

27th Meeting of the Implementation Group on Congestion Management
(27th CEE IG Meeting)
Central Eastern Europe
April 16th, 2012
Vienna

DRAFT MINUTES

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Participants		
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1 Welcome and Approval of Agenda

E-Control welcomed all participants to the 27th IG meeting in Vienna. The draft agenda was approved without any additional remarks.

2 Joint CEE NRAs & ACER Declaration on the Implementation of the Target Model

Presentation of the Joint Declaration and discussion

E-Control presented on behalf of ACER and the CEE NRAs a short overview over the efforts in the last months. CEE NRAs thank ACER for coordination and HEO for first steps in conducting of Strategic Paper in December 2011. In the course of the presentation and the discussion questions prepared by CEE TSOs and summarized in a document were discussed and in most cases the needed clarifications were provided and agreed upon. Answers are summarized once more in Annex 1 of this document. During last months, after a thorough discussion with several different entities, CEE NRAs and ACER have reached one common position on the way forward for the CEE Region towards the implementation of the target model for the day-ahead timeframe.

In that respect, CEE Regulators agreed, that the Flow-Based Market Coupling (i.e. Implicit Flow-Based Capacity Allocation) is the Target Model for electricity in CEE. **Implicit flow-based capacity calculation and a single NWE-CEE day-ahead price coupling shall be implemented across the regions by the end of 2013 in one single step. This means consequently that neither a region wide market coupling nor a flow-based calculation shall be implemented without the second element.** Development of explicit FBA is not in the focus of the development towards this objective any more. Interim implementation steps (such as the CZ-SK-HU coupling are welcomed in the roadmap, but the key priority is the implementation of the target model by the end of 2013. In case other interim steps are planned this cannot endanger the implementation of the target model by the end of 2013. (Remark: answer to TSOs' questions #5, 7, 8, 9, 10). The enhanced or new flow-based method should be implicit and as much as possible compatible with CWE flow-based method – enabling for the single price coupling solution. This does neither mean a common CEE CWE flow-based method nor a copy-paste solution of a flow-based method currently being developed in CWE region (Remark: answer to TSOs' questions #16). ACER representative stressed also that CEE parties should rather concentrate on

CEE tasks first and then on cross-regional cooperation issues , while in the meantime continuously ensure the compatibility of implicit FB methods.. ACER and CEE NRAs will support all needed cross-regional coordination requirements. (Remark: answer to TSOs' questions #2, 3, 11, 12, 19, 20). This means that PXs participating in the CZ-SK-HU MC project, which is designed to be compatible with the CWE MC, may have fewer cross-regional issues to deal with.

For this purpose, CEE TSOs and Power Exchanges are asked to develop the CEE Target Model Implementation Roadmap by June 2012. Both groups will consider how to establish a cooperation and governance structure for this purpose. (Remark: answer to TSOs' question #1, 15). This roadmap shall clearly distinguish between the CEE issues and the cross-regional ones, be developed in close collaboration with market participants, and for cross-regional issues with CWE/NWE TSOs and CWE/NWE or PCR Power Exchanges (Remark: answer to TSOs' question # 4). ACER explained that CEE Power Exchanges should be compatible with PCR project currently developed for NWE/CWE Region.

ACER and CEE NRAs will govern this task, provide needed support and facilitate cross-regional cooperation where necessary. ACER has already sent a letter to CEOs of CWE TSOs asking for their cooperation (Remark: answer to TSOs' questions #2, 3). ACER and CEE NRAs will provide support for collaboration with PCR members from NWE/CWE Region. It will be communicated on the next AESAG meeting towards PCR members of NWE/CWE by ACER.

OTE requests to define entities for involvement in the overall project and more specifically Power Exchanges from the very beginning. ČEPS supported this question, because it seeks to know all partners before works on the project begin and so to avoid a situation where preconditions would be changed during implementation. As there are Member States such as Austria and Germany where more than one Exchange is providing trading services. E-Control explains that also in the course of the NWE project National Grid decided on the hub-operator for the GB-hub in the course of the project roughly 10 month before the planned go-live. Given this example there is no evidence that this can not be decided in the course of the project. Moreover there exists in Austria for the time being no basis for making such a decision and an arbitrary decision just for being able to start the project might be challenged later on and hamper the project again. But of course APG and E-Control have the task to ensure that Austria is properly covered and fulfilling all project requirements. APG underlines that this remains a national decision.

