

1st Market European Stakeholder Committee

Tuesday, 29 September 2015, from 10:30 to 17:00

CEER, Cours Saint-Michel 30a, 1040 Brussels

Draft MINUTES (v1)

Participants			
Christophe	GENCE-CREUX	ACER	Chair
Sven	KAISER	ACER	
Uros	GABRIJEL	ACER	
Rodrigo	ESCOBAR RODRIGUEZ	ACER	
Michael	PULKE	ACER	
Alain	MARIEN	ACER	
Benoit	ESNAULT	ACER	
Mathieu	FRANSEN	ACER	
Jean	VERSEILLE	ENTSO-E	
Mark	CSETE	ENTSO-E	
Alexander	DUSOLT	ENTSO-E	
Zoltan	GYULAY	ENTSO-E	
Marta	MENDOZA-VILLAMAYOR	ENTSO-E	
Pascale	FONCK	ENTSO-E	
Corné	MEEUWIS	JAO SA	
Arben	KLLOKOQI	EFET	
Paul	GIESBERTZ	EFET	
Regina	MANDIC	EFET	
Florian	CHAPALAIN	EDSO for Smart Grids	
Marc	MALBRANCKE	CEDEC	
Alexandra	TUDOROIU-LAKAVICE	COGEN Europe	
Steve	WILKIN	Europex	
Andrew	CLAXTON	Europex	
Christian	BAER	Europex	
Javier	GONZALEZ	Europex	
Rickard	NILSSON	Europex	
Melle	KRUISDIJK	EUGINE	

Participants			
Marcel	CAILLIAU	EURELECTRIC	
Ruud	OTTER	EURELECTRIC	
Charlotte	RENAUD	EURELECTRIC	
Gunnar	LORENZ	EURELECTRIC	
Victor	CHARBONNIER	EWEA	
Petteri	HAVERI	GEODE	
Mats	NILSSON	GEODE	
Peter	CLAES	IFIEC	
Matti	SUPPONEN	European Commission	

1. Opening

1.1 Welcome

The Chair welcomed everybody present to the 1st Market European Stakeholder Committee (Market ESC) meeting. He explained its purpose: to discuss the progress and the difficulties surrounding the implementation of the NCs. The Market ESC should be seen as an umbrella body monitoring the work of all stakeholder groups. In this respect, the work of the existing expert groups is essential and should therefore continue.

1.2 Approval of the agenda

The Chair proposed - upon request – to bring forward on the agenda the balancing items planned under the 5th agenda item.

The agenda of the 1st Market ESC meeting was approved in the form shown in these minutes.

2. Functioning of the Market ESC

2.1 Approval of Draft Terms of Reference (ToR) of the Market ESC

The Chair presented the following main changes to the draft ToR, proposed by stakeholders to better reflect the specifics of the Market ESC, i.e. as follows:

- Point 2: An insertion of an additional paragraph to allow for the possibility of the other two ESCs (Operation and Connection Codes) to determine specific rules for their functioning without prejudice to the Market ESC Terms of Reference;
- Point 2.B: An insertion in the text to allow for the possibility of extending the scope of the Market ESC to address the market-related aspects of the more technical NCs, such as the Network Code on Emergency and Restoration (NC ER). The Chair clarified that the latter addition will open the door to some other market-related issues from other SCs to be discussed in the Market ESC. However, the decision on this will be taken at a later date (when the other two ESCs become operational).

According to a Europex representative, the CACM Guideline should also be specifically mentioned under the point of the second insertion. The Chair explained that there is a footnote in the ToR already (o.p. footnote 1 in the ToR) explaining that the term “network codes” is used in the ToR to define any set of common rules for electricity markets, whether “network codes” or “binding guidelines”, as defined by Regulation (EC) N°714/2009.

Mr. Giesbertz mentioned that the draft ToR correctly mention under „A. Objectives“ that the ESC should not only contribute to monitoring NCs implementation process, but also as the operation and functioning of the processes and arrangements established according to the NCs. This should however also be mentioned under „B. Scope“.

A question was raised about the expected timing of the setting out of the other two ESCs. The Chair explained that the other two ESCs are expected to start once the technical NCs are adopted.

