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**ACER Coordination Group for Electricity Regional  
Initiatives**

**ERI Quarterly Report #5**

**January 2013 – March 2013**

**A13-ERI-01**

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## 1 Context

The entry into force of the Third Energy Package and the strong commitment of the Member States to complete the internal energy market by 2014 establishes a **firm regulatory, institutional and political background** for the completion of the internal energy market by 2014.

Nevertheless, 2014 remains an ambitious target date, which requires genuine commitment to the goal of integrating the regions into a single market area and the real mobilisation of stakeholders through the Regional Initiatives process which now falls under the responsibility of the Agency for the Cooperation of Energy Regulators (ACER).

To this end, the National Regulatory Authorities (NRAs) have produced, at the European Commission's request and coordinated by ACER, an **EU Energy Work Plan for 2011-2014** based on clear, commonly agreed objectives and milestones. This Work Plan was drafted on the basis of three important inputs:

- The AESAG (ACER Electricity Stakeholder Advisory Group) input prepared for the 20<sup>th</sup> Florence Forum in May 2011;
- The contributions of the seven electricity regions defined in Regulation (EC) No 714/2009;
- The draft Framework Guidelines on Capacity Allocation and Congestion Management (CACM).

The EU Energy Work Plan for 2011-2014 in Electricity is constituted from four cross-regional roadmaps focusing on the implementation of the target models for CACM across Europe and seven regional roadmaps complementing and detailing the cross-regional roadmaps and focusing on other important dimensions for the completion of the Internal Electricity Market.

## 2 Objective of the Quarterly Report

The objective of this Quarterly Report is to monitor progress in the implementation of the roadmaps and to ensure that any obstacle is well identified and can be tackled in the most effective and efficient way.

While the main focus of the Quarterly Reports will be on the implementation of the target models for CACM across Europe, a dedicated part will also review progress at regional level in other important areas of the market integration process.

### 3 Main insights from the 5<sup>th</sup> Quarterly report

#### ***The European Price Coupling – NWE launch foreseen for November 2013***

After a postponement of the NWE Market Coupling project was announced in the last quarter of 2012, the starting date for the project is now set to November 2013. On the 29th of January 2013 ACER invited the CEOs of all companies involved in the implementation process to a High-Level Meeting in Brussels. At this meeting all involved parties confirmed their commitment to do their best to hold the new launch date. Furthermore it was agreed that project partners will further enhance dialogue and engagement with market participants.

#### ***Publication of the evaluation of responses to the public consultation on Forward Risk Hedging Products & Harmonization of Long Term Capacity Allocation Rules***

As foreseen in the previous edition, a two-step approach towards the implementation of the Single European set of rules has been agreed on. Accordingly, current set of rules may evolve this year to incorporate some elements of the “wish-list” while next year, one single set of rules fully in line with the “wish-list” shall be implemented.

#### ***The CWE Flow-Based Market Coupling (FBMC) project has started the external run***

In February, involved TSOs and PXs have started publishing the results the FBMC would generate if implemented. This is an important step forward in the project which should help market participants to assess the impact of this capacity allocation method and TSOs to define the best way to allocate the congestion income.

## 4 Review of progress with implementation in each of the cross-regional projects

### 4.1 Implementation of a single European price market coupling model<sup>1</sup>

#### 4.1.1 Description of the project

**The target model for the day-ahead timeframe is a European Price Coupling (EPC) model which simultaneously** determines volumes and prices in all relevant zones, based on the marginal pricing principle.

Among the different elements of EPC, one of the most important is the choice of a single algorithm that meets the TSOs' requirements in terms of efficient allocation and can be approved by every Member State.

Another important element will be a common governance structure. In order to meet the 2014 deadline, implementation of EPC might have to start under interim governance arrangements until governance guidelines have been finalised.

The general approach to implementation of the target model across Europe relies on the following principles:

- ⇒ Focus on North-West Europe (NWE)<sup>2</sup> price coupling implementation by the end of 2012;
- ⇒ Adjacent borders may adopt the Price Coupling of Regions (PCR)<sup>3</sup> algorithm in parallel and/or join NWE price coupling from the beginning if this does not delay overall progress towards EPC;
- ⇒ Common information level and flexible governance arrangements are necessary to ensure the smooth integration of additional borders.

BNetzA (DE), with the support of AEEG (IT), is co-leading the Single European Price Market Coupling project.

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<sup>1</sup> The ACER cross-regional roadmap for the Single European Price Market Coupling Model is available on: [http://www.acer.europa.eu/Electricity/Regional\\_initiatives/Cross\\_Regional\\_Roadmaps/Pages/1.-Market-Coupling.aspx](http://www.acer.europa.eu/Electricity/Regional_initiatives/Cross_Regional_Roadmaps/Pages/1.-Market-Coupling.aspx)

<sup>2</sup> North-West Europe comprises the CWE region, the Nordic market and Great Britain.

<sup>3</sup> PCR is a project comprising six power exchanges: APX-ENDEX, Belpex, EPEX Spot, GME, Nordpool Spot and OMIE and is supported by EuroPEX.

#### 4.1.2 Key milestones and accountabilities foreseen in the initial cross-regional roadmap

2011	Q3	<p>1. ACER requests that:</p> <ul style="list-style-type: none"> <li>⇒ NWE (TSOs and PXs) define a very concrete proposal on flexible high-level interim governance arrangements for the NWE/PCR<sup>4</sup> project, incl. a description of those borders for which differences in approach might be appropriate;</li> <li>⇒ ENTSO-E validate the PCR algorithm starting point and reach agreement on one single algorithm with Europex;</li> <li>⇒ Europex demonstrate the efficiency, manageability and reliability of the system design.</li> </ul> <p>The NWE NRAs request the TSOs and PXs to prepare a detailed proposal regarding cost recovery for NWE costs.</p>
	Q4	<p>2. ENTSO-E sends algorithm requirements to Europex and assesses the PCR algorithm starting point.</p> <p>3. Europex demonstrates the efficiency, manageability and reliability of the system design to ACER and the NRAs.</p> <p>4. ENTSO-E and Europex propose cost-sharing between NWE and the non-NWE countries.</p>
2012	Q1	<p>5. ENTSO-E and Europex consult market participants on the PCR algorithm starting point as validated by ENTSO-E and report the outcome to ACER and the NRAs.</p> <p>6. NWE (TSOs and PXs) submit to ACER/NWE NRAs for review/validation:</p> <ul style="list-style-type: none"> <li>⇒ high-level interim governance arrangements for the NWE/PCR project;</li> <li>⇒ a cost-recovery proposal for NWE costs.</li> </ul> <p>7. ACER coordinates the NRAs' 'endorsement' (e.g. by means of a letter of comfort) of:</p> <ul style="list-style-type: none"> <li>⇒ the starting point of the PCR algorithm;</li> <li>⇒ cost-sharing between NWE and non-NWE countries for the costs associated with development of the PCR algorithm;</li> <li>⇒ flexible high-level interim governance arrangements for the NWE/PCR project.</li> </ul> <p>8. All NRAs to:</p> <ul style="list-style-type: none"> <li>⇒ agree on a common, coordinated approval/review process for the algorithm;</li> <li>⇒ involve MS where appropriate and necessary;</li> <li>⇒ start national review processes (possibly consultation) in parallel.</li> </ul>
	Q2	9. The NWE NRAs approve the cost recovery proposal regarding NWE costs.
	Q3	10. NRA approval/review of national specificities regarding the final algorithm; starting in NWE and the regions formally committed to join in 2012, this step is repeated for every additional border among the respective NRA/TSO/PXs.
	Q4	11. Final introduction of price coupling in NWE.
2013	Q1-Q4	12. Integration of the CEE and/or SWE borders into EPC (if not integrated into the NWE/PCR project from the beginning).
2014	Q1-Q4	13. Integration of the remaining CSE borders, FUI borders and Baltic borders into EPC.

