

## Conclusions of the 16<sup>th</sup> IG meeting

### ERI South-West Europe

Telco, 17<sup>th</sup> June 2014

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The 16<sup>th</sup> IG meeting was attended by the TSOs, PXs and NRAs of the SWE region. ACER attended part of the meeting and the Spanish Ministry was not represented.

#### 1. Long term capacity allocation

- **IFE (Interconnection France-Spain)**

RTE and REE presented the draft HAR applicable to CASC under development. The IFE long term products will be integrated in this version of the HAR which is expected to apply for products with delivery date as from 1<sup>st</sup> of January 2015. Shadow auctions as fallback to market coupling for IFE will be included in the HAR but with a later go-live date. RTE shared the draft HAR with CRE early June; CNMC will request REE the draft version of the HAR before the public consultation is launched (expected by beginning of July) in order to perform a preliminary assessment and to be able to provide an early feedback in a coordinated way with CRE. Other aspects of the new version of the HAR, including the high level planning, are explained in the presentation submitted by RTE and REE<sup>1</sup>.

REE announced that an official request for comfort as regards the implementation of shadow auctions was issued to CNMC and the Spanish Ministry on 16<sup>th</sup> June. CNMC will check with the Spanish Ministry the estimation of the target date for responding to the request of REE.

- **IPE (Interconnection Portugal-Spain)**

ERSE and CNMC reported on their coordinated decisions for the second auction of IPE FTR-options carried out on 18<sup>th</sup> June. The products offered are 400 MW in each direction for the Q3 2014 and 100 MW in each direction for the Q4 2014. Additionally,

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<sup>1</sup> Available at: <http://www.acer.europa.eu/Events/SWE-IG-meeting-teleconference/default.aspx>

ERSE informed about the the lower market price spreads between Portugal and Spain in Q2 2014 that resulted into positive revenues for the Portuguese and Spanish system due to higher FTR premiums, with no need to use congestion rents in order to pay the exercise of the auctioned FTR. RTE will report by e-mail on possible steps towards the implementation of FTRs in CASC.

## 2. SWE Day-ahead market coupling project

The project parties provided information on market results during the first weeks after go-live of full market coupling on 13<sup>th</sup> May. The mechanism that gathers SWE/NWE market coupling is now called Multi Regional Coupling (MRC).

The NRAs expressed concerns on the lack of a website that centralizes all the market results of the areas covered by the MRC. REE reminded that information on SWE cross-border capacities, flows and prices is available for the public in the IESOE<sup>2</sup> platform allowing its consultation and also download, except for EPEX prices, for any non commercial use. The Group debated on the possibilities to access to historical data in a user-friendly way and on the allowed use of the published data. These topics are being discussed in the MRC relevant bodies: An interim solution throughout this year is expected and the eventual integration of these data in the ENTSO-E transparency platform may happen in 2015.

OMIE reported that, according to the Mibel Market Rules, they are allowed to reopen order books as EPEX do in case of decoupling and when the price threshold [-150€/MWh; 500€/MWh] is reached in one of the coupled bidding zones..

The causes and effects of the incident of 17<sup>th</sup> May (partial decoupling of the SWE region) were explained: RTE could not provide the value of day-ahead capacity in IFE to the market coupling mechanism. The capacity not allocated through market coupling was allocated through the first intraday auction, which is the current fallback mode of market coupling for FR-ES interconnection. In this occasion, shadow auctions would not have allowed the allocation of D-1 capacity as this capacity was not validated by RTE and thus set at zero. This event shows the importance of having a robust cross-border intraday mechanism (currently explicit auctions and in the future a solution

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<sup>2</sup> <http://www.iesoe.eu/iesoe/>

compliant with the target model, implicit continuous trade with the possibility of complementing it with implicit auctions), which will remain the “fallback to the fallback solution” once shadow auctions are in place, and a strong coordination among TSOs, and with PXs, in order to provide, allocate and use efficiently the cross-border capacities. RTE stressed the importance of pricing capacity at the intraday timeframe, in particular in cases when intraday is used as fallback of daily allocation and high amounts of capacity are allocated.

Afterwards, RTE and REE elaborated on the possibility to implement a single nomination of IFE long term PTRs as requested at the previous IG meeting. In the intraday timeframe, a single nomination is already in place. There are several options on the table. Before making a decision, a public consultation should take place. This issue will also be raised at next SG meeting, although it is not the key priority given that few market participants nominate long term PTRs in IFE and the foreseen future evolution towards FTRs (which are not nominated).

