

## 4<sup>th</sup> AHAG Meeting

Thursday 20 May 2010 10:30 to 17:00  
 CEER offices, 28 rue le Titien, 1000 Brussels

### FINAL MINUTES

Participants			
Asta	Sihvonon-Punkka	EMV (Finland)	Chair
Matti	Supponen	European Commission	
Rafael	Gomez Elvira	RIG (ERGEG)	
Alain	Marien	CREG (Belgium)	
Bente	Danielsen	DERA (Denmark)	
Pamela	Taylor	Ofgem (UK)	
Christophe	Gence-Creux	CRE (France)	
Sabrina	Mlynek	BNetzA (Germany)	
Sven	Kaiser	E-Control (Austria)	
Jean-Pierre	Becret	CEFIC	
Pieter	Verberne	CEFIC	Morning
Jonas	Tornquist	EFET	
Peter	Styles	EFET	
Andrew	Mcintosh	ENTSO-E	
Cecilia	Hellner	ENTSO-E	
Frank	Vandenberghe	ENTSO-E	
Clotilde	Levillain	ENTSO-E	
Jean-Francois	Conil-Lacoste	EuroPEX	
Andrew	Claxton	EuroPEX	
Peter	Claes	IFIEC	
Gunnar	Lundberg	Eurelectric	
Anne-Malorie	Geron	Eurelectric	
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.

### 1.2 Approval of the minutes

The 3rd AHAG minutes were approved with changes. Eurelectric reiterated its concerns regarding the day-ahead and governance terms of reference – which will be discussed under agenda item 4.

### 1.3 Review of agreed action points<sup>1</sup>

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	DONE
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	DONE
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 the next AHAG meeting.	CEFIC IFIEC	Future AHAG meeting	PENDING

## 2 Capacity calculation project – update and Florence presentation

ENTSO-E (Clotilde Levillain) presented the draft slides for the capacity calculation project for the Florence Forum.

The overall aim is to improve social welfare and to ensure sustainable development. There are two issues related to how to do this – security of supply and market efficiency. The market needs improved coordination (and a definition of how to do this), more information exchange between stakeholders (and definitions of the information to be used). The presentation outlines the capacity calculation project's objectives, starting from the common grid model as proposed by the PCG – and working on how to implement it in practice. The presentation lists the deliverables for the project.

The group has defined a common principle for coordinated capacity calculation. The focus in the first instance is on day-ahead calculation, to prepare a forecast 'snapshot' of calculation at D-2. The presentation includes a map of the calculation methods currently in use across Europe (ATC, NTC, flow-based). 3 Regional Initiatives are working (through dry-runs) on a flow-based approach to capacity calculation, which works on the physical status of the grid. The capacity is not shared ex-ante, but present to the market the result of what the TSOs want to share (TSOs don't have to decide ex-ante on which borders they will provide capacity).

The slides include a five-step process for coordinated capacity calculation, from day-ahead forecasting to validation to allocation.

EFET noted two important criteria for the initial impact assessment: facilitation of competition and non-discrimination by TSOs and regulators in favour of national transactions and to the detriment

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

of cross-border transactions, when it comes to designating "available" flow paths for wholesale sellers and buyers. The members discussed reorganising the pyramid to focus on the project's objectives. Another criteria to be considered is maximisation of allocation of cross-border capacity to the market. In addition, the (high-level) target audience of the presentation should be considered. Given the short time available in the Florence Forum, the presentation should be shortened (transparency issues could be left to later discussions). A cover slide will explain the problems which need addressing (i.e. basis for this work).

The project group feels that standards for harmonising data sharing may be needed. The project's work on transparency issues is currently feeding into joint ERGEG and ENTSO-E work on comitology guidelines for fundamental transparency.

ERGEG (Christophe Gence-Creux) noted the importance of also referring to the need for coordination between TSOs after the allocation of capacities has been done. This stronger coordination should guarantee the availability of allocated capacities through a coordinated and efficient cross-border redispatch. He also highlights that this stronger coordination for cross-border redispatch would require an appropriate regulatory framework.