<sup>4</sup> The pilot project is deliberately defined as a NWE/PCR project to reflect the actual scope of cooperation of, respectively, TSOs and PXs.



### 4.1.3 Review of progress during this quarter

ACER invited the CEOs of all companies involved in the implementation of the NWE market coupling project to a High-Level Meeting in Brussels on the 29<sup>th</sup> of January 2013. At this meeting all involved parties confirmed their commitment to do their best to hold November 2013 as the starting date. Furthermore, it was agreed that market participants will be regularly informed about the on-going process towards the project start. The involved companies published a joint declaration in February 2013 stating that the stakeholders involved in the NWE Price Coupling Project are strongly dedicated to the NWE project and its implementation<sup>5</sup>. Furthermore, project partners announced that from beginning of March information on the project<sup>6</sup> – including the monthly reports to Regulators – would be published on the CASC website and on the websites of the NWE power exchanges.

In addition to the commitment to go-live in November 2013, the involved companies renewed their will to include the Baltic region from the start. Support towards this goal came in 4 April when NordPool Spot signed an agreement with the Latvian independent system operator, AS "Augstsprieguma tīkls" (AST), making Nord Pool Spot the market operator of the new Latvian bidding area. From 3 June implicit auctions will be implemented on all the Baltic internal borders.

NWE TSOs had earlier been asked to prepare an Impact Assessment regarding the handling of losses on DC cables in market coupling. This assessment will serve as an input to a common NRA position on this issue. End of February 2013 NWE TSOs presented preliminary results of their study at an NWE IG meeting in Copenhagen. The final results of the Impact Assessment will be presented to Regulators in April 2013.

At the IG meeting NWE parties also reported that fall-back procedures might become an issue for the project. The problem is that the time span between 12:00 Gate closure time and the notification deadline in CWE at 15:30 might be too short in case particular incidents occur – especially in case of partial decoupling. Furthermore, the currently foreseen flexibility of 40 minutes for solving technical problems might sometimes be too short, leading to a deadline for decoupling at 13.35, which increases the risk of decoupling more often. In order to solve these issues, the NWE parties presented a list of all potential operational scenarios in NWE and proposed to increase the flexibility from 40 minutes to 55 minutes for solving technical problems. This implies that in some cases the time for the notification process needs to be reduced from 60 to 45 minutes. The involved parties started a public consultation on their proposal at the end of February 2013. The consultation also raises a question regarding the harmonization of price caps in NWE. Currently price caps vary across the NWE region. This could result in price differences even in situations with uncongested transmission capacity. In this situation generation might be curtailed in the country with the more restrictive price limit, while the other market would still be able to export. In the consultation market participants are asked whether and how price caps should be harmonized across all NWE markets. Results of the consultation will be presented to regulators in April 2013.

NWE regulators received the 3<sup>rd</sup> Regulatory Report in March 2013. This report includes a description of the Great Britain High-Level Architecture (GB HLA) for shipping arrangements, information on the operational procedure, in particular the fall-back procedure, the testing and the project planning. A final Regulatory Report is foreseen for April/May 2013.

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<sup>5</sup> Joint Declaration: [http://www.casc.eu/media/NWE%20Docs/20130218\\_NWE\\_Joint\\_Declaration.pdf](http://www.casc.eu/media/NWE%20Docs/20130218_NWE_Joint_Declaration.pdf)

<sup>6</sup> Information on the NWE DA project: <http://www.casc.eu/en/Resource-center/NWE>

Following the signature of the Cooperation Agreement between the TSOs and PXs of the SWE region, the day-ahead coupling project is well established: the governance scheme, working groups and deliverables are agreed. Furthermore, a Project Manager Office (PMO) was selected in January. Regular progress reports are submitted by the PMO to NRAs. The implementation of the PCR solution in the SWE region (algorithm, associated IT systems) is being developed by PXs. The design phase for pre-coupling, post-coupling and exceptional situations is almost finalised. The preparation of regulatory changes in MIBEL is ongoing.

One critical point in the project is the pending signature of the contract with the PMO by the Spanish TSO. CNE and the Spanish Government are addressing this issue since it could seriously damage the process. In the next quarter, the project will enter into the implementation phase with IT developments and testing. The objective is to participate in the NWE integration tests in June 2013.

In the CSE Region, during the 19<sup>th</sup> Implementation Group (IG) meeting (Milan, March 13<sup>th</sup> 2013), TSOs and PXs presented the detailed roadmap for the day-ahead market coupling on Italian Northern borders. The roadmap, endorsed by the IG NRAs, expects the project to go live in December 2014.

The roadmap, in particular, defines three main stages:

- i) design phase (February to July 2013);
- ii) NRAs evaluation phase (August to October 2013)
- iii) implementation phase (December 2013 to December 2014).

The design phase will deal with pre-coupling, coupling and post-coupling arrangements. Following the evaluation phase, in case of positive assessment, NRAs will send a letter of comfort to CSE TSOs and PXs. The Implementation phase will be based on a coordinated approach; however a second best solution is possible in case different borders will proceed at different pace.

The implementation of market coupling on the Italian Borders will be initially established with the coordinated NTC capacity calculation methodology. NRAs will update ACER on the possible timetable to evolve towards flow-based market coupling. In order to provide market participants with the most updated available levels of interconnection capacity, the D-2 coordinated capacity calculation process is currently under study by the involved TSOs. Moreover, TSOs and PXs will identify the PPC<sup>7</sup> project manager with the task to regularly update NRAs on ongoing activities and progress achieved, also through a systematic report. All in all, results of the risk assessment performed by TSOs and PXs shows that planning is considered realistic and the target date for the DA MC is feasible.

With regard to the CEE region, an extension of the trilateral market coupling (on borders between the Czech Republic, Hungary and Slovakia) to the Romanian and Polish markets has been discussed. In January a first meeting was held in Budapest where involved parties discussed the cooperation and constituted several working groups which should analyse the possibility of joining the coupling and elaborate further steps. Another meeting took place at the end of March. Conclusions should be published in April.

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<sup>7</sup> The PPC project consists of a TSO group, the Italian Borders Working Table and PXs.

