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Agency for the Cooperation
of Energy Regulators



Draft cross-regional roadmap for Day-Ahead Market Coupling

- Work in progress -

NWE day-ahead price coupling project
IG meeting 26 October 2011

● Background

- Target model is a single European Price Coupling (EPC) by 2014
- Purpose of cross-regional roadmaps:
 - to identify key milestones, both at EU and regional level, and accountabilities (who does what and when?)
 - to increase consistency between and across the regions and thus efficiently pave the way for the completion of the Internal Electricity Market by 2014
- Draft cross-regional roadmap based on:
 - regional work plans 2011-2014;
 - AESAG work on roadmap;
 - Stakeholder comments (ENTSO-E, Eurelectric, Europex) to earlier drafts;
 - Discussion at ACER coordination group for ERI.
- Additionally
 - Proposal on process for way forward with procedural steps.

● Towards European Price Coupling by 2014

- **General approach:**

- » focus on NWE price coupling implementation by 2012
- » open to other borders if ready and if no delay for NWE project
- » Flexible parallel/stepwise process towards European Price Coupling (EPC)

- **NWE project:**

- NRAs from NWE (CWE, NE, GB) established Cross-Regional Coordination Committee (CRCC) to lead the NWE process.
- Lead regulators of all other regions, ACER and one NRA per additional market coupling project (e.g. CZ-SK-HU) have observer status.
- TSOs, PX, NRAs discussion on NWE price coupling advanced.
- Project initiation (TSOs/PX) shortly ahead with documents under negotiation or signed (All Party Cooperation Agreement; Project Initiation Terms; Non-Disclosure Agreement).
- Resources already planned.

● Basic components of European Price Coupling (I)

● EU-wide level

● **Coupling solution:**

PCR algorithm being developed by PXs with support of all Europex members and validated by ENTSO-E. PCR to be available to all Europe.

Approval process in every country coordinated by ACER.

MS involvement insured by NRAs where appropriate and necessary.

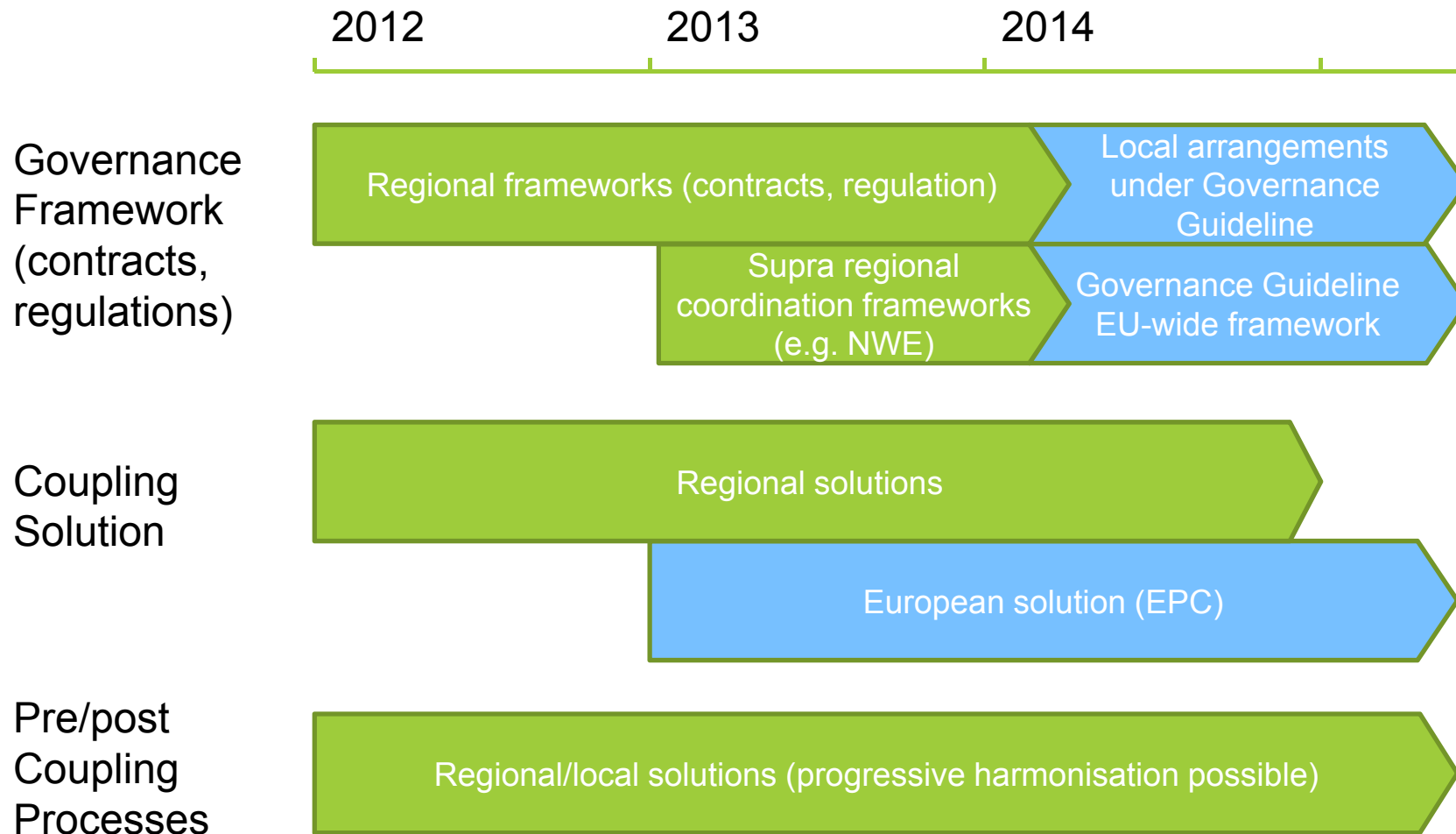
● **Governance:** Governance Guideline under preparation.