**The Florence Forum slides on the capacity calculation implementation project will be revised further to the discussions above.**

### 3 Intraday market project – update and Florence presentation

ENTSO-E (Frank Vandenberghe) presented the draft slides, which start from the basis of further developing the target model developed by the PCG. The basic principle is that market participants will have real-time information on all bids of all participating intraday platforms and updated available trading capacity between all price/delivery areas in a transparent and direct way. The target model should allow block bids (within the group there are 3 options for how to approach block bids and a full consensus on a preferred option has not been reached).

In terms of governance for intraday, the project team proposes a two-tier approach – based on EU codes (and a governance guideline) and operational arrangements (through contracts). The presentation includes a map of how intraday trading and allocation is currently done across Europe (continuous trading, implicit auctions, explicit auctions, pro-rata, FCFS allocation, no intraday, etc.)

The project team proposes a pilot project in North West Europe for cross-border intraday, keeping and monitoring it through AHAG.

Regarding block bids, EuroPEX (Jean-Francois Conil-Lacoste) feels that the target model work within AHAG offers the opportunity to agree a model which promotes as much liquidity as possible on a platform. EuroPEX proposes option 2, for block bids which can be matched to other blocks or to hourly bids. EuroPEX proposes that the pilot project on intraday should rather be European and cope with particularities of other regions.

EFET (Jonas Tornquist) underlined that improving liquidity relates to the entire market process (and not just one timeframe or platform).

IFIEC (Peter Claes) supports option 2 regarding block bids. IFIEC sees intraday markets as corrective markets (vis-à-vis day-ahead market).

ERGEG (Pamela Taylor) proposed offering a short introduction of the problem that needs to be solved, some pros and cons of the model (also bringing in the slide with the map of the different current practices).

Eurelectric (Anne-Malorie Geron) underlined the importance of agreeing a roadmap. ENTSO-E explained that the purpose of the pilot on intraday is a step towards shaping the roadmap. The pilot aims to bring together the different approaches. North West Europe covers the Northern and, Central West regions and the UK. Upon a request by some participants to present a preliminary

project proposal for the pilot on intraday in the North West region for a brief introduction to the Florence Forum, F Vandenberghe answered that more time (until the following Forum) would be needed to bring forward concrete project information. Nevertheless, he answered Eurelectric's request for a roadmap, explaining that the intraday group will still try to find consensus on the basic elements of a roadmap for the June forum

IFIEC noted that customer organisations could have some ideas on how to improve the PCG conclusions.

**The Florence Forum slides on the intraday implementation project will be revised further to the discussions above.**

#### **4 Day-ahead market coupling and governance framework – update and Florence presentation**

The European Commission (Matti Supponen) presented the draft slides on day-ahead and governance. Two meetings have been held since the 3<sup>rd</sup> AHAG meeting. The current slides reinforce the issues presented to the 3<sup>rd</sup> AHAG.

The governance framework would include the legally-binding network codes and a legally-binding governance guideline (through comitology). Below these, a second tier would include the operational arrangements for day-ahead market coupling. There are two options for how to implement the operational arrangements: binding through contractual arrangements between TSOs and PXs or binding by national legislation. These two options accommodate the differing approaches to PXs (open to competition, regulated or monopoly).

The content of the arrangement would include detailed roles, responsibilities and interfaces at operational level; functional requirements for price coupling; procedures for extension and access of new entrants; common procedures and fallback/decoupling situations; change control, incident management, etc.

The project team has outlined a structure for the governance guideline, including the function of the coupling, the functions to be performed, the responsibility of the involved parties and regulatory oversight. There is a question about the level of detail of the governance guideline, versus the operational arrangements. The timing is to begin drafting the governance during summer 2010, with a view to having it in place in mid-2012.