<p><b>Significant achievements during this quarter</b></p>	<p><b>29 January</b> ACER invited CEOs of all companies involved in the implementation of the NWE market coupling project to a High-Level Meeting in Brussels. At this meeting all involved parties confirmed their commitment to do their best to hold November 2013 as the starting date for NWE Market Coupling.</p> <p><b>19 February</b> Regulators of the NWE region discussed at a CRCC meeting in Copenhagen the different possibilities with regard to the handling of losses on HVDC cables in NWE price coupling and the effects of different price caps in coupled markets.</p> <p><b>20 February</b> NWE TSOs presented preliminary results on their study regarding the handling of losses in the algorithm and NWE parties presented a possible new approach with regard to fall-back procedures.</p> <p><b>End of February</b> NWE project parties started a public consultation with questions on foreseen timings of the NWE operational processes and on the possible harmonization of price boundaries in NWE.</p> <p><b>13 March</b> During the CSE Implementation Group (IG) meeting in Milan TSOs and PXs presented the detailed roadmap for the day-ahead market coupling on Italian Northern borders.</p> <p><b>19 March</b> The NWE Joint TSO/PX Steering Committee forwarded their 3rd Regulatory Report to NWE NRAs. This report includes a description of the GB HLA shipping arrangements, information on the operational procedure, in particular the fall-back procedure, the testing and the project planning.</p> <p><b>March</b> The NWE project parties published information on the CASC, EPEX, Belpex, APX and NPS websites about the latest developments to improve the transparency toward market participants</p>
<p><b>Obstacles or delays in implementation</b></p>	<p><b>NWE:</b> The fall-back procedures are still under review in the project. A consultation of market participants has been conducted in order to present possible solutions.</p> <p><b>SWE:</b> The pending signature of the contract with the PMO by the Spanish TSO is seen as a critical point in the project. The Spanish regulator and the Spanish Government are addressing this issue since it could seriously damage the process.</p>
<p><b>Potential divergences from the FG on CACM</b></p>	<p>No divergences identified so far.</p>
<p><b>Comments</b></p>	

#### **4.1.4 Action needed to overcome the identified constraint(s) or to address the potential divergence(s) from the FG on CACM**

In the NWE region, the conclusions from the public consultation could help finding solutions to the fall-back procedure issues. Results are expected to be presented by TSOs and PXs at the IG meeting on the 25<sup>th</sup> of April.

In the SWE region, the Spanish regulator and the Spanish government are looking for a solution.

## **4.2 Implementation of a cross-border continuous intraday trading system across Europe<sup>8</sup>**

### **4.2.1 Description of the project**

The overall objective of the Intraday Cross-Regional Roadmap is to implement the Intraday Target Model on all borders in Europe by the end of 2014. The Intraday Target Model, as explained in the ACER CACM FG, is a development of continuous intraday trading, to include intraday capacity recalculation, capacity pricing reflecting congestion and the ability to trade sophisticated products.

Target model implementation will make it easier for market parties to trade electricity across borders close to gate closure and keep their positions in balance. The intraday timeframe is seen as increasingly important in the context of growing intermittent generation.

The Intraday Cross-Regional Roadmap envisages a phased approach to implementation, starting with implicit continuous trading which will then evolve to include intraday capacity recalculation, capacity pricing and the ability to trade sophisticated products.

Ofgem (UK) is leading the Single European Continuous Implicit Mechanism for the Cross-Border Intraday Project.

### **4.2.2 Key milestones and accountabilities foreseen in the initial cross-regional roadmap<sup>9</sup>**

The table below shows the key milestones and commitments identified in the Intraday Cross-Regional Roadmap for 2012 and beyond. Here we review progress in Q2 2012 towards these 2012 milestones. An explanation of how the 2012 milestones contribute to achieving the 2014 objective is provided in the Roadmap.

The northern European region, the CWE region and GB are participating in the TSO-led North-West Europe (NWE) project to introduce an implicit intraday solution on all borders by the end of 2012. The NWE region intraday project is seen as the European pilot project to implement the Intraday Target Model.

Additional projects have been established in the northern European region to implement an intraday solution on the SwePol Link (Q1 2012) and in the Baltic Region (2013), and in the FUI region to implement explicit intraday allocation on the SEM-GB border in Q3 2012.

For the CSE region, a project is already under way to introduce interim explicit access on all borders in Q2 2012. In Q4 2012, the CSE NRAs intend to consult stakeholders on a roadmap to implement the Intraday Target Model.

The CEE region has undertaken to explore options for implementing the target model in Q2 2012 and to decide on a preferred approach in Q3 2012.

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<sup>8</sup> The ACER cross-regional roadmap on continuous intraday trading is available at: [http://www.acer.europa.eu/Electricity/Regional\\_initiatives/Cross\\_Regional\\_Roadmaps/Pages/2.-Cross-border-Intraday.aspx](http://www.acer.europa.eu/Electricity/Regional_initiatives/Cross_Regional_Roadmaps/Pages/2.-Cross-border-Intraday.aspx)

<sup>9</sup> So far, no project has been agreed upon for the Baltic Cable.

<b>2011</b>	Q3	1. The NWE TSOs, in cooperation with the NWE PXs, develop a detailed project proposal for implementation of an interim solution.
	Q4	2. The NWE region TSOs consult on the detailed project proposal with market parties. 3. The NWE TSOs, in cooperation with PXs, develop options for intraday capacity recalculation and pricing of intraday capacity. 4. The NWE NRAs develop a proposal for the governance structure for NWE ID. 5. The CEE region improves the existing capacity allocation mechanism. 6. Implement continuous intraday trading on the SwePol interconnector.
<b>2012</b>	Q1	7. Northern region to implement intraday trading on the NordNed interconnector 8. SWE region to identify the necessary systems and regulatory changes to implement continuous trading by Q4 2012. SW TSOs and PXs to become involved in the development of the CMM and SOB in Q1 2012.
	Q2	9. CSE region to implement an interim explicit allocation on all CSE region borders. CSE region will propose a roadmap to implement the intraday target model, which will take the NWE pilot project into consideration.
	Q3	10. FUI region to implement explicit allocation on the SEM-GB border 11. CEE region to propose a stepwise approach to implementing the intraday target model
	Q4	12. NWE intraday project to introduce an implicit intraday solution by the end of 2012, which will facilitate hub-to-hub trading. 13. SWE border implementation of an implicit intraday solution as part of the NWE project. 14. Exploring options for incorporating SEM into the NWE project to implement the intraday target model. 15. CEE region to decide on the preferred approach to implementation of the target model. The options for implementing the intraday project will be evaluated by the regulators and a solution will be decided upon in Q3 2012. 16. CSE region to check the proposed roadmap to implement the intraday target model for coherence with existing intraday projects and to submit it for consultation. Once the consultation is over, the NRAs will decide on and commit themselves to the necessary steps to implement the intraday target model.
<b>2013</b>		17. The NWE region PXs, in cooperation with the TSOs, to consult on options and specifications for sophisticated products.
	Q3	18. The CEE region will implement an intraday solution in line with the CACM FG and the NWE project.
	Q4	19. The NWE region to implement the intraday capacity recalculation. 20. The Baltic region to implement intraday trading based on the ELBAS model.
<b>2014</b>	Q1	21. The NWE region to implement capacity pricing.
	Q4	22. The NWE region to implement sophisticated products.

### **4.2.3 Review of progress during this quarter**

#### **4.2.3.1 Progress against milestones**

There has been a significant delay in the NWE intraday project due to the failure of power exchanges to agree on the service provider for the intraday platform. As a result implementation of an NWE wide intraday platform will be delayed by at least a year.

### **4.2.3.2 Progress in the NWE Pilot Project**

#### **a) Background**

This section reports on progress with the NWE Intraday Project within this quarter. At the Florence Forum in December 2010, the NWE TSOs announced the launch of the NWE Intraday Project to implement a common approach to intraday trading. In May 2011, the Florence Forum supported the continuation of both the NWE Intraday and Day-Ahead projects, to meet the target date of 2012.