Implementation of EPC should start in parallel using interim governance solutions.

● NWE and other Regions' level

- Interim governance arrangements basis for launching NWE price coupling and other regional market coupling solutions; based on existing solutions in other regions/countries parallel/stepwise process towards EPC.

● Basic components of European Price Coupling (II)



● Basic principles to avoid stumbling in progress (I)

- Common information level necessary to ensure smooth integration of additional borders;
 - Adjacent borders may adopt PCR algorithm in parallel and/or join NWE price coupling from the beginning if this does not delay overall progress towards EPC;
 - For a smooth and efficient achievement of the target model the approaches of this cross-regional roadmap and the one for capacity calculation need to be in line. This will be ensured by NRAs and TSOs;
 - Existing/forthcoming bilateral market coupling initiatives
 - need to be compatible; and
 - should not delay implementation of the EPC day-ahead target model.
- ⇒ **Ensuring this will at least require the submission of a detailed action plan, explaining how coherence and consistency with the overall project and the 2014 target model can be achieved.**

● Basic principles to avoid stumbling in progress (II)

- Price coupling comprises decisions on arrangements for algorithm, pre-/post coupling and governance.
 - Algorithm starting point (PCR) shall be the same for all borders.
 - Not all arrangements need to be the same throughout the coupled region
 - In particular pre-/post coupling and governance arrangements (TSO-TSO, TSO-PX, PX-PX) may differ.
- ⇒ **NWE shall concentrate on what is needed to implement NWE price coupling in 2012, be transparent, flexible and open to enlargement via arrangements/structures differing from NWE.**

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Procedural steps	①	② ③ ④	⑤ ⑥ ⑦	⑧ ★	⑨ ⑩	★	⑨	★	⑨	★	⑨	★	⑨	★
NWE Price Coupling (CWE, NE, GB borders)						✓								
Integration of SWE borders						*	▨	✓						
Integration of CEE borders						*	▨	▨	▨	▨	✓			
Integration of CSE borders											✓			
Integration of remaining Baltic borders											✓			
Integration of remaining FUI borders **														✓
Single European Price Coupling (EPC)														★
Integration of ECRB	Integration of ECRB not later than 2015 ⇨													

* MIBEL, Hungary, Slovakia, and the Czech Republic are willing and committed to join EPC by end of 2012

** SEM may provide for transitional arrangements which are defined in section 1.2 of FG CACM.

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Procedural steps	1	2	5	8	9		9		9		9		9	
		3	6	★	10	★		★		★		★		★
		4	7											

1 ACER requests

- NWE (TSOs and PXs) to define a very concrete proposal on flexible high-level interim governance arrangements for the NWE project incl. description for which borders differences in approaches may be appropriate
- ENTSO-E to validate PCR algorithm starting point and to agree with Europex on one single algorithm
- Europex to demonstrate the efficiency, manageability and reliability of the system design

NWE NRAs request TSOs to prepare a detailed proposal regarding the cost recovery for NWE costs

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Procedural steps	①	②	⑤	⑧	⑨		⑨		⑨		⑨		⑨	
		③	⑥	★	⑩	★		★		★		★		★
		④	⑦											