ACER and the European Commission (DG ENER) recognize that the problem of increasing unscheduled and loop flows is a serious one that needs to be addressed in a proper way. European Commission (DG ENER) with the assistance from ACER shall **in parallel** initiate a wider continental-Europe **study on the efficient management of unscheduled and loop flows**. Conclusions and recommendations of this study may be available by the end of 2012, but the specific timetable is not yet fixed. ACER indicated that the conclusions of the study will be seriously considered.

The common understanding of the CEE NRAs and ACER is that loop-flow and price zones considerations run in parallel to the flow-based market coupling preparation. They are not a condition for the actual implementation by the end of 2013. Overall

the consideration may support resolving problematic loop-flow issues in the CEE region. ACER and CEE NRAs will seriously consider the conclusions of the EC study (Remark: answer to TSOs' questions #13, 14, 21). HEO and ERO explained that the solution is required to fulfil the point 4 from the joint declaration, saying that a positive benefit for each individual CEE country needs to be demonstrated.

The developed and finalized roadmap should be as detailed as possible. It should include definition of implementation framework which is needed for reaching of the Flow-Based Market Coupling Target Model. These are a clear governance and cooperation structure within CEE, a project structure description, list of project requirements and deliverables, related time plan with milestones and all project steps needed for the implementation of FB MC. The roadmap and relevant project documentation should contain all relevant issues related to cooperation with CWE/NWE/PCR region (NRAs, TSOs and Power Exchanges) and schedule relevant intermediate steps (for example, in connection to existing or planned market coupling initiatives). If necessary, other important and relevant intermediate steps can be introduced (Remark: answer to TSOs question #23).

Beside these requirements, **compatibility of CEE and CWE flow-based** method and with a common NWE+CEE Market Coupling should be assured, as well as **smooth transition of existing market coupling** projects in CEE region or with impact to CEE region into common NWE+CEE Market Coupling. ACER underlines that a distinction between cross-regional issues and "CEE-only" tasks shall be made. The roadmap shall assure a well-designed flow-based method able to fulfil all the necessary requirements defined in the cross-regional roadmap for capacity calculation, FG CACM and the associated draft NC and to ensure a positive benefit for each individual CEE country. CEE TSOs asked whether this would require the development of a completely new flow-based method or build on already existing work. CEE NRAs have the view that the TSOs are probably best placed to assess what route is needed here, but given the (timing) experience with the elaboration of the CEE FBA method it seems unlikely that a completely new approach starting from scratch could facilitate the envisaged timeline.

Based on this commitment, CEE NRAs and ACER shall facilitate the **signing of a joint Memorandum of Understanding** by July 2012 among all involved parties in CEE. This joint MoU may become a slim document, built mainly on the roadmap. The document itself shall also seek the support from the European Commission and CWE/NWE parties, although neither EC nor NWE/CWE parties are foreseen to sign the MoU. Several TSOs and Power Exchange representatives suggest that the MoU could also be signed by CWE TSOs and NWE or PCR PXs. ACER stressed once more that the CEE parties should preferably first express their commitment via the roadmap and the MoU. A full involvement of parties from other regions would most likely make the envisaged timing impossible. However cooperation between CEE and NWE/CWE will on cross-regional issues be facilitated and ACER supports participation of members of PCR project in this MoU (Remark: answer to TSOs' questions #2, 3). On question of OTE, it was reassured by ACER that compatibility of CEE PXs with PCR is supporting smooth coupling with NWE/CWE in 2013.

Proposal for roadmap elaboration process and MoU development – tasks and milestones

With aim of project tracking, regulators proposed several dates of update, where either a short progress report (containing simple regular information on progress during the last period, open points and next planned steps) will be circulated or a meeting among project partners and CEE NRAs will be held.

