

3rd AHAG Meeting

Monday 26 April 2010 10:30 to 17:00

Eurelectric, Boulevard de l'Imperatrice 66, 1000 Brussels

FINAL MINUTES

Participants			
Asta	Sihvonon-Punkka	EMV (Finland)	Chair
Matti	Supponen	European Commission	
Rafael	Gomez Elvira	RIG (ERGEG)	Via telephone
Alain	Marien	CREG (Belgium)	
Bente	Danielsen	DERA (Denmark)	
Pamela	Taylor	Ofgem (UK)	
Christophe	Gence-Creux	CRE (France)	
Sabrina	Mlynek	BNetzA	
Jean-Pierre	Becret	CEFIC	
Martina	Beitke	CEFIC	
Hakan	Feuk	EFET	
Paul	Dawson	EFET	
Andrew	Mcintosh	ENTSO-E	
Juha	Kekkonen	ENTSO-E	
Frank	Vandenberghe	ENTSO-E	
Ritva	Hirvonen	ENTSO-E	Via telephone
Gunnar	Lundberg	EURELECTRIC	
Anne-Malorie	Geron	EURELECTRIC	
Jean-Francois	Conil-Lacoste	EuroPEX	
Andrew	Claxton	EuroPEX	
Enno	Böttcher	EMCC	Afternoon
Rickard	Nilsson	Nordpool	Afternoon
Natalie	McCoy	CEER Secretariat	

1 Opening

The meeting opened at 10h40 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. Agenda item 8. was taken in the

morning session.

Under any other business, a Eurelectric note on criteria was added for discussion.

1.2 Approval of the minutes

The 2nd AHAG minutes were approved with changes to reflect that the ToR still have to be agreed.

1.3 Review of agreed action points¹

Action	Description	Who	When Due	Status
A-100318-01	The AHAG ToR will be agreed subject to the above changes and will be published on the ERGEG website public area for the AHAG.	CEER Secretariat	As soon as possible	DONE
A-100318-02	The Chair proposed that an update be provided on the Central West and EMCC projects at the next AHAG meeting	EuroPEX	26 April 2010	DONE
A-100318-03	The draft ToR for the Commission study will be circulated to AHAG members for comments.	AHAG Chair	As soon as possible	DONE
A-100318-04	Members should send comments to the draft impact assessment by Friday 26 March at the latest. The capacity calculation project will in particular consider the paper on behalf of AHAG, in time for the May AHAG meeting. The other two projects should also review the paper.	AHAG Members	26 March 2010	DONE
		CC project team	20 May 2010	
A-100318-05	The discussion will be taken up at a future AHAG meeting, and members are invited to provide further comments to the questions on firmness.	AHAG Members	26 April 2010	DONE

2 Terms of reference for AHAG – finalization of the ToR

The AHAG Chair (Asta Sihvonen-Punkka) presented a revised version of the draft terms of reference for AHAG. This version takes into account comments made within AHAG and by ERGEG. The aim has been to simplify and clarify the scope.

The AHAG ToR were agreed and will be published on the ERGEG website.

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

3 Impact assessment of the draft framework guidelines on capacity allocation and congestion management

Alain Marien provided an update on the ongoing work, and thanked the AHAG members for their comments. The work is focusing on the quality and length of the text. During a phone meeting of ERGEG's project team, convergence was reached on a number of issues:

- Support for a common grid model as a minimum first step
- Capacity calculation should be flow-based (although bilateral ATC may be kept for areas with no market borders)
- One-country-one zone should still be possible if there is no impact on neighboring zones
- More transparency is needed for internal congestion
- Regarding day-ahead, there is a preference for single centralized price coupling, although if there is no power exchange, explicit auctions should be possible
- Physical and financial transmission rights are still being discussed
- Price signals and the speed of the process are still issues for the intraday timeframe and need to be assessed when analysing continuous implicit allocation and implicit auctions
- The interactions with balancing require further analysis

A new draft text of the initial impact assessment, covering all chapters, will be circulated by ERGEG for the next AHAG meeting.