- Point 4: An insertion of the text to express commitment from the ESC members to discuss any national/regional issues at national/regional level first and only if unresolved, at the level of ESC.

Mr Cailliau questioned the appropriateness of such a ‘reactive’ approach instead of indicating the issues before they are implemented in the national markets. He believed a role of the ESC should be to ask the market to correct what they are doing if necessary, despite the fact that the ESC has no decision role. The Chair explained that the purpose of the insertion under Point 4 is just to remind stakeholders to respect the processes for the implementation of the network codes at national or region level as the ESC cannot substitute these national processes. The Chair said that as long as normal reporting and resolution processes are respected, there is no requirement for the ESC to take action. If, however, the processes are not following the same directions, the ESC will intervene.

Mr Claxon enquired about reporting from the regions which appeared on the AESAG agenda and whether such an item would in the context of the insertion under Point 4 also exist in the Market ESC. The Chair explained that this addition is not intended to block this.

Mr Claes proposed a correction to the proposed insertion of the text under point 4 to state that the ESC will not monitor the issues at the national and regional level unless they have an impact at the European level. If however the Market SC believes that there is some regional/national level which could be detrimental to the internal market, the issues will be discussed at the ESC level. The Chair agreed to this and an amendment will be made.

Mr Supponen wondered whether the discussions in the ESC are to be considered separate from the public consultation processes under the CACM Guideline. The Chair emphasised that the two discussions are to be considered separate even though there will be some overlap. Each EU association will have to contribute to the public consultations under the CACM Guideline on its own.

Mr Otter touched upon the materials for the Market ESC which should be made available well ahead of the meeting. The practice of last minute submissions is unacceptable as stakeholders need time to review them and consult their members on them prior to the meeting. He called upon everybody to respect the principles from the ToR which state that all material for the Market ESC will be made available 14 days prior to the meeting as far as it is possible to do so. The Chair expects this challenge which AESAG has persistently faced to remain a difficult issue even in the Market ESC. He said the materials were to be circulated at least 5 working days before.

Mr Nilsson (Europex) shared his view that with quarterly meetings an advanced submission of 14 days to the meeting should be achievable. Mr Nilsson (GEODE) supported his view and reiterated the fact that the materials are very important in the preparation phase, since they are intended as a pre-consultation.

Mr Gyulay explained that internal approval processes are in place at ENSTO-E and that a 14-day deadline might mean that the information received and presented at the Committee would be outdated. The minimum deadline would in his view be 1 week ahead of the meeting.

Mr Claxton proposed a segmentation of topics into status reports and topics for discussion. Submission deadlines could thus be dependent on the priority of topics. A 14-days in advance rule would apply to the primary discussion topics on the agenda as identified in advance, whilst a 5-working days in advance rule would apply to other topics.

A proposal was tabled by the Chair to change submission deadlines for the Market ESC materials to 5 working days, which was opposed to by Eurelectric.

Mr Giesbertz said it was difficult for EFET to discuss large slide packages with their members. He proposed a one-page summary of the key issues presented, which would differ from the actual presentation, to be provided in advance.

The Chair concluded that the proposals raised under this point will be discussed with ENTSO-E and Europex, with a one-page report as one of the possibilities. He said an effort will be made for the next meeting to circulate the meeting materials in advance in addition to a 'lighter' agenda with less agenda items, which is also required for the forthcoming Market ESC meetings. In the meantime, changes to the ToR will be made in line with today's discussions and the amended ToR will be uploaded for the next meeting.

2.2 Presentation of the IT platform

Ms Mendoza-Villamayor presented the key features of the IT platform which has been developed by ENTSO-E to provide technical support to the work of all ESCs. The ToRs, composition of the committees, specific meeting information, agendas and other meeting material will be available on the platform, including registration for a specific meeting. Stakeholders' comments, documents, requests to the ESCs will be transmitted through the platform by members and non-member organisations. If so desired, meetings can be recorded and broadcast publicly through the platform. The Chair responded that for the time being there is no need to do so.

When asked about automatic notifications to all members when meeting material is uploaded, Ms Mendoza-Villamayor said that there was no such facility in place yet, however it can be requested. Intermediate solutions discussed included a daily update to the Market ESC mailing list with the key material uploaded.

