which will increase stakeholder trust in the work. They advocate a similar working structure as used in the PCG – i.e. works streams on specific issues - and recommended a project management approach (eg. list of WS meetings to be agreed upfront, documents sent within a reasonable time before the meeting). They underlined the importance of defining concrete deliverables for each of the concrete projects in view of the 18th Florence Forum.

CEFIC (J-P Bécrot) asked what are the teams (guidelines and projects) which should define the conditions to suppress electrical borders between two countries, merging their markets, because several borders are no longer congested but always suffer allocation of too few yearly capacities, because of congestions farer in national grids. ERGEG answered the “capacity calculation” teams.

ENTSO-E (Andy McIntosh) commented that the project teams should be composed of active members who can contribute to the work – in order to avoid groups which are too large to work effectively.

EuroPEX (Andrew Claxton) suggested that terms of reference are established for both AHAG and any project teams. The ToR should include concrete deliverables.

The AHAG Chair proposed to present Terms of Reference for AHAG at the next meeting, for comment and input by the members. Once agreed, the ToR could be made public.

5. The implementation projects

ENTSO-E presented an outline of objectives for capacity calculation, which affects all timeframes and is an important issue. ENTSO-E will appoint a project leader for its 2 implementation projects stemming from the Florence Forum: intraday and capacity calculation. Each project should develop ToR.

In terms of the day-ahead and governance project, ENTSO-E would like to see the development of a detailed design for a single price coupling mechanism capable of implementation at an inter-regional and ultimately European level. Regarding a governance framework for market coupling, this should include clear roles and responsibilities for key functions; access rules, interface requirements and relationships between all parties; clear delineation between commercial and public interest congestion management activities; appropriate mechanisms for transparency; arrangements for cost recovery, funding

For the intraday project, ENTSO-E feels there is a need to develop a functional design for an implicit intraday capacity allocation mechanism based on the principle of continuous trading close to real-time and capable of implementation at an inter-regional and ultimately European level. Design solutions should include common platforms for intraday capacity management between TSO areas; processes for sharing cross-border intraday order books and matching of requests; appropriate mechanisms for transparency and organisational and funding arrangements. The proposals should be compatible with day-ahead.

For the capacity calculation project, ENTSO-E proposed that this should develop appropriate coordinated processes, common information exchange and common infrastructure. This infrastructure should facilitate coordinated reliability and security analysis, common rules for assessing and optimising available commercial capacity (e.g. redispatch, countertrading, financial firmness) and establishment of European-wide grid modelling processes.

ENTSO-E presented its view on the timing for developing the network codes related to the framework guideline on capacity allocation and congestion management. They would propose to stagger the work, as a question both of staff resources and stakeholder over-burdening. They see a role for AHAG beyond the publication of the framework guideline.

The European Commission (Matti Supponen) will chair a project team on governance issues, in order to collect initial positions, learn from existing market coupling initiatives, identify the issues and propose possible options. The team would be composed of EREG, EuroPEX, ENTSO-E and the Commission, which will report back to AHAG at every meeting. The timetable is to hopefully present a solution to the June 2010 Florence Forum. EREG requested that the Commission confirm at an early stage that it would be possible legally to use a guideline under the 3rd package to implement the full range of requirements, obligations and penalties that might be necessary for an effective governance arrangement.

Eurelectric (Gunnar Lundberg) outlined their view on each of the 3 projects (day-ahead, intraday and capacity calculation).

CEFIC (Jean-Pierre Beuret) worried that some issues seem not to be handled by the capacity calculation project, such as loop-flow limitation, proactive redispatching, merging zones, etc... CEFIC asked project teams to provide AHAG members with lists of the considered issues, for comments. Consumers would of course be interested in participating in the project teams.

EuroPEX presented some “Thoughts on Governance of the European Price Coupling”... They suggest a two-step approach towards a price coupling governance solution: 1) define a governance framework through “control tables” and 2) set-up the most efficient solution to implement the governance framework.

The AHAG Chair proposed that draft terms of reference for each project should be presented to the next AHAG meeting.

6. Impact Assessment of the draft framework guideline on capacity allocation and congestion management - presentation by ERGEG

ERGEG (Tahir Kapetanovic and Alain Marien) presented the planned work on the draft framework guideline. The first step is an impact assessment exercise and document (based on the Commission’s IA guidelines). ERGEG’s draft impact assessment will aim to cover all the areas and issues related to the framework guideline – for which there may in future be multiple network codes.