An overview of these milestones/"track dates" can be found below:

- 16 April 2012 27th IG Meeting - Kick-Off for the Roadmap development
- In the beginning of May 2012 CEE NRAs expect to get 1st progress report
- Mid of May 2012 CEE NRAs expect to get 2nd progress report
- By the end of May 2012 3rd progress report and/or shortly after this date,
- On 04 June 2012, 28th IG Meeting is planned. A presentation of preliminary roadmap and project specification draft (for finalization and agreement) shall be delivered and discussed during this meeting.
- Mid of June 2012 4th progress report (ev. next IG Meeting) is planned. CEE NRAs expect a presentation of final and agreed roadmap and project specification. ACER and CEE NRAs plan to deliver and present the MoU
- For beginning of July 2012 a SG Meeting with final presentation is planned. This should be marked with signing of the MoU, which should formalize and strengthen the partnership between the parties.

The involved entities agree to inform CEE NRAs within 2 weeks after the IG on the working/governance structure for the roadmap elaboration.

Current context of market coupling in CEE and some issues relating to day-ahead market coupling

Four (DE/AT, PL, and SI) out of seven CEE countries are already coupled outside of CEE region within the current context of market coupling in CEE. Within the CEE region CZ and SK are coupled and to be coupled with CZ, SK, HU (3Q 2012). .. These countries (CZ, SK, and HU) have started a trilateral MC project with a view to getting closer to the Target Model. The CZ-SK-HU market coupling is acknowledged as part of Cross-regional roadmap for Day-Ahead Market Coupling.

Further on, some issues relating to day-ahead market coupling were mentioned, as for example, a need to start focusing on day-ahead market coupling issues at the level of PXs (e.g. price ranges, value formats, gate closures, central algorithm, cross-border settlement rules etc.).

Discussion and agreement on roadmap elaboration

CEE NRAs welcomed a list of questions elaborated and provided as an input by CEE TSOs. Participants went through all the questions and agreed upon a list of covered topics and a list of questions related to important aspects which need to be elaborated more precisely. Both lists can be found in Annex.

3 Cooperation CWE/NWE and CEE

Participants agreed that the information given within the presentation is the status quo for the time being.

4 Loop flow situation – envisaged EC study

ACER stressed that both ACER and the European Commission (DG ENER) recognize that the problem of increasing unscheduled and loop flows is a serious one and needs to be addressed in a proper way.

The planned wider continental-Europe study on the efficient management of unscheduled and loop flows / price zones will be started soon and probably results will be available by the end of 2012. PSE-O and CEPS ask how this will be related to the implementation of the target model. Referring to very tight planning and ambitious goals of the EU 2014's target model, the cross-regional roadmap and the CEE region, ACER representative stressed that any conditioning of study results for timing within CEE development would be too time consuming. The CEE NRAs and ACER stated once more that price zone considerations run in parallel to the flow-based market coupling preparation. They may support resolving problematic loop-flow issues in the CEE region but are not a condition for the actual implementation by the end of 2013. ACER reminds that according to the recent paper from the 4 TSOs (PSE-O, CEPS, SEPS, MAVIR) the implementation of the flow-based calculation as such even provides positive effects within the current bidding zone structure.. ACER and the CEE NRAs envisage a proper flow-based solution fulfilling the requirements from paragraph 4. of the Joint Declaration.

5 AOB and Summary of meeting

Update of Auction Rules

CAO representative gave a short information on update of Auction Rules. One change is related to different auction timings for borders (started by wish for adjustment on APG/ELES border and negative influences onto bidding in Southpool) and should be finalized soon. Second change refers to introduction of a fallback procedure to daily auction process. End of 2011 traders and TSOs agreed on delivery of "default bids" which should be stored at CAO and used as fallback in case of hindrance to collect bids properly or prevention of CAO IT access.

CAO plans to deliver preliminary version of AR to NRAs until end of April and hopes that NRAs can complete the approval within 1-2 months.

ACER Monitoring

Congestion management monitoring was quite complicated in the past, therefore ACER will act as a central data collection entity. For this purpose ACER has sent the request to NRAs. Although some data are available at ENTSO-E site, despite completeness they are not always reliable. The process has just begun, but very

soon all relevant parties will be involved into it. Data collection shall start with data of the year 2011.

Next meeting

A next CEE IG meeting is scheduled for the 4th June 2012 (E-Control, Vienna).