Mr Claxton asked – considering automatic notifications do not yet work - whom the presentations should be sent to. The Chair said the relevant materials should be sent to ENTSO-E and to him.

Mr Claxton further noted the platform is a useful tool, however, to differentiate ESCs from ENTSO-E, he wondered whether the layout of the platform could differ from the ENTSO-E branding. Ms Mendoza-Villamayor emphasised that the IT platform is on ENTSO-E website so the layout shall be maintained, however there will be an independent page only dedicated to the Stakeholders Committee..

Mr Nilsson asked whether – for transparency and considering the platform is publicly available – all versions of the minutes should be published online. The Chair responded that only the approved version of the minutes will be made available online.

3. Capacity Allocation and Congestion Management Guideline

3.1 Update on the NEMOs designation process (ACER)

Mr Marien gave a presentation on the key activities taking place regarding applications and designations of Nominated Electricity Market Operators (NEMOs), with the call for applications and the application assessment having just passed, and a final decision on the designation of NEMOs to be expected to have taken place by 14th December 2015. Mr Marien informed the group that applications for a national legal monopoly by NEMOs in Italy, Portugal, Spain, Greece, Hungary, Romania and the Czech Republic are expected to be handed in to the EC by 14th October 2015.

Mr Giesbertz enquired what it means if somebody wants to apply for a legal monopoly as foreseen in the CACM guideline. Mr. M. Nilsson (EUROPEX) enquired how it works if one has a legal monopoly in one market but not the other. Mr Marien explained that there are provisions in the Regulation to avoid unfair competition by NEMOs in another country.

3.2 Update on the NEMOs-related governance aspects (NEMOs)

Mr Claxton presented the approach to and the key activities of the development of the NEMO-related CACM governance aspects. As it is still uncertain who the NEMOs are, Europex is currently facilitating a discussion between potential NEMOs regarding how joint NEMO responsibilities may be delivered/governed, specifically in relation to Article 9 and 10 of the Regulation (i.e. drafting and agreement of the NEMO deliverables and of day-to-day management). Mr Claxton informed the ESC that everything Europex is currently preparing on the topic will have to be approved by NEMOs and will also have to be more formally reflected in the MCO Plan which will be submitted for NRAs' approval. In this respect, a NEMO committee representing all NEMOs is required for coordination purposes.

Mr Claxton briefly outlined the timeline the project members are working with. The MCO Plan is due 9 months after CACM entry into force with the following key deadlines:

- By 14th December 2015, the NEMO designation process will have been completed;
- By 14th April 2016, the plan for the MCO function will be sent for regulatory approval;
- In parallel with this, more technical methodologies (for example the backup procedures, DA and ID products) will be finalised (where relevant, with the TSOs) for consultation and regulatory approval in early 2017. At this stage, discussions are taking place with ENTSO-E on how to coordinate the deliverables process-wise, as all the consultations in CACM start at different times. A possibility of using the ENTSO-E platform is being explored.

Mr Claxton explained that there will be some delegation to two MCO functions to deal with the 'responsibility' of delivering the DA and ID MCO functions. Existing structures, especially with regards to DA, will be retained, with equivalents still to be defined for the ID (where the role of subcontractors is greater).

Currently, four key challenges exist with several possible proposals for dealing with them:

- A need to maintain effective control over market coupling arrangements, which could be guaranteed through a rigorous mechanism of management and control i.e. overall coordination on common NEMO responsibilities by a "NEMO Committee"; delegated

management bodies responsible for operational issues with limited participation and by effectively managing change under change control procedures.

- A need for timely, fair and robust decision making procedures. The majority of decisions need to be taken by unanimity, however failing that, qualified majority voting could be possible; Where CACM requires joint decisions by TSOs and NEMOs (e.g. MRC), a QMV will apply for NEMOs.
- A preference exists to establish a practical Governance approach and avoid that small amendments go through the Article 9 procedure. The Art 9 procedure takes approximately 6 months, while some decisions need to be taken faster. More practical ways need to be found to manage changes to the rules, products. Development of new governance arrangements among such a large, diverse group, will be difficult. Modifications of the existing rules are the preferred option i.e. to build on existing governance and contractual arrangements (i.e., PCR, MRC, XBID), to adopt mechanisms established in CACM (e.g., definition of QMV in Article 9 can be used for NEMO Committee decision making) and to align DA and ID as much as possible.