EREG (Rafael Gomez-Elvira) enquired whether a guideline on governance is possible within the context of the 3<sup>rd</sup> Package. In the European Commission's view, the 3<sup>rd</sup> Package offers a full mandate for managing cross-border flows and trade and this governance issue is seen to go to the heart of this. EREG noted that not all NRAs have any jurisdiction over PXs – so how to ensure the guidelines are applied. This also relates to work in the European Commission on market integrity. The European Commission explained that regulators have an explicit right and obligation to approve cross-border congestion management mechanisms, which could be the channel to control the issues covered by the governance guideline. ENTSO-E (Andrew McIntosh) underlined that this work focuses on regulating a cross-border activity, rather than entities per se. EuroPEX supported this explanation and reiterated that for cross-border activities, which represent a marginal part of their volumes, PXs would of course be subject to the rules. BNetzA explained that a situation arises where non-regulated PXs can pass operational costs to a regulated price and the regulator cannot oversee this. Europex recalled that, though some PXs are not directly regulated by law, they are regulated in many respects through sectoral and financial regulations and by essence are taking the greatest care of market integrity and transparency.

Eurelectric remarked that it is important for market participants (other than PXs, TSOs and regulators) to be able to contribute to these discussions and to have information on their progress in good time. Eurelectric is concerned about the time it is taking to address these issues and called for an agreement between the TSOs and the PXs to be found without delay on the coordinated matching of a single algorithm.

EuroPEX (Andrew Claxton) underlined that this is not a sequential process, and that trading activities can move forward without waiting for the governance framework to be in place.

**The AHAG Chair proposed that the next AHAG meeting dedicate some time to jointly discussing the governance and day-ahead issues and the real market coupling projects happening today and how they interact.**

The European Commission explained that in terms of governance there are a number of options on how to proceed: 1) no governance framework is needed, 2) more time is needed to determine if this is needed, 3) there is general agreement that this is needed and we move forward with how (and what) to develop. For the third option, the Commission would welcome the market participants' views, in order to support any steps it takes in future.

The AHAG members agreed with the principle of developing a guideline.

With regard to the terms of reference for this implementation project, Eurelectric has expressed its wish to include more on transparency of information on the team's work.

**The Florence Forum slides on the governance implementation project will be revised further to the discussions above.**

5 Lunch break

## 6 CWE and EMCC market coupling

EuroPEX updated the members of a meeting on 7<sup>th</sup> May organized by BNetzA, with the objective of finding a solution to make CWE and EMCC compatible and to commit everyone to this solution. The meeting was successful in the sense that everyone agreed there is a solution to follow – to put in place interim tight volume coupling (ITVC), without NordNed, so that CWE and ITVC could be launched simultaneously (as close as possible to the 7 September target date). The project parties are asked to sign a letter of commitment – comments on the draft just finished and the aim is to circulate it for signature in June. On 19 May, Nordic-CWE held a meeting where it was decided to closely monitor the situation. Optimism was expressed that the ITVC (without NordNed) could be ready in time. In addition, regulators in CWE are working to find solutions to 3 open issues. More information will be presented at a Forum organized by CWE on 8 June. It should be noted that this work is subject to both the findings from ongoing impact assessments and to political support from governments. The aim is to integrate NordNed within two months of launching the project.

Eurelectric (Gunnar Lundberg) underlined the importance that this project be compatible with the target model and the work of the implementation projects and AHAG. ERGEG (Sabrina Mlynek) confirmed that it is planned to move to price coupling as soon as it is possible.

EFET (Peter Styles) remarked that it has a number of views and has offered its support to regulators. EFET is preparing a letter to explain its views. One key issue is not to mix loose coupling with the CWE price coupling. They also propose that there should be a fall back to return to explicit auctions if the project should encounter any problems once launched.

In reaction to a comment on the very high number of PXs in Europe, which could slow down any progress, EuroPEX explained that, in the PCR project involving 6 PXs, 5 PXs are operating, covering 80% of the European domestic consumption. Simulations are currently taking place with 3

different coupling algorithms. Ultimately, one single algorithm will be chosen, which will be public and transparent.

## **7 The electricity users' vision on the IEM - presentation by IFIEC and CEFIC**

This item will be taken at a future meeting.

