

Electricity Regional Initiative – Region CEE
35th Meeting of the Implementation Group on Congestion Management (IG)
(35th CEE IG Meeting)
June 16th, 2014
Vienna

NOTES AND CONCLUSIONS

Participants		
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Philip	Bloomfield	EPEX SPOT
Christophe	Cesson	ACER
Martin	Chochol	OKTE
Pavel	Cirek	ERÚ
Josef	Dovala	SEPS
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Tatiana	Hulenyiova	SEPS
György	Istvánffy	HUPX
Vojtech	Jahoda	ERÚ
Alexander	Kabinger	E-Control
Sven	Kaiser	E-Control
Željka	Kössldorfer	E-Control
Vincenc	Kožar	ELES
Uwe	Kratzsch	BNetzA
Bojan	Kuzmic	AGEN-RS
Jakub	Paluch	URE
Manfred	Pils	APG
Anze	Predovnik	BSP
Konrad	Purchała	PSE
Réka	Sárközi	MAVIR
Rudolf	Schneider	EXAA
Gert	Schwarzbach	50Hertz

Participants		
Pavel	Vágner	ČEPS
Tomáš	Veselý	ČEPS
Arnold	Weiss	EPEX SPOT

1 Welcome and agenda

A subtopic is added to AOB: Proposal of a logistic merger of Implementation Group and CEEE Forum meetings by SEPS.

2 Recent developments in CEE

4M MC (CZ-SK-HU-RO) Market Coupling project development and implementation

Mr. Vagner (CEPS) gives a presentation on the project and current status. (for more details see slides)

Physical and Virtual Phase Shifting Transformer Germany – Poland: Status report

Mr. Purchala (PSE) and Mr. Schwarzbach (50Hertz) explain that the contract is signed between 50Hertz and PSE. The three main points are:

- Agreement on investment, 50Hertz and PSE each install one set of PSTs
- Establishment of rules on how to operate the PSTs
- Virtual PST (cross-border redispatch mechanism) as a bridging solution until PSTs are installed.

A Report on the pilot phase of the virtual PST (vPST) in 2013 was recently published. The “real” operational phase of the vPST started in February 2014 and the vPST was already in action several times (in the form of bilateral redispatch between 50Hertz and PSE). Usage of vPST shows a positive influence on physical power flows and network security. Since the beginning of the operational phase the vPST has caused costs of about two and a half million Euros. Concerning vPST cost sharing 50Hertz is close to finalize contracts with APG and TenneT DE.

3 CEE FB MC project

Presentation by JSC co-chair Mr. Schwarzbach (for more details see slides)

There is a joint presentation of TSO and PX parties. Based on the MoU a common TSO/PX project for day-ahead congestion management target model implementation

(flow-based market coupling based on PCR in one single step) in the overall CEE region has been started. The project management structure has been established. PXs did not nominate a separate co-chair of JWG and agree to have a single chairperson from TSOs (Jazek Ratz, PSE). PXs representatives are ready to provide a temporary replacement for the chairperson if needed on a flexible basis. The project plan (including description) is under preparation (revising and updating previous version). Binding contracts (Framework Project Agreement, FPA) are being prepared. A flow-based method for the region based on the Security Oriented Option (SOO) and compatible with CWE is under development. Regular status reports will be given after regular JSC meetings to IG Meetings used for discussion and decisions together with CEE NRAs.

JSC agreed to hire an external PMO, Request for Proposals and PMO tasks are being defined. To RfP several inputs and comments were received. JSC agreed to contract PMO for a ½ of a year with an optional ½ year prolongation.

Project parties have received a letter from PCR parties. PCR parties will be represented directly by the PXs involved in both, NWE and CEE in the CEE FB MC development.

Questions/Discussion:

ECA highlights three issues for discussion: project management, roadmap and cost recovery.

On the first issue the main question is, when could a PM become operational? Mr. Schwarzbach answers that the process is as follows: long list of possible PMOs based on declarations of interest, generation of short list of PMO-candidates and distribution of RfPs, time to submit concrete offers, then a PMO can be chosen. The next JSC is end of September, it should be possible to have a PMO by then. EXAA adds, that the contracts necessary for hiring a PMO should be ready by the end of this month. EXAA will take the role of the contracting party towards the PMO.

On the subject of confidentiality, PCR parties confirmed that they were able to provide information (notably the external interfaces between PCR and the CWE flow based allocation mechanism) to the project without an internal NDA, due to the declassification of many of the relevant PCR assets. An NDA, as included in the FPA, will be required eventually in any case amongst all parties and is currently being drafted by the JWG as a priority action. The CEE project can continue to work with this basis and check whether there are any inconsistencies or additional needs from CEE parties.

ECA states, that it might be good to get something on the topic of the roadmap even before the next JSC. Regulators are interested in receiving drafts (informally) and giving feedback. Mr. Schwarzbach answers, that the Road Map Task Force (TF RM) was established, and although it does not start from scratch, still items need to be

discussed. The TF RM will report to JWG. It might be helpful to send drafts to NRAs beforehand – NRAs would be ready to send the coordinated feedbacks based on these. ECA asks if regulators could have an informal draft (not necessarily elaborated with all details) until July so feedback could be given until the end of August. Project Parties bring to consideration that it is a question of detail requested and on how risks to the project are correctly evaluated, but it could be possible. Project parties also noted that certain components of the Roadmap will be dependent on outputs negotiated and agreed under the FPA, which is a high priority task for the coming months.