Following a series of high-level meetings with the Commission and NRAs, ENTSO-E and Europex presented a joint proposal for the implementation of a common approach to intraday trading in the NWE region by the end of 2012 and pan-European implementation of the Intraday Target Model by the end of 2014 (the 'September proposal'). The September proposal was supported by the ACER Board of Regulators and incorporated into the ACER Intraday Cross-Regional Roadmap.

The December 2011 Florence Forum endorsed both the ACER Intraday Cross-Regional Roadmap and the September proposal and it welcomed the NRAs' formal commitment to the process.

#### **b) Project objectives**

The NWE project proposed is a phased approach to achieve the Intraday Target Model with the implementation of basic continuous trading in 2012, which will then evolve towards implementation of the Intraday Target Model by the end of 2014.

The September proposal confirmed that Europex and ENTSO-E were committed to the implementation of a pan-European cross-border intraday mechanism consisting of a Shared Order Book (SOB), performing continuous cross-border implicit intraday matching, and a Capacity Management Module (CMM), allocating cross-border intraday capacity in a continuous manner.

For the Interim Model, ENTSO-E and Europex proposed ELBAS as a starting point for the technical solution to be implemented on a border-by-border basis during 2012. This would allow continuous cross-border trading of standardised hourly products on a hub-to-hub basis. It would also allow for over-the-counter (OTC) access to cross-border capacity on some borders. ENTSO-E and Europex stated that the aim was to cover at least the NWE region by the end of 2012.

In this quarterly report we focus on implementation of the Interim Model in 2012. However, it should be noted that NWE implementation of the interim model is seen as an important step towards the Intraday Target Model.

#### **c) NWE progress**

In the frame of the EUROPEX and PXs' initiative to organise a tender process for the necessary IT systems for the intraday platform endorsed by the Florence Forum of November 2012, the four potential vendors were sent the Technical Requirements on 5 December and the Request for Offers (RfO) was sent on 21 December.



Two of the potential vendors submitted offers by 18 January 2013. Since then PXs had reported that the time for the technical evaluation was extended to allow for additional clarification with respect to the offers.

Following the technical evaluation started on 13 March, commercial offers were opened on 22 March. A general workshop with evaluation sessions was held on 4 and 5 April.

PXs reported to ACER on 12 April that they were not able to reach an agreement on the service provider. Along with this report, PXs asked for two additional weeks for clarifying the remaining issues and potentially coming back with a consensus. Meanwhile, ACER has started working an informal opinion in case this last PXs attempt would fail.

PX selection milestones	Initial plan	Reality
Send functional requirements and selection criteria	15 October	18 October
NWE ID IG meeting		25 October
Distribute request for offers (RFO)	5 November	21 December
Sign PX procurement agreement	5 November	11 January
Deadline to receive offers	11 December	8 February
Final selection	27 December	30 March
Notification of result to ACER		12 April
PXs requested extension to achieve consensus		26 April

An overview of the service being tendered for by the six power exchanges and more information can be found in the [Request for Information](#).

<b>Significant achievements during this quarter</b>	
<b>Obstacles or delays in implementation</b>	<p>The smooth continuation of the Intraday project is now tied up to a successful outcome of the PXs tendering process.</p> <p>TSOs and PXs have started to consider next steps for the project following platform selection. This includes: completing the All Party Cooperation Agreement, the Project Initiation document, agreement on cost sharing and comfort on cost recovery.</p>
<b>Potential divergences from the FG on CACM</b>	
<b>Comments</b>	

#### ***4.2.4 Action needed to overcome the identified constraint(s) or to address the potential divergence(s) from the FG on CACM***

### 4.3 Improvement and harmonisation of the allocation and nomination rules for long and medium-term transmission rights<sup>10</sup>

#### 4.3.1 Description of the project

The cross-regional roadmap reflects the main objectives of the CACM FG that set the target model. The objective is to give market participants an opportunity to hedge themselves against day-ahead price differences, in a manner compatible with zone delimitation, through one single access point and a harmonised set of rules for long-term transmission rights, where financial markets do not enable them to do so in an efficient manner.

In order to achieve this objective, four areas of work have been identified:

1. Harmonisation of the allocation rules, since existing allocation rules may differ greatly among themselves and from the CACM FG. The CACM FG envisages a harmonised set of rules for borders where PTRs with UIOSI are applied, and a harmonised set of rules for borders where Financial Transmission Rights (FTRs) are applied.
2. Harmonisation of the allocation platform, as transmission rights today are allocated on different platforms. The CACM FG requires TSOs to implement a single platform (point of contact) at the European level.
3. Harmonisation of nomination procedures as the variety of procedures for using transmission rights may represent a barrier for some market players. As set out in the CACM FG, there should be greater harmonisation of nomination rules, deadlines and processes.
4. The implementation of FTRs may require a change in regulation. A dedicated ACER task force has been created in order to study this issue. Member States and regulators will have to assess this question carefully when deciding on the long-term transmission rights to be implemented.

CRE (FR) and EI (SE) are co-leading the European Platform for the Allocation of Long-Term Transmission Rights Project.

#### 4.3.2 Key milestones and accountabilities foreseen in the initial cross-regional roadmap

<b>2011</b>	<b>Q3</b>	1. Drafting of rules by the TSOs following NRA guidance (CWE+CSE+Switzerland).
	<b>Q4</b>	2. NRA approval for entry in force at the beginning of 2012 (CWE+CSE+Switzerland). Rules applying to the CWE region in line with CACM FG (in particular, firmness). 3. Assessment of the legal consequences of moving towards FTRs (would MiFID legislation be applicable and, if so, what would be the impact on the allocation platforms?) → ACER in coordination with ENTSO-E and stakeholders.
<b>2012</b>	<b>Q1</b>	4. The NRAs' to decide on the possibility of implementing Transmission Rights on the Portuguese-Spanish (IPE) border (Q1 2012), in the northern region (within the NE region and between the NE region and others) (end of Q2 2012), and in the Baltic region (end of Q4 2012). 5. Depending on that decision, NE, NE – Continent, Baltic, IPE to join CASC.

<sup>10</sup> The ACER cross-regional roadmap for the European Platform for the Allocation of Long-Term Transmission Rights is available at:

[http://www.acer.europa.eu/Electricity/Regional\\_initiatives/Cross\\_Regional\\_Roadmaps/Pages/3.-Long-Term-Transmission-Rights.aspx](http://www.acer.europa.eu/Electricity/Regional_initiatives/Cross_Regional_Roadmaps/Pages/3.-Long-Term-Transmission-Rights.aspx)



	<b>Q1-Q2</b>	<p>6. Benchmark for the current LT nomination procedures (ENTSO-E).</p> <p>7. Impact assessment of the implementation of FTRs → ENTSO-E in co-operation with ACER.</p>
	<b>Q1-Q3</b>	<p>8. The NRAs compare existing auction rules in order to list the differences between them and in comparison with the CACM FG. Agreement on a common wish list for a single European set of allocation rules (this wish list to indicate requirements for FTRs and for PTRs). End of Q2 ACER will issue a public consultation document containing a wish list, an analysis/position on the different models for the LT hedging and nomination processes, with a view to delivering a common work plan.</p>
	<b>Q3-Q4</b>	<p>9. Definition of a wish list for the harmonisation of nomination rules based on the decision to move towards FTRs (ACER+ENTSO-E).</p> <p>10. Agreement on an implementation schedule for this harmonisation (ACER+ENTSO-E).</p> <p>11. Subject to the conclusions of the legal analysis and impact assessment, elaboration of a pan-European implementation schedule for the move towards FTRs → ENTSO-E and ACER, in close consultation with stakeholders.</p>
	<b>Q4</b>	<p>12. The TSOs draft new allocation rules in line with the common wish list agreed by the NRAs. The NRAs to follow this work closely. A dedicated ENTSO-E TF could be created to supervise this work.</p>
<b>2014</b>	<b>Q3-Q4</b>	<p>13. NRA approval of new allocation rules for entry in force at the beginning of 2014.</p>

### 4.3.3 Review of progress during this quarter

As announced in the previous ERI QR, the final version of the evaluation of responses to the public consultation on Forward Risk Hedging Products & Harmonization of Long Term Capacity Allocation Rules, and the “wish-list” for further harmonization of auction rules, were published by ACER early February 2013.