## **8. ERGEG work on draft Framework Guideline on Capacity Allocation and Congestion Management - update**

ERGEG (Alain Marien) introduced the new version of the initial impact assessment on the draft framework guideline on electricity capacity allocation and congestion management (CACM). Cost/benefits are not yet included although work is ongoing to include this in the text.

The general objective of CACM is to ensure an optimal use of the transmission grid in support of establishing a single internal market, to the benefit of European energy customers.

Regarding capacity calculation, ERGEG agrees that the first step is a common grid model – although this is a minimum requirement. ERGEG recommends to have a flow-based approach, although bilateral ATC could continue if there is a limited influence between countries/boundaries. More transparency will be required on internal congestion.

Regarding day-ahead markets, the preferred option is implicit auctions (single, centralised price coupling mechanism), with explicit auctions being possible as an interim solution if there are no PXs.

Regarding forward markets, ERGEG identifies physical transmission rights with UIOSI in the interim with a preference for financial transmission rights, in the medium term.

Regarding intraday markets, ERGEG is considering a hybrid solution – continuous but with congestion prices. ERGEG recognises the importance of balancing and its close links to intraday – although this issue will be addressed in a separate framework guideline.

Regarding delimitation of zones, CEFIC noted that for consumers it will be important to have the possibility to have bilateral contracts even with foreign companies – so from its point of view, the smaller the zone is, the less competition there will be. There is also a question of whether long term contracts have a real impact on congestion. Regarding physical transmission rights, which are obligations netting could be used.

The European Commission provided some preliminary feedback on the initial impact assessment, which seems to take up the target model. There is perhaps a risk that some things remain theoretical without a definite guidance. For those issue for which regulator guidance is not possible should be left out. The CACM framework guideline should provide concrete guidance. This framework guideline should also propose how to package the issues in the network codes.

**ERGEG welcomes feedback on the CACM draft initial impact assessment, in particular the key principles, by 15 June 2010 at the very latest.**

ERGEG hopes to be able to circulate a draft framework guideline in the last two weeks of June, for which comments will be invited in due course.

## **8 Any other business**

EFET raised the increasing importance of renewables and discussion on this issue at EU level. Renewables represent a physical challenge to integrate their power in markets. Perhaps AHAG could also reflect on this. EFET would be happy to contribute.

The 28 June AHAG will include a session dedicated to ongoing day-ahead projects, with presentations including:

PCR - EuroPEX

NWE – ENTSO-E

EMCC-CWE-Britned – EuroPEX/ENTSO-E

## 9 Next meetings

Monday 28 June 10.30-17h00 - CEER (location tbc - but reserve MR1 for now)

Tuesday 21 September - ENTSO-E offices

Tuesday 2 November - CEER

Friday 3 December - CEER

*The meeting adjourned at 16h38.*

## Summary of all ongoing and outstanding action points:

Action	Description	Who	When Due	Status
A-100520-01	The Florence Forum slides on the capacity calculation implementation project will be revised further to the discussions above.	CC Project team	27 May 2010	PENDING
A-100520-02	The Florence Forum slides on the intraday implementation project will be revised further to the discussions above.	Intraday Project team	27 May 2010	PENDING
A-100520-03	The AHAG Chair proposed that the next AHAG meeting dedicate some time to jointly discussing the governance and day-ahead issues and the real market coupling projects happening today and how they interact. PCR - EuroPEX NWE – ENTSO-E EMCC-CWE-Britnet – EuroPEX/ENTSO-E	ENTSO-E EuroPEX	21 June 2010	PENDING
A-100520-04	The Florence Forum slides on the governance implementation project will be revised further to the discussions above.	Governance project team	27 May 2010	PENDING
A-100520-05	ER GEG welcomes feedback on the CACM draft initial impact assessment, in particular the key principles, by 15 June 2010 at the very latest.	AHAG members	15 June 2010	PENDING

**Summary of decisions**

Decision	Description
D-100520-01	Minutes of the 2 <sup>nd</sup> AHAG meeting were approved.
D-100520-02	The draft agenda of the 3 <sup>rd</sup> AHAG meeting was approved.