### **3. Intraday**

OMIE informed briefly on the NWE+ XBID project. The shipping and nomination proposals are not finalised yet. The participation of REE and REN in this project is necessary and would be beneficial for them to participate in the design of the solution since they will have to implement the solution that is being developed right now. REE has requested comfort from the Spanish Ministry to participate in the NWE+ continuous intraday project. REN has joined the project as observer through ENTSO-E monitoring body in the project.

As regards the implementation of regional intraday auctions compatible with continuous trade, CNMC reported briefly on the EFET workshop that took place in Madrid on 23<sup>rd</sup> April. OMIE, REE and REN discussed on several aspects of the intraday auctions. REE indicated that OMIE's proposal is mixing energy trading with the scheduling process in the framework of the system operation. REE and REN remarked that schedules resulting from energy trading in the continuous platform must be directly nominated to the corresponding TSO. REE and REN stated that nomination to TSOs of these schedules is needed to ensure the security of the electric systems. OMIE refuted such risk and clarified that the auctions to translate from generic trading units into bidding units has absolutely nothing to do with security since they will respect the limitations

imposed by the TSOs at all sessions. The disaggregation phase is something that will continue to be done, as it has been the case for the last 15 years, to TSOs by participants, this phase affects only to very few Iberia Market bidding units with no consequences as far as security and it has nothing to do with the nomination phase that we are discussing. What we are discussing is how to nominate continuous market single portfolio unit per participant in the Iberian Market bidding units. This phase is the one that the proposal includes that will be done in Intraday auctions instead of a free self-nomination by each participant. There is always the fall-back solution (OMIE do not think that it is needed) of closing the continuous trading in the Spanish or Iberian bidding zones (for those bidding areas that Regulators decide that the auction should take place) some minutes before H-1 in order to run the auction and to maintain the existing timings, but as indicated this is not necessary and time could be saved,. REN explained that there should be enough time to perform the necessary technical analyses and that the reception of the nomination immediately after the trade in the continuous intraday platform would facilitate this. OMIE stated that their proposal is fully compatible with the last draft of the CACM text (which is being discussed in comitology). REE highlighted that the nomination process to TSOs of schedules resulting from energy trading is established in the NC on Operational Planning and Scheduling and in the Framework Guidelines on System Operation as well.

It was agreed that at the next meeting, OMIE will explain the functioning of its proposal in particular with regard to the nomination issue (converting the results of portfolio-based continuous negotiation in bidding units) and that TSOs will provide additional information on the process of nomination to TSOs in physical units of the schedules resulting from energy trading.

#### **4. Balancing**

The RCC informed that they are developing a short case study on BALIT in SWE that will be included in the 2014 ACER Market Monitoring Report. For this purpose, balancing data in 2013 are being analysed in order to provide some indicators of the benefits of the BALIT mechanism.

After all the necessary tests and regulatory approvals, the exchanges under the BALIT platform were launched on 11<sup>th</sup> June in IFE and on 17<sup>th</sup> June in IPE.

The TSOs justified the necessity to work on TERRE implementation instead of pursuing the so called BALIT enduring solution. One of the main reasons is resource constraints: If the project parties worked in the BALIT enduring solution, this could not be implemented earlier than the end of 2015 and the TERRE project would be delayed. This delay would be particularly harmful for TSOs that are out of the scope of BALIT (i.e. TERNA and Swissgrid). Furthermore, the participation of REE in the TERRE design phase, which is now confirmed, was a critical condition for abandoning the implementation of the BALIT enduring solution. NRAs committed to quickly come back to TSOs in order to decide whether BALIT enduring solution should be abandoned.

The TERRE Steering Committee approved the involvement of REE and Swissgrid as full members of the project. Therefore, all the legal issues for the involvement of REE and Swissgrid in the TERRE project will be tackled soon. REE and CNMC requested this formal process to be cleared as early as possible in order to facilitate the active involvement of REE in the design phase. RTE updated briefly on the status of the working axes.

The NRAs expressed their interest to be involved in this project at least through regular updates and insisted on the value of monthly reports, which have shown their efficiency in the past months. RTE proposed that reporting at national level could be sufficient for the design phase of the project. CNMC however proposed a common report by the project parties to all NRAs in order to ensure the same information is being shared. REN will bring this issue to the next Steering Committee of the TERRE project and suggested that a TERRE NRAs monitoring group should be established. The NRAs of SWE will contact Ofgem, AEEGSI and Elcom for this purpose.

Finally, it was noted that most of the ongoing projects in the ERI are no longer regional but cross-regional or based on ad hoc geographic configurations (such as TERRE, MRC, and NWE+ XBID). In this context, we should think about changing the structure and framework of our regional activities and meetings.

### **Next meetings**

- Next SG meeting in September-October.
- An IG meeting may be convened ahead of the SG meeting.