The cross-regional roadmap for the long-term timeframe was updated: ACER requires TSOs to use the “wish list” principles to draft the rules applying to the auctions in 2014, and to draft the single European set of rules (also complying with the “wish-list” requirements) to entry into force by 2015. ENTSO-E has nominated a group of experts, who first will use the gap analysis that was completed by ACER last year to identify the “quick wins” and to perform a detailed assessment on technical and legal obstacles to further harmonize the auction rules, and on how these issues can be dealt with.

Therefore, the following approach was proposed:

- “Quick wins” could be included in auction rules applicable to capacity allocated for the year 2014. NRAs will contribute to this task at a regional level, by proposing regional roadmaps to ACER in April 2013. The process to include the “quick wins” in the auctions rules applying for the year 2014 shall be launched shortly afterwards. NRAs and TSOs should accordingly commit to a strong coordination at a regional level.
- The assessment performed by ENTSO-E on technical and legal obstacles shall be finalised before summer break, in order to start the drafting phase of the harmonized set of auction rules by September. Moreover, the draft of harmonised auction rules should be well-advanced by March 2014, to align with national consultation and approval procedures that may take up to six months in some countries, and be ready and approved for application to capacity allocated for the year 2015.
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In the SWE region, the project of establishing CASC as the long-term capacity allocation platform has not made any progress. REE announced early March that they would not move forward towards the implementation of European target models (regardless of the timeframe), as long as they had not received enough guarantee for cost recovery from the Ministry. CNE sent a formal letter to REE’s management to urge them to find a solution as soon as possible. Thus,

- For the France-Spain interconnection:
  - The signature of the Memorandum of Understanding to enable the Transmission Rights allocation for France-Spain border through CASC is pending on REE’s decision, but RTE already expressed its readiness to sign the MoU.
  - Still, the new versions of CASC’s Harmonised Auctions Rules including France-Spain border and of IFE rules for the short term timeframe are ready to be consulted on. Some IT developments have already been launched by RTE.
  - The go-live date for the project would take place in October 2013 at the earliest, provided that REE does not freeze the project any longer.
- For the Portugal-Spain Interconnection
  - CASC provided Iberian TSOs with the information regarding the expected costs of an extension of the mechanism to IPE.
  - Knowing that CASC.EU stated not be able to provide a solution for IPE covering all the second half 2013, the MIBEL Regulatory Council has been working in a solution for overpassing this difficulty
  - The next steps for the project would also be pending on REEs’ decision to freeze European projects.

In the NWE region, the market coupling project requires access rules for England-France Interconnector (IFA) to evolve.

- Following the letters sent by NRAs (CRE and Ofgem) to their TSOs (RTE and National Grid) in December, two issues are still under discussion: the firmness for capacity allocated in explicit auctions and the “Use-It-or-Sell-It”.
- Although NRAs do not support the proposals made by TSOs on both these issues, they requested the public consultation to be launched by May to receive market participants’ feedback, so as not to create any further delays.

Furthermore, in the first quarter some TSOs expressed their interest in implementing FTR at their borders:

- Within CWE region:
  - CWE TSOs reflect on implementing FTR Options for 2014 long term (yearly and monthly) auctions on CWE borders.
  - NRAs support this project provided that some open questions are solved. NRAs’ concerns mainly relate to MIFID 2 issues and firmness regime.
  - The current planning proposed by TSOs is tight (in particular to manage Dutch grid code modification); still if it is strictly followed the project could be launched on time.
  - TSOs decided to freeze the project of implementing FTR for the 2014 auctions at the end of March due to the lack of certainty regarding the impact of MIFID 2.
- Danish and German TSOs also intend to implement the auctioning of FTR options for 2014 on their border.
  - This would suppress PTRs on the DE-DK1 interconnector and allow for long term hedging on Kontek (DE-DK2) for the first time.
  - DERA and BNetzA support this attempt.
  - TSOs have put the question to German, Danish and Luxembourgian (because of CASC) financial regulators whether a MiFID License is needed.
    - Luxembourgian financial regulator officially stated that no license is needed.
    - Answers from Denmark and Germany are still pending.

Although a parallel and harmonized implementation for both projects was desirable, the FTR project on the Danish/German border is sticking to a launch for the 2014 auctions.

<b>Significant achievements during this quarter</b>	<b>7 February</b> Publication of the evaluation of responses to the public consultation on Forward Risk Hedging Products & Harmonization of Long Term Capacity Allocation Rules, and the “wish-list” for further harmonization of auction rules
<b>Obstacles or delays in implementation</b>	Changes in IFA rules in preparation for NWE market coupling: issues regarding firmness and UIOSI  SWE projects frozen by REE  Implementation project of FTRs frozen within the CWE region
<b>Potential divergences from the FG on CACM</b>	
<b>Comments</b>	

#### ***4.3.4 Action needed to overcome the identified constraint(s) or to address the potential divergence(s) from the FG on CACM***

Discussions on the amendment to the MiFID directive are still on-going. The current draft of the directive foresees an exemption for TSOs and their service providers but does not cover the field of the secondary market. Although moving closer to the ACER recommendation published on 22<sup>nd</sup> February 2012<sup>11</sup>, the draft does not clearly state whether FTRs could also be considered as financial instruments.

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<sup>11</sup>[http://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Recommendations/ACER%20Recommendation%2001-2012.pdf](http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Recommendations/ACER%20Recommendation%2001-2012.pdf)

## 4.4 Implementation of fully coordinated capacity calculation methodologies and particularly the flow-based allocation method in highly meshed networks<sup>12</sup>

### 4.4.1 Description of the project

The target model, as defined by the CACM Framework Guidelines, specifies that TSOs need to apply an *Available Transfer Capacity (ATC)* or a *Flow-based (FB)* method. A flow-based allocation method is however clearly preferable for short-term capacity calculation in highly meshed and highly interdependent grids. Whatever the case, a common grid model must be used.

By nature, the capacity calculation method and the market coupling method and algorithm are highly interdependent. The FB method and market coupling implementation must be coordinated.

Coordination among the TSOs will be of key importance for successful implementation of the required capacity calculation method, for optimising utilisation of the infrastructure and for implementing the flow-based allocation method. Coordination with regard to capacity calculation will be required among all TSOs, not only when two regions apply the same method (FB or ATC), but also in cases when one region applies the FB and the other ATC-based calculations.

Prior to switching to the FB method, the following requirements are to be fulfilled:

- ⇒ Full coordination of principles and data;
- ⇒ No negative impact of the FB method on system security;
- ⇒ Increased social welfare brought about by the application of the FB method;
- ⇒ Sufficient time provided for market participants to adapt to the new method;
- ⇒ Work on and implementation of FB capacity calculation and market coupling need to be closely coordinated.