- ② **ENTSO-E** sends algorithm-requirements to Europex and validates starting point PCR algorithm (potentially modifications) until end of 10/2011
- ③ **NWE (TSOs and PXs)** submit high-level interim governance arrangements for the NWE project to NWE NRAs and ACER for review and validation;
NWE TSOs submit proposal regarding NWE cost recovery to NWE NRAs and ACER
- ④ **ACER** coordinates NRAs' „endorsement“ of algorithm, e.g. letter of comfort

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Procedural steps	①	②	⑤	⑧	⑨		⑨		⑨		⑨		⑨	
		③	⑥	★	⑩	★		★		★		★		★
		④	⑦											

- ⑤ **ACER/NWE NRAs** approve interim high-level governance arrangements for the NWE project (potentially with modifications);
- ⑦ **NWE NRAs** approve cost recovery proposal regarding NWE costs.

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Procedural steps	①	②	⑤	⑧	⑨		⑨		⑨		⑨		⑨	
		③	⑥	★	⑩	★		★		★		★		★
		④	⑦											

⑧ **Europex** demonstrates the efficiency, manageability and reliability of the system design to ACER and NRAs

⑨ **TSOs/PXs** ask NRAs for national approval/review of national specificities to the final algorithm; starting in NWE and regions formally committed to join in 2012, this step is repeated for every additional border amongst respective NRA/TSO/PX

⑩ Once the **Commission** adopts its final Governance Guideline the interim governance arrangements may need to be revised (date still unclear)

★ **TSOs and PXs** regularly inform all NRAs and stakeholders on implementation steps

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NWE Price Coupling (CWE, NE, GB borders)						✓								

- NWE comprises CWE, NE (+SwePol and Estlink) and GB (IFA, BritNed);
- Already today there exists a market coupling covering this area except IFA;
- Swiss TSO announced interest in joining CWE Market Coupling by mid 2012;
- Final introduction of price coupling planned for Q4 2012;
- To coordinate this process NRAs organise NWE CRCC meetings and NWE implementation group meetings (NRAs, TSOs and PXs) on a regular basis;
- Inclusion of other borders via bilateral agreements between PXs, TSOs and NRAs possible.

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Integration of SWE borders						*								

- Iberian Peninsula already coupled via MIBEL;
- Start of testing phase (operational changes) foreseen for Q1 2012;
- Preparation of regulatory changes start in Q3 2011;
- Planning for adoption of PCR algorithm and harmonisation of organisational process, start in 2012;
- * MIBEL is willing and committed to join EPC by end of 2012;
- ENTSO-E timeline for NWE foresees integration in 2013.

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Integration of CEE borders						*								

- Market coupling projects in CEE countries:
 - Czech Republic and Slovakia coupled since 09/2009;
 - Hungary plans to couple with Czech Republic and Slovakia in the first half of 2012;
 - * These project partners are willing and committed to join EPC by end of 2012.
- CEE NRAs and ACER will evaluate and decide on implementation path beginning 2012.
- Final implementation of price coupling covering the entire region foreseen for end 2013.

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Integration of CSE borders											✓			

- The CSE region starts discussion on potential implementation paths for market coupling in Q4 2011;
- Slovenia and Italy coupled since 01/2011; extension to other borders in 2012 ???;
- Gradual adoption of PCR algorithm; adaptation of market features to comply with coupling needs 2012/2013;
- Implementation of price coupling within the CSE region Q1 2014.

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Integration of remaining Baltic borders											✓			

- Currently two different PXs operate the separated markets of Estonia (part of NPS Nordic Elspot) and Lithuania (Baltpool);
- A common electricity market, based on NPS will be introduced in the Baltic countries envisaged for Lithuania and Latvia 2012-2013;
- Implementation of price coupling in the Baltic region in 2014.

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Integration of remaining FUI borders														✓

- GB (IFA, BritNed) will already be part of the NWE price coupling end of 2012;
- In order to start Market Coupling between SEM (Single Electricity Market in the Republic of Ireland and Northern Ireland) and GB certain changes in the SEM market design are needed;
- Implementation of price coupling between SEM and GB (i.e. participation in EPC) is foreseen by end of 2014;
- SEM may (as part of FUI) provide for transitional arrangements for day ahead which are defined in section 1.2 of FG CACM.

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Integration of ECRB	Integration of ECRB not later than 2015 ⇒													

- The ECRB foresees the implementation of price coupling not later than 2015;
- Up to now it is not clear how and when Bulgaria and Romania are planning to start the implementation of price coupling and the integration into EPC;
- This needs to be discussed with the respective NRAs and the European Commission.
- ACER will contact the respective NRAs to define the best approach to make them join the process.



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