The members will be invited to provide comments to the draft impact assessment (track changes and concrete proposals are most helpful).

The impact assessment includes several chapters:

1. Procedural issues and consultation
2. Problem definition
3. Objectives of the EU initiative
4. Assessment evaluation criteria
5. Policy options, comparative analysis and impact assessment and selection
6. Executive summary
7. Monitoring and evaluation

A draft of the impact assessment document on capacity allocation and congestion management is planned to be circulated to the AHAG members in early-February, with a request for comments by end-February. The aim is to finalise the impact assessment in early March, to discuss the revised impact assessment at the March AHAG meeting and then for ERGEG to begin drafting the framework guideline.

8. Firmness of transmission capacity

ERGEG introduced a note with a number of questions related to firmness of transmission capacity. The members generally agreed with the principle that appropriate compensation should be paid to capacity rights holders in the case of curtailment of cross-border capacity.

IFIEC (Hans Gruenfeld) enquired as to the frequency of this problem of curtailment and how many parties are affected. Generally speaking, the compensation is paid to the trader, which has borne the risk of the capacity.

EFET (Paul Dawson) commented that proven damage is difficult to prove and is an unworkable requirement. Market spread compensation is the approach needed for a traded market.

ENTSO-E commented that firmness is linked to capacity calculation and incentives and cannot be addressed without considering them. A correct balance of risks and the distribution of costs is essential. ENTSO-E agreed with the principle of demonstrable damage as a basis of compensation, but doubted that such an approach was practically achievable from the perspective of the administrative burden it would create. Curtailments (including force majeure) are most often caused by loop flows and other incidents which cannot be controlled by the TSO.

Ultimately, financial products will be the way forward, but for the time being physical firmness is the case.

CEFIC stated that financial transmission rights are not the panacea because they imply additional expenses for customers, with curtailments increasing risk premiums. Intermediaries should be limited, with regard to direct purchase from generators.

CEFIC also expressed that, except during interconnector shut-down, cross-border capacity curtailment to solve congestion (e.g. caused by loop-flow) is discrimination between national and international transactions.

IFIEC (Peter Claes) commented that part of the discussion should be how to stimulate and motivate the TSOs to make the markets function better, more efficiently.

The AHAG Chair informed the members that ERGEG will shortly be launching a call for evidence on incentives for cross-border trade (1 February – 29 March).

The members were invited to provide full written comments to the questions on firmness of transmission capacity by 28 February.

9. Any other business

In terms of the next steps, the project teams will be set up by ENTSO-E and the European Commission.

Matti Supponen will send out invitations for members for its group on governance.

ENTSO-E will invite the AHAG members to nominate experts who could contribute to the work on capacity calculation and intraday.

Each group will begin work ahead of the March AHAG meeting – the project team meeting dates will be communicated by email.

The project leaders will be invited to AHAG meetings to report on their work (ToR, concrete deliverables for the 18th Florence Forum, interim documents). These documents will be made available to the AHAG participants a week in advance at the latest.

10. Next meetings

Thursday 18 March 2010 – location tbc

Monday 26 April 2010 (if needed, to be decided at March meeting) – location tbc

Thursday 20 May 2010 – location tbc

The meeting adjourned at 16h03.

12. Summary of all ongoing and outstanding action points:

Action	Description	Who	When Due	Status
D-100128-01	The 8th PCG minutes will be circulated to the former PCG members for electronic approval and will be uploaded to the ERGEG website once approved	CEER Secretariat	As soon as possible	PENDING
D-100128-02	The AHAG Chair proposed to present Terms of Reference for AHAG at the next meeting, for comment and input by the members.	AHAG Chair	18 March 2010	PENDING
D-100128-03	The AHAG Chair proposed that draft terms of reference for each project should be presented to the next AHAG meeting.	Project teams	18 March 2010	PENDING
D-100128-04	A draft of the impact assessment document on capacity allocation and congestion management will hopefully be circulated to the AHAG members in early-February, with a request for comments by end-February.	ERGEG	Early-February 2010	PENDING
D-100128-05	The members were invited to provide full written comments to the questions on firmness of transmission capacity by 28 February.	AHAG Members	28 February 2010	PENDING
D-100128-06	Matti Supponen will send out invitations for members for its group on governance.	Matti Supponen	As soon as possible	PENDING
D-100128-07	ENTSO-E will invite the AHAG members to nominate experts who could contribute to the work on capacity calculation and intraday.	ENTSO-E	As soon as possible	PENDING