Mr Supponen complimented the proposed pragmatic approach and emphasised that the EC will be carefully monitoring the decision making (i.e. that the decisions are made, and not delayed) as well as the fair treatment of newcomers. The NEMO/TSO operational committee – when do you think we will get the first invitation to this committee? Claxton replied that this is an issue they need to address.

Mr Otter noted that the presentation is too focused on the way NEMOs are governing themselves and that the process seems a bit lengthy. It is very good that the EC has raised the issues of the NEMO governance process in the public consultation. The next ESC could discuss this governance subject in more detail.

Mr Claxton and Mr Gonzalez replied that the committee is about the responsibilities that the parties have, i.e. their joint responsibility to operate market coupling, and that the lengthy procedures are due to the fact that the changes to be made do actually take time and cannot be completed overnight.

Mr Giesbertz mentioned that it might not be easy to decide whether a change is purely technical without impact on market results. At the last AESAG meeting, he suggested to ask market participants in this respect to help determine whether a change has an impact on market results or not.

Mr Claxton recalled the discussion and agreed with the proposed approach. He clarified however that, at the level of the MCO plan, the framework needs to be defined first, while the specific approach for particular technical issues would be addressed in subsequent Methodologies. There would be an opportunity to consult further with market participants. Mr Gonzalez provided an example of the procedures set out in the plan (i.e. the framework) with regard to unanimity. When some decisions are required by unanimity and if some of the parties involved do not agree, the matter is handed over to the NEMO Committee to be agreed upon by QMV. If a party feels that QMV is working against them, there is the possibility of an escalation.

Mr Kaiser queried whether any intention exists to specify in the MCO Plan the specifics of what the plan should actually entail. Mr Claxton replied that it would be desirable to put the governance issues in the MCO Plan, however that the decisions on the way things are to be done will be left to the actual implementation.

Mr Cailliau suggested a rule according to which decisions making should be split into decisions relating to the way NEMOs work together, which could be taken at the level of implementation, and those which affect the market/market prices. The latter would require a committee decision with the EC's and market players' involvement.

Mr Killoqi expressed EFET's expectation to see a more detailed proposal of how communication will be handled with the market/stakeholders.

An update on this topic will be provided at the next Market ESC in December, specifically including the issues of how stakeholders will be involved.

3.3 Update on the MRC extension projects (NEMOs-ENTSO-E)

Mr Meeuwis presented an overview of the status of the multi-regional coupling (MRC) project, providing an overview of the parties (members and non-members) currently in the project. He emphasised that– with the exception of the Balkan area – project leaders are in contact with all the relevant MRC parties, who have already shared their plans to participate in the MRC market coupling in 2016 or 2017. Most recently, a letter of intent to join the project had been received from 4M MC. Discussions were already on the way with 50Hertz as the group leader.

Mr Meeuwis said there were 23 implementation tasks from the CACM Action plan (including NEMO designation) which affect the MRC project, out of which 9 might need the direct involvement of the MRC IG group. A meeting of the MRC project team will be held end of October during which the actions in question and the required responses to them will be discussed. With regard to future MC, it has already been decided that 50Hertz will take the lead due to their sharing of the border with the region. An update on this topic will be provided at the next Market ESC.

Mr Supponen asked about the participation in the PCR versus the membership in the MRC project, how would that work and can they function in isolation i.e. not being coupled? Mr Meeuwis explained that it is up to the PCR parties to decide on their status in the MRC project. They may wish to be a full member of the MRC, adhering to the contract and having an agreed-upon launch date (from the MRC Steering committee), and at the same time paying for the activities they perform.

Ms Mandic wondered if in such instances the parties should not be de-linked from the parent group and what impact this might have on the other systems? Mr Meeuwis answered that this was a matter of a border-by-border approach. It might be possible to maintain the same group on several borders if the same coupled system applied on a number of borders within a certain region.