On the topic of cost sharing a formal letter was received. ECA gives, as a first indication, the following answers to the 4 requests raised in the letter

1. Support of project: Support is definitely confirmed
2. Position on principles of cost sharing: There are different possibilities to come to a solution: either by taking examples on existing projects and other regions, or base it on CACM draft provisions or something new. Taking into account that the third possibility will unlikely be taken, one (or both) others may be applied. Additionally, two layers have to be considered, the sharing between countries and the sharing between TSO and PX parties. Both must be negotiated.
3. Willingness to negotiate in good faith, necessary comfort for common and individual costs is of course there, but cost recovery will most likely be referenced to reasonable, proportionate, auditable and efficient costs.

ECA states that it would be very helpful to have more specific information on what would be regarded as common costs. Expenses for PMO is one example and very likely to be accepted by NRAs as a common cost, but there are certainly others. More information on categories of costs would be helpful for drafting a more precise answer from NRAs.

EPEX Spot and 50Hertz explain that common costs have to be defined by parties, which is happening right now. Experience from other projects/regions, how cost sharing is done there, is investigated. The project will try to provide input to the common cost definition in due time.

ERU asks if it would be possible to deliver at least rough estimations of cost figures, as the OTE is, unlike the other involved PXs, a directly regulated entity.

ECA asks what the status of the joint group FB of CEE and CWE is. Mr. Schwarzbach answers, that is not yet on the agenda. There was a lot of public information from the CWE region, which has to be considered and can be used. But coordination will be pursued when necessary.

4 Auction Rules

Status regarding the process towards Harmonized European Auction Rules / CASC – CAO cooperation regarding a common platform / Changes for 2015

Presentation of Mr. Pils of APG (for details see slides)

HAR: 5 of 8 principles papers have been approved by ENTSO-E, one is in informal consultation with ACER, 2 remaining papers are to be validated by Market Integration Working Group (MIWG) on June, 17th and submitted to ACER. Approval process by MC is to be completed on July 3rd and principles will be presented on AESAG meeting on July 9th.

Potential changes of Auctions Rules for 2015 regard on the one hand the inclusion of the borders of HU-HR and SI-HR and on the other hand aspects of the Harmonized Auction Rules that are currently under development by ENTSO-E. Auction Rules for CEE and HU-HR & SI-HR border are already harmonized although being separate documents. HAR texts are expected to be delivered in 2015 for 2016 auctions. Therefore TSOs propose to use the CEE auction rules from 2014 without changes for 2015 and give priority to the major changes in 2016 that will come from the HAR and the CASC/CAO merger project.

ECA reports that NRAs also had discussions about changes for 2015. NRAs are in favor of the proposed solution to focus on changes for 2016 and leave rules for 2015 unchanged. In almost all countries no regulatory approval is needed when the rules do not change. Hungary is an exception.

Mr. Pils reports on the topic of the CASC-CAO merger project that a shareholder meeting will take place on the 25th of June and he expects that the further procedure will be decided on. After this meeting further information should be available. A binding decision of shareholders for the merger can be expected for the end of the year.

5 AOB and Summary of Meeting

CACM developments

ECA: within European Commission discussions took place between DG ENER and Legal Service. Legal service commented detailed on drafting, saying that the text is not in a form European legislation is usually done. There were lots of changes in wording, but as far as known no important changes in substance. The second type of comment from the legal service was more fundamental, saying that there is too much focus on process in the text and too little detailed rules/methodologies for a network

code. Outcome is that CACM is going to become a commission guideline but not a network code. This has e.g. implications for the amendment process (role of ACER and ENTSO-E).

Legally it should be the same, namely a regulation and as such directly applicable. This is what EC has communicated at the Florence Forum and at other occasions. There is no detailed information for now on how the process will going on. More clarity might be given in July.

Participation of Romania

ECA: A letter was received requesting formal observer status, no formal answer was sent so far.

ECA's proposal, agreed among the NRAs, is to invite the Romanian parties (TSO, PX, NRA) to a meeting (probably during summer). The aim is to discuss the framework of the CEE project so far, to gain a better understanding of their specific needs and where Romania has a relevant role in the process. Based on this discussion further cooperation and steps can be planed.

Questions arise, if other addressees of the letter (Mr. Schwarzbach and Mr. Brandt in their roles of JSC co-chairs) should also join. Hungary as only neighbour to Romania and also involved in both 4M MC and NWE-CEE FB MC projects, so knowing all relevant details, also offered its support during the meeting. This can certainly be considered and E-Control will coordinate on that further.

Proposal of SEPS of a logistic merger of Implementation Group and CEE Forum for Electricity meetings (For details see slides)

SEPS informs on the first thoughts discussed at the CEEE Forum meeting in early June in Warsaw. The initial proposals were partly not picked up (Political Declaration) and partly left open for further discussion. A new proposal from SEPS and the Slovakian Ministry foresees that CEE IG meeting and CEEE Forum could be held jointly, meaning at the same place and time with the same participants and agenda. There could be a joint session of all participants of both meetings and after that, if necessary, separate sessions of IG meeting and CEEEF Steering Group. If this is not accepted an alternative could be to have back-to-back meetings (e.g. on two days in sequence).

BNetzA reports that from their understanding ministries at the EF in Warsaw thought it would be a possibility to have the IG meeting in the morning and the EF meeting in the afternoon, but not the other way around. Only in this sequence the ministries can be provided with up to date information and can offer their support, if needed (whereas IG after EF would not work).

SEPS replies that concrete details are still to be discussed with ministries and agreed among them.



ECA: The proposal can not immediately be answered; it has to be coordinated with all NRAs. A meeting between ECA as lead regulator, with the Slovak ministry, (mandate ministries) can be arranged.

Next steps

Next IG meeting is envisaged for October 14th and another meeting for December 10th.