CREG (BE) and E-Control (AT) are co-leading the Capacity Calculation Project.

### 4.4.2 Key milestones and accountabilities foreseen in the initial cross-regional roadmap

<b>2012</b>	<b>Q1</b>	<ol style="list-style-type: none"> <li>1. CEE FBA implementation path evaluation and decision by the CEE NRAs, in coordination with ACER and the NRAs and stakeholders from other relevant regions, based on input from CEE TSOs and the CAO.</li> <li>2. CEE MC decision and compatibility with the CWE (cf. price market coupling, 4.1).</li> </ol>
	<b>Q2</b>	<ol style="list-style-type: none"> <li>3. Study of the impact of bidding zones by the CWE TSOs and PXs, in cooperation with the CWE NRAs.</li> <li>4. Review of the ATC method in the Nordic area by the NE NRAs.</li> <li>5. Information exchange between the CWE and CEE FB and other regions.</li> </ol>
	<b>Q3</b>	<ol style="list-style-type: none"> <li>6. Decision on FB or the ATC capacity calculation method for CSE, NEE, SEE.</li> </ol>

<sup>12</sup> The ACER cross-regional roadmap for the Flow-Based Capacity Calculation Method for short-term capacity allocation is available at: [http://www.acer.europa.eu/Electricity/Regional\\_initiatives/Cross\\_Regional\\_Roadmaps/Pages/Capacity-Calculation.aspx](http://www.acer.europa.eu/Electricity/Regional_initiatives/Cross_Regional_Roadmaps/Pages/Capacity-Calculation.aspx).

<b>2013</b>	<b>Q2</b>	7. CWE FB MC implementation by CWE TSOs with CWE NRA approval.
<b>2014</b>	<b>Q4</b>	8. Coordinated European Capacity Calculation

#### 4.4.3 Review of progress during this quarter

The CWE Flow-Based Market Coupling (FBMC) project has proceeded as foreseen in the latest updated TSO-PX CWE project planning (dating December 2012). The external parallel runs have started on 21 February 2013. The market results will be published on a weekly basis with data from 1 January 2013 on. For days with successful simulations, the Flow-Based parameters and a market simulation report on the preceding week will be published every Thursday on the CASC website<sup>13</sup>.

The issues on CWE FBMC parameters have been further discussed between TSOs, PXs and NRAs. On congestion income allocation, TSOs have advanced in the study of possible allocation methods. Further discussion on congestion income allocation will continue and will be based on reporting from simulation results.

A Market Forum on CWE FBMC was held on 7 March 2013 in Düsseldorf. Participants received an update on the progress of the CWE FBMC project and were given the opportunity to ask questions.

At the meeting on 22nd February, CEE NRAs and ACER agreed on a common message to CEE TSOs, asking CEE TSOs to elaborate a technical solution for a Flow-Based Market Coupling Allocation System in line with the CWE, which will lead to system enabling TSOs and PXs to perform all the tasks involved in this method. For this purpose, CEE NRAs and ACER request the CEE TSOs to prepare a revised roadmap detailing the steps and the timeframe as soon as possible. First results are expected at the technical meeting between CEE NRAs and TSOs beginning of May: this meeting shall be followed by an IG meeting as soon as possible.

Regarding the activities in the early implementation of the bidding zone provisions of the CACM NC, NRAs and ACER agree that all CEE TSOs should utilize their knowledge and resources to contribute efficiently and in a coordinated way to this task under the ENTSO-E umbrella.

<b>Significant achievements during this quarter</b>	22 <sup>nd</sup> January: CWE RCC meeting, with main focus on CWE FBMC
	31 <sup>st</sup> January: CWE FBMC technical meetings mainly on planning, FMBC parameters and congestion income allocation
	22 <sup>nd</sup> February: CEE RCC and ACER meeting, with main focus on CEE FBMC, the way forward for the implementation of target model at the Day-ahead timeframe
	28 <sup>th</sup> February: CWE FBMC technical meeting teleconference launch of the external parallel run, Q&A Forum, Market forum and Public consultation/ survey

<sup>13</sup> More information can be found on <http://www.casc.eu/en/Resource-center/CWE-Flow-Based-MC/General-Information>

	7 <sup>th</sup> March: Market Forum in Düsseldorf
<b>Obstacles or delays in implementation</b>	The original planning of Q2 2013 for CWE FBMC will not be reached. All CWE parties and systems should be technically ready for go live end of 2013. Actual launch of CWE FBMC will depend on NWE DA MC.
<b>Potential divergences from the FG on CACM</b>	
<b>Comments</b>	

#### ***4.4.4 Action needed to overcome the identified constraint(s) or to address the potential divergence(s) from the FG on CACM***

The launch of CWE FBMC will depend on the successful and timely implementation of NWE Day-Ahead Market Coupling (NWE DA MC). Any delay in the NWE DA MC project will mean a corresponding delay in the CWE FBMC project.

CEE NRAs and ACER will continue to use all means to overcome the contradictory positions. TSOs and PXs are requested to draft an updated project plan to provide a clear view on the way forward and to develop a technical solution for the Flow-Based allocation which will go live only once all issues are solved.

## 5 Review of progress with implementation in other important areas

In this section, the NRAs review achievements and obstacles, at regional level, regarding other important dimensions/areas for the completion of the Internal Electricity Market.

### 5.1 Transmission development plans

ENTSO-E continued the preparation of the Ten Year Network Development Plan 2014 and of the accompanying Regional Investment Plans. After the pan-European market simulation phase, the ENTSO-E system development Regional Groups started the regional market simulations, which constitute the first step in assessing the investment projects.

The regional groups set up according to the Regulation on guidelines for trans-European energy infrastructure (approved in March) continued their activities for the selection of projects on common interest.

The second-last round of regional group meetings took place on 29, 30, 31 January and on 1 February.

The next (and last) round of meetings - taking place in April - is expected to deliver the draft regional lists of proposed projects of common interest.

### 5.2 Development of cross-border balancing

As reported in the previous edition, the current stage is the development of pilot projects. The goal is to gain bottom-up experience for implementation of the different stages of the European Balancing Market established in the ACER Framework Guidelines roadmap and net benefits (cost/benefit analysis) and feasibility of the different milestones.

The project proposals should satisfy the following prerequisites:

- Commitment to be transparent and regularly report to relevant forums
- The goal of the project should be in line with the scope of the ACER FG
- Support from relevant NRAs to respective TSOs involved in the pilot project
- The feasibility to extend the pilot project initiatives to other TSOs at regional level (mid-term model) and later to the rest of the TSOs (long term model)
- A roadmap for implementation of relevant targets ahead of European road map

Here are the main milestones for selecting the pilot projects:

- 4th February 2013: ENTSO-E launched a call for pilot project at European level;
- 1st April 2013: Dead-line for submission to ENTSO-E of pilot projects nominations;
- 1st June 2013: Dead-line for ENTSO-E to decide the projects that finally will be proposed to Market Committee as balancing pilot projects;
- 25th June 2013: Market Committee approval of the proposed initiatives. Decision followed by ENTSO-E communication to each TSO and to ACER

### 5.3 Transparency



Under the forthcoming Regulation on submission and publication of data in electricity markets<sup>14</sup> ENTSO-E will be obliged to operate at the latest 18 months after the entry into force of the Regulation a central information transparency platform, on which certain data relating to generation, transmission and consumption will be published, and to develop for this purpose a manual of procedures following an open and transparent consultation with stakeholders. In addition, ENTSO will have to send, within four months of the entry into force of the Regulation, a proposal for the operation of the platform and the associated costs as well as the draft manual of procedure to ACER for its opinion. ACER's opinion on the platform, including costs, is to be provided within three months, its opinion on the manual within two months.