4 Capacity calculation project – update and ToR

Ritva Hirvonen presented the work within the project. There are several key principles serving as basis of the work for developing a grid model: Common data and Common process. The project proposes a 5-step process for capacity calculation: day-2 capacity forecast (D-2CF), centralised activities then regional activities followed by the validation of the calculation before it is allocated.

The project is adopting a pragmatic approach, building on existing experience. They propose to harmonise the D-2CF procedures and make D-2CF a standard in Europe. The principles for the capacity calculation model for the common grid model include a base case, generation shift and monitoring of critical branches (internal and/or aggregated – tie-in – lines).

The group is also working on transparency issues and a framework for coordinated capacity calculation process, including timeframes. CEFIC remarked that it would want to receive the information on year-ahead forecasts more than one week before the yearly auction.

The Capacity Calculation ToR were agreed.

5 CWE and EMCC market coupling – presentation and update by co-chairs of PLEF Steering Group and the Director of EMCC

Frank Vandenberghe and Jean-Francois Conil-Lacoste provided an update on the Central-West market coupling project, which was agreed by the Pentalateral Forum. The project is based on available transmission capacity (ATC) market coupling – and is moving to flow-based. The project is in its final stages of implementation. A full integration at technical level has been achieved between the five systems involved. Simulation tests are ongoing. It is proposed to launch (commercial ‘go live’ of ATC) on 7th September 2010. A workshop will be held on 8 June in Dusseldorf to present the plan. The relevant regulatory approval procedures have been launched (sometimes different per country) and ‘packages’ were sent to the regulators on 15 February and feel hopeful to have everything in place (approved) for 7th September. There are a number of open issues for which discussions are ongoing (e.g. firmness, CWE auction rules, minimum capacities, recovery of operational costs). A critical risk for the project is the business processes related to sequential volume coupling with the Nordic region.

Regarding flow-based, planning is foreseen in 2 phases: experimentation and implementation. The aim is to take a formal decision on investment by early 2011, with a view to a launch in April 2012. Interactions between neighboring markets with other approaches (ATC vs. flow based) will need careful analysis and consultation, as there are concrete differences, including in the price of energy.

Enno Bochtter presented EMCC. The small auction office was established August 2008 and has 6 staff. Its current focus is the introduction of implicit auctions. The project is a challenge as it must calculate 17 price areas and flows on 22 interconnectors for the inter-regional tight volume coupling between Denmark, Sweden and Germany. To this would be added the Central West coupling. The whole system therefore involves complex mathematical considerations to consider the varying price areas (as well as their currencies). The Central West TSOs and PXs asked EMCC to develop an interim solution based on volume coupling between Nordic and Central West (referred to as IPC). The solution would most likely involve sequential coupling and may need a fallback option. There may also be a need for a first ‘gap-filling’ solution needed between the launch of the CWE in September and the finalization of this interim solution (aimed for November). Eurelectric enquired how long such an interim solution could take to confirm, as it may be preferable in the case of a long process to work directly towards price coupling.

Nordpool remarked that its coupling was designed with an underlying principle that de-coupling will never occur.

A further update on the CWE market coupling and EMCC will be provided at the next AHAG meeting.

6 Intraday market project – update and ToR

Frank Vandenberghe presented a brief update on the work in the project. The main discussions relate to the building blocks of the target model – how would they look in practice. Issues include capacity management module, continuous trading algorithm, governance of shared order book function, regional/inter-regional clearing system and interaction between the target model and 2-layer concept. The group is working on a road map including ongoing and planned projects – with an overview of existing intraday methods in Europe and ongoing projects and future initiatives. The group is also reviewing the difference between day-ahead governance and intraday governance.

The Intraday ToR were agreed.