ANNEX 1 – Summarized answers to TSO questions

Question no.	Answer by ACER and NRAs
1	Regulators consider a robust and solid governance and working structure important for the project, but invite TSOs and PXs to organize their work. One possibility would be to have two separate steering groups – one consisting of TSOs, the other of PXs. These two separate steering groups could be complemented by a joint CEE TSOs-PXs steering group and the hiring of a joint PMO as for the NWE project. However, the TSO and PX steering structures are expected to report to the Implementation Group.
2	The CEE Region has primary responsibility to develop the roadmap, a firm commitment from CWE parties seems to be premature at this stage. ACER has already officially requested CWE TSOs' cooperation and will do that in respect to PCR members as well. It is suggested that CEE parties identify first cross-regional issues that need to be tackled in close cooperation with their CWE/PCR counterparts. ACER and CEE NRAs will support enhanced cooperation. It should be noted that the target date was also agreed (by all regions and stakeholders) in the cross-regional roadmaps adopted by the end of 2011.
3	See answer to question 2
4	See answer to question 2
5	Yes. Explicit FBA is not in the focus of the development towards this objective any more. The CEE TSOs shall develop a flow-based method suitable for implicit allocation and as much as possible compatible with CWE flow-based method.
6	A method that will fulfill the requirements set in declaration (point 4) shall be developed. NRAs are not in the position to prescribe further details at this stage, as this is under the responsibility of TSOs.
7	There will be no separate CEE regional market coupling project per se. All countries of the CEE region will directly connect to the NWE price coupling in one single step. All PXs operating in the CEE countries are welcomed to join the roadmap drafting. All CEE borders will be included in the project.
8	No. The CZ-SK-HU MC can expand as long as its expansion does not hamper the timely implementation of the Target Model for the entire CEE Region as defined in the joint declaration. Respective important project steps should be indicated in the roadmap.
9	TSOs and PXs are invited to define the testing periods in the roadmap respecting overall the target date for go-live end 2013. Defining the testing period is not the goal by itself, the goal is to gain support from the stakeholders and to clearly demonstrate to them that FBMC brings benefits. Therefore the testing period should be sufficiently long to achieve that. The flow-based market coupling will only start after market participants have been consulted and allowed sufficient time for their preparations.. Flow-based day-ahead MC shall go-live on a coordinated CWE/NWE+CEE basis in one single step.
10	See answers to questions 7 and 9
11	See answers to questions 1 and 2
12	See answers to questions 1 and 2
13	The common understanding of the CEE NRAs and ACER is that loop-flow and bidding zones considerations run in parallel to the flow-based market coupling implementation. They are not a condition for the actual implementation by the end of 2013. In overall the study initiated by the European Commission may support resolving problematic loop-flow issues in the CEE region. ACER and CEE NRAs will seriously consider the conclusions of the EC study. In addition the elaborated CEE flow-based market coupling solutions shall be driven by the "beneficial-for-all-countries" requirement set out in point 4 of the Joint Declaration, The results of the planned EC study on unplanned power flows will, amongst others, for timing reasons, not be a precondition for the implementation of the Target Model.

14	"Positive benefit" may mean that the FBA method to be selected must not have a negative impact on system security while increasing social welfare of each country or vice versa. Regulators have not yet finalized considerations on that question and will provide a more detailed answer in due time. However the detailed evaluation criteria for the method to be developed do not prevent starting the roadmap elaboration.
15	CEE PXs are requested to prepare governance structure and implementation roadmap for the PX tasks in the market coupling and to coordinate closely with NWE/PCR to ensure compatibility. For example pre- and post-coupling functions are not covered in the present List of Answers. ACER and CEE NRAs will facilitate cooperation with CWE/NWE and PCR parties (see also answer on question 2.).
16	Yes, whereas in the long run both methods shall converge into one single flow-based method. At least as an interim step two compatible regional FBA will be needed as a pragmatic approach for the end 2013 target. The next harmonization step should be done as soon as time and resources allow.
17	See answer to question 14
18	NO, for further details see answer to question 14
19	See answer to question 1
20	See answers to questions 1 and 2
21	See answer to question 13
22	N/A
23	The CEE roadmap shall define steps for the implementation of flow-based market coupling as described in the answers to the questions above.
24	N/A
25	N/A
26	See answers questions 1 and 2
27	See answer question 13
28	See answer question 14
29	N/A