Regarding the progress towards ENTSO-E's deliverables, it is to note that ENTSO-E established a stakeholder expert group in January 2013 which has been assisting in the development of a draft manual of procedures.

#### ***5.4 Management and use of interconnections***

At the end of 2012, CREG and ACM (former NMa) requested Elia and Tennet to provide them with a capacity calculation methodology for the Belgian-Dutch border in line with the Regulation (EC) 714/2009, especially regarding loop-flow issues and summer-winter difference. This request was to be fulfilled within 6 months. An increase of Day-Ahead capacity of up to 100 MW and an intraday capacity of up to 200 MW has been put in place in December 2012 – January 2013.

The Second Market Monitoring Report is in its Data collection phase which should end on 31 May 2013.

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<sup>14</sup> <http://register.consilium.europa.eu/pdf/en/13/st06/st06003.en13.pdf>

# ANNEX 1: 8<sup>th</sup> Region Quarterly Report

The *8th electricity region*<sup>15</sup> participates in ACER's coordination activity. Streamlining milestones and actions with the European target model, the 8<sup>th</sup> region's wholesale electricity market opening follows the South East European Regional Action Plan<sup>16</sup> which has been approved by ECRB and ENTSO-E RG SEE and supported by the Ministerial Council of the Energy Community.<sup>17</sup>

## 1 Review of the progress with implementation of regional projects

### *Improvement and harmonisation of the allocation and nomination rules for long and medium term transmission rights*

#### *1.1.1 Description of the project*

The still existing lack of a regionally coordinated capacity allocation mechanism remains a key concern, both in terms of market liquidity as well as it concerns the compliance with the *acquis communautaire*.

#### *SEE CAO*

Un-harmonized congestion management schemes create a barrier for cross-border electricity trade and the establishment of a regional electricity market. Although the TSOs of all Energy Community Contracting Parties, except Moldova, have already introduced market-based capacity allocation mechanisms (based on NTC auctions) for congestion management at their borders, there is still insufficient harmonization in the region

Thus it was decided to work on the establishment of a SEE Coordinated Auction Office (SEE CAO) performing coordinated NTC-based capacity allocation in the starting phase of work and to switch to flow based capacity auctioning at a later stage.

The expected advantages of coordinated allocation, which will be performed by SEE CAO in Montenegro, are:

- Higher degree of market harmonization due to coordinated capacity allocation in the SEE region,
- Simplicity in handling for market participants ("one-stop-shop" solution with common set of Auction Rules and one IT system) and transparency increase

Furthermore it is envisaged to implement a load flow based mechanism for cross border capacity allocation at a later stage and in compliance with the European target model.

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<sup>15</sup> The 8th Region was established following a [decision by the Ministerial Council](#) of the Energy Community on 27 June 2008 with a view to implement a common procedure for electricity congestion management and transmission capacity allocation on regional level. **The 8th Region groups together the Energy Community ([www.energy-community.org](http://www.energy-community.org)) Contracting Parties** (Albania, Bosnia and Herzegovina, Croatia, former Yugoslav Republic of Macedonia, Moldova, Montenegro, Serbia, UNMIK and Ukraine) and the **six neighbouring EU Member States** Bulgaria, Greece, Italy (limited to its interconnections with Contracting Parties), Hungary, Romania and Slovenia.

<sup>16</sup> "<http://www.energy-community.org/pls/portal/docs/1810178.PDF>

In order to facilitate the establishment of a CAO for the SEE region, a project company, tasked to prepare all necessary prerequisites for the future CAO, has been established in June 2012. Currently experts hired by the Project Company are working on all documents required for the future CAO.

### *Other Developments*

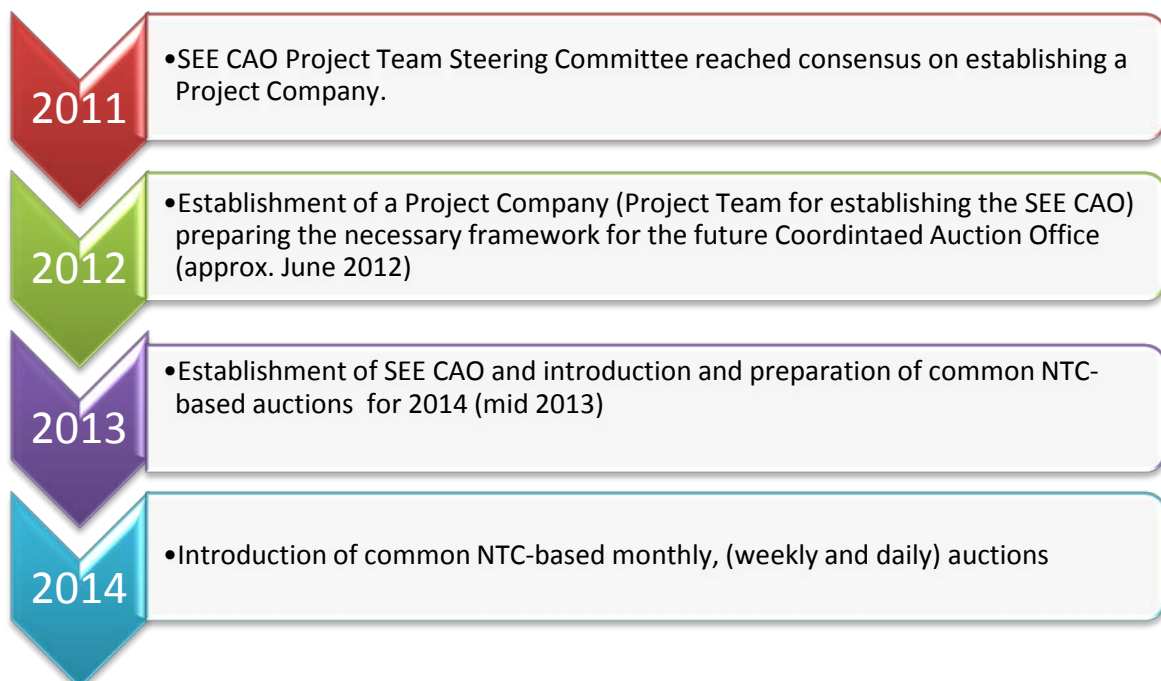
In parallel the TSOs of Serbia, Hungary and Croatia started to implement joint auctions with their neighboring TSOs which improved the situation as regards the harmonization of auctioning systems. Moreover Croatia started concrete cooperation with the CEE Auction Office aiming to allocate the CB capacities to the CEE TSOs via the CEE Auction Office.

As an element of novelty, starting with January 2013, Serbia and Romania jointly organize transparent and coordinated auctions for long and short term allocation of their CB capacities.

As Romania has declared its interest in joining the market coupling mechanism between Czech Republic, Slovakia and Hungary, steps have been made in declaring the common willingness for cooperation and mutual approach in this respect of all involved parties.