7 Day-ahead market coupling and governance framework – update and ToR

Matti Supponen presented an update of the work in the governance group. The set up of the structure for day-ahead market coupling governance includes the legally binding guidelines and network codes, a legally binding governance guideline and operational arrangements of the coupling. There are also other relevant legally binding rules, including the Congestion Management guidelines. These could influence the arrangements. The legally binding governance guideline would be proposed by the Commission, with consultation, and followed by comitology. The group has discussed the question of the designation of the power exchange. As regards the everyday functioning of the system, the Agency would serve as the dispute settlement body, while NRAs would have joint oversight. In terms of the timing, the governance structure should hopefully be in place in 2012. By operational arrangements, the group refers to elements beyond the codes, although they may relate to them. This can include procedures or performance management.

EuroPEX remarked that the process for having a governance structure and completing regional projects for day-ahead coupling is parallel. EFET noted that in the UK two spot exchanges are operating – which raises the question of whether designation of PXs would close down this type of competition and imply monopolistic exchanges. The Commission clarified that there would be an option to designate more than one exchange. Eurelectric enquired whether this approach/governance framework could also be extended to intraday.

Regarding the terms of reference for the project on day-ahead and governance, the group will report on its work to AHAG, for comments and inter-linkages with other projects and timeframes. The Eurelectric text regarding an expansion of the group membership will be deleted.

The ToR for the day-ahead and governance group were agreed, pending final comments from Eurelectric.

8 Input to the Commission study on long-term transmission rights

EREGG's ENM TF has prepared draft terms of reference for a consultant study on long-term transmission rights, for which comments have been received from the AHAG members. The Commission will take the draft ToR and the comments received as an input when deciding on the study and its Terms of References.

The ERGEG Financial Services Working Group proposes to focus the study on a different question – which products are there for the long-term market and which parties benefit/lose from the products. This would widen the scope (so not only on physical vs. financial transmission rights). The members provided a brief summary of their reactions, which were sent in writing.

9 Any other business

Eurelectric presented its proposals for guidance criteria to be used by AHAG to evaluate the projects. 6 criteria are proposed:

1. Geographic scope
2. Welfare (socio-economic)
3. Compliance with the target model
4. Impact on market integration project
5. Robustness of the solution and possible fallback solutions in case of failures
6. Timing (prompt implementation)

These criteria would apply to any project related to intraday, day-ahead or capacity calculation

which is underway (e.g. Regional Initiatives). EuroPEX and ENTSO-E expressed their support for the criteria. CEFIC feels the criteria should be client-oriented. A reference to improving competition to the benefit of customers will be included under the Welfare criteria. ENTSO-E proposed to apply these criteria as 'guiding principles' to be appended to the AHAG Terms of Reference.

Following this initial discussion, AHAG members are invited to send further written comments to the guiding principles 'criteria' for a further discussion at the May AHAG meeting.

CEFIC proposed that consumers (CEFIC and IFIEC) present their views on the target model and Market Integration during a future AHAG meeting.

10 Next meetings

Thursday 20 May 2010 – location tbc

The meeting adjourned at 16h33.

Summary of all ongoing and outstanding action points:

Action	Description	Who	When Due	Status
A-100426-01	A new draft text of the initial impact assessment, covering all chapters, will be circulated by ERGEG for the next AHAG meeting	ERGEG	7 May 2010	PENDING
A-100426-02	A further update on the CWE market coupling and EMCC will be provided at the next AHAG meeting.	ENTSO-E EMCC	20 May 2010	PENDING
A-100426-03	Following an initial discussion, AHAG members are invited to send further written comments to the guiding principles 'criteria' for a further discussion at the May AHAG meeting.	AHAG Members	7 May 2010	PENDING
A-100426-04	CEFIC proposed that consumers (CEFIC and IFIEC) present their views on the target model at a future AHAG meeting.	CEFIC IFIEC	future AHAG meeting	PENDING

Summary of decisions

Decision	Description
D-100426-01	Minutes of the 2 nd AHAG meeting were approved.
D-100426-02	The draft agenda of the 3 rd AHAG meeting was approved.
D-100426-03	The members approved the draft AHAG terms of reference with small revisions.

D-100426-04	The day-ahead and governance ToR were agreed subject to the above discussions.
D-100426-05	The intraday ToR were agreed subject to the above discussions.
D-100426-06	The capacity calculation ToR were agreed.