### **1.1.2 Key Milestones**

It is envisaged that the establishment of the SEE CAO will be realized in two steps. In a first step a project company (Project Team for establishing SEE CAO), owned by the participating transmission system operators has been established in June 2012. Experts working for this project company on a full time basis will prepare the necessary legal, financial and technical framework for the future SEE CAO.



### 1.1.3 Progress review during this quarter

Significant achievements of the CPs in the period	<ul style="list-style-type: none"> <li>- All Contracting Parties' TSOs, except the TSO of Moldova, have introduced market-based mechanisms for cross-border capacity, namely explicit NTC-based auctions. Although Auction Rules for cross border capacity allocation for the Borders of Ukraine have been adopted by NERC in already 2009 EnC Secretariat assessed these Auction Rules in 2012 as being not in compliance with the Energy Community Acquis</li> <li>- Yearly and monthly allocations are introduced at all electricity borders while weekly and daily allocations are introduced only at several borders.</li> <li>- Intraday allocations are also available at several borders, but on a non-market based solution (first come, first served).</li> <li>- Besides the EU member states in the 8th Region also several CP TSOs have started to implement joint auctions (see Fig. 2), and more common auctions are expected to be implemented during 2013. This will facilitate electricity trading in the 8th region. Croatia has joint auctions with Hungary and Slovenia. Joint auctions with Hungary started already in 2010. (yearly, monthly and daily auctions). The Joint auctions with Slovenia started in 2011. (yearly, monthly and daily auctions). For 2013 the borders with Slovenia and Hungary are for the first time involved in CEE CAO (yearly, monthly and daily auctions). Slovenian TSO (ELES) is still doing intraday allocations of capacities on both directions.</li> <li>- Serbia- EMS started to have joint auctions with Romania-Transelectrica on 1. January 2013. Joint auctions between Serbia and Hungary started for 2012 in Dec 2011 on yearly, monthly, daily and intraday level.</li> <li>- Although the SEE CAO project faced some delay in the past, remarkable progress has been made in the recent months by the involved transmission system operators in close cooperation with International Financing Institutions (IFI). A Project Company, owned by the TSOs, started its operation in June 2012 with the target to complete all tasks, including elaboration of the Action Plan, Business Plan and Auction Rules within one year. NRAs whose TSOs are participating in the SEE CAO PTC will be responsible to approve the SEE CAO Auction Rules and other relevant documents, but respecting the recommendation of the ECRB at the regional level. It is also realistic to expect that the SEE CAO operation could start within one year.</li> </ul>
Obstacles or delays in the implementation	<ul style="list-style-type: none"> <li>- Since Moldova and Ukraine are not part of the ENTSO-E synchronous area, they are, due to technical reasons, not able to fulfil all relevant obligations. An on-going study at ENTSO-E level is analysing the feasibility of full integration of UA and Moldova into the common Congestion management mechanism on the basis of synchronisation with the ENTSO-E grid.</li> </ul>
Potential divergences with the FG on CACM	
Comments	

### 1.1.4 Actions needed to overcome the identified constraint(s) or to address the potential divergence(s) with the FG on CACM

Not applicable yet

## **2 Progress Review in the implementation of other important areas**

In this section, NRAs review achievements and obstacles, at regional level, in other important dimensions/areas for the completion of the Internal Electricity Market.

### ***Transmission development plans***

Since the 8<sup>th</sup> region's national transmission grids are relatively small, regional transmission network planning is of utmost importance. Thus SEE TSOs are actively participating in the relevant ENTSO-E working groups. In addition, the SECI transmission planning project provides a platform for the TSOs exchanging information about ongoing transmission projects. SEE TSOs are actively contributing to the development of the ENTSO-E Ten Years Network Development Plan, thus involving SEE transmission grid in the pan-European context.

### ***Development of cross-border balancing***

Although the importance of cross-border/regional balancing for the 8th Region has been recognised by all stakeholders and investigation of feasible approaches took place in the past, further development of a regional balancing mechanism is currently put on hold until the day-ahead cross-border auctions are introduced within the whole region. Due to its importance the development of a regional balancing model is reflected in the ECRB EWG WP 2013.

### ***Transparency***

In order to increase Market Transparency most of the SEE TSOs are participating in the ENTSO-E transparency web platform.

Although, the quality of the SEE TSOs websites has increased, none of the CPs TSOs is in full compliance with the obligations stemming from the CM Guidelines.

This concerns in particular information about outages of critical facilities as well as information concerning cross border capacity allocation.

### ***Management and use of interconnections***

The situation as regards the management and use of interconnections further improved recently. Due to the implementation of the marginal price mechanism on all Serbian borders, further harmonization of the applied cross border capacity allocation mechanisms has been reached.

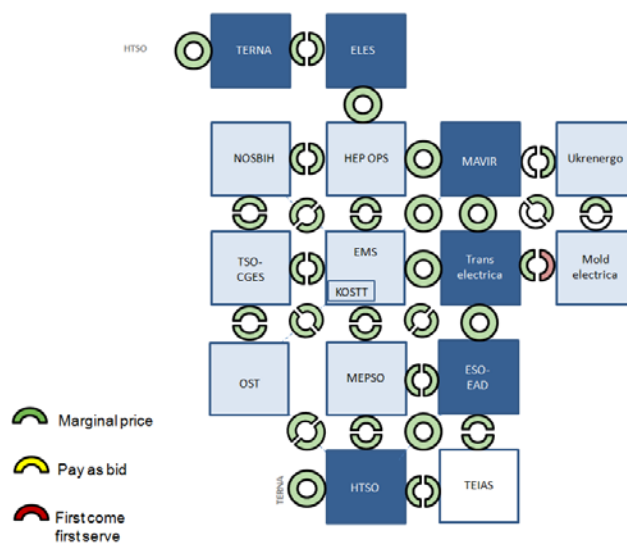


Fig 1: Mechanisms for Capacity Price determination in the 8<sup>th</sup> Region<sup>1819</sup>

Besides, several TSOs started to implement joint auctions with their neighboring TSOs which could be seen as another step towards harmonization. (See Fig. 2)

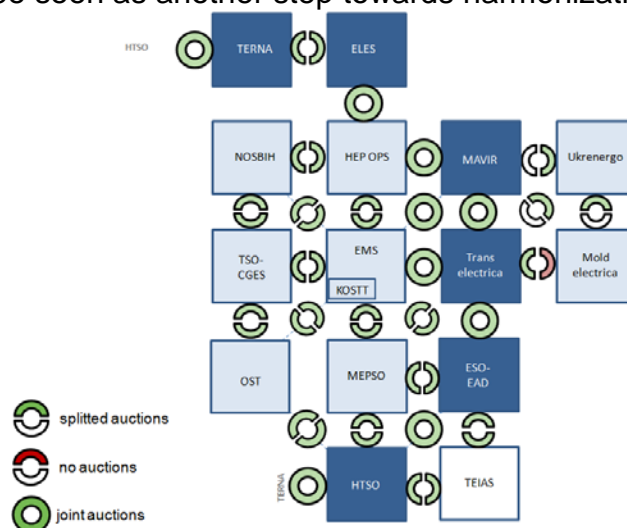


Fig 2: Cross Border Capacity Allocation Mechanisms in the 8<sup>th</sup> Region

<sup>18</sup> Please note that according to current Ukrainian Electricity Law only unilateral auctions (for export) are allowed.

<sup>19</sup> Currently, auctions for interconnection capacity allocation between Ukraine and Republic of Moldova are organized only by Ukrainian TSO.



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