3.4 Update on the results of the CWE FB implementation + forthcoming developments (NEMOs-ENTSO-E)

Mr Verseille provided an update on the CWE FB project developments, noting the successful launch of the flow-based MC at the beginning of June. Since the go-live, the CWE parties have maintained regular exchanges with NRAs through Expert meetings to inform and discuss with the regulators the latest FB market results and further improvements in the CWE region. The Flow-Based User Group has been succeeded by the CWE Consultative Group, which first met on the 30th June in Brussels, with the aim of providing information to stakeholders and gathering their feedback about FB performance and market outcomes as well as on the upcoming changes and future evolutions.

- The CWE partners and Market Parties agreed to have two chairmen for the CWE Consultative Group, one from the CWE partners and one from the stakeholders.

- The CWE project partners committed to progressively improve transparency towards market parties and to therefore strengthen market confidence.

Mr Verseille presented an overview of the FB market results showing a decrease in price convergence and an increase in price volatility for all markets, which was significant for Belgium over the last months.

Mr Verseille highlighted the following activities which the CWE project partners are focusing on in the post go-live period:

- An adequacy mitigation / improved curtailment sharing should be implemented in the Euphemia MC algorithm. The implementation is foreseen for November 2015;
- The CWE FB project has been a step towards the development of a capacity calculation in the ID timeframe. The main target for the CWE FB for Intraday is to start with a first version of FB ID within a two-year period;
- The FTRs on the Belgian borders will be implemented by January 2016;
- The new BE-DE-LU interconnector will be launched in the CWE region in 2016;
- The FB methodology will be continuously improved, notably through the following changes:
 - D2 CF Base-case, FRM, CBCO selection, GSK evolution;
 - Validation of the external constraints;
 - Possible evolution towards advanced hybrid coupling for closer cooperation with other regions.

Finally, Mr Verseille presented some general information about the interconnector BE-DE-LU project i.e. the 1st interconnector set up in CWE after FBMC Go Live, which is expected to guarantee the security of supply and to improve market integration between the Belgian and the German bidding zones. This interconnector will be included in DA FB Capacity calculation (impact assessment/validation & implementation), foreseen for the first quarter of 2016. Long-term capacity products for this interconnection will be added in a later phase building on the experience with the BE-LU interconnection.

Prompted by a question from Mr Otter on the reduction of ID capacity since the implementation of FB in DA, Mr Verseille explained that the target is to extent the FB approach to intraday however that this will take time (approximately two years). It is a new calculation; at the end of the DA and at the beginning of the ID timeframe.

Mr Nilsson expressed his concerns with regard to the impact assessment of the ID FB method being limited to the CWE region without knowing what is happening outside the region (on the borders). Mr Verseille assured the group that the ATC on the border of the CWE region should not be affected.

Mr Cailliau shared his observations that currently in the ID, the values are 0 on many occasions in many small countries and that getting in and out countries like the Netherlands for example is impossible. The picture of social welfare is much too focused on DA and should also acknowledge other time frames like ID, he noted. Further, Mr Cailliau was concerned to hear that the process of recalculation for ID would take two years to complete and added that the market parties need this faster.

Mr Marien explained that the NRAs are familiar with the interaction of the implementation of the DA FB and the level of ID capacities, which is why a clear request for the recalculation of the ID capacities on the basis of most recent info, which should be implemented by November, was put forward to TSOs. This recalculation of ID capacities should prevent having a 0-0 values on a border in both directions. Mr Verseille added that this NRAs' request has been noticed by the involved parties, however a new process needs to be established at EU level, which will take time.

Mr Giesbertz noted that the conditions (like a justification and validation of the External Constraints) defined by the regulators are important. It is vital to implement them on a timely manner and in a transparent way. It is less relevant to show the market results. Mr Cailliau raised the issue of the inclusion of the Austrian GSKs in the FB calculations, emphasising the importance of an overview of the changes made and the impact of these changes. Mr Verseille understands the concerns raised and said they wish to further discuss this.

The Chair questioned the urgency of making these changes given that, according to the CWE NRAs' approval package, a wider update of the FB methodology is expected in November. Mr Verseille informed the stakeholders that a teleconference will be held in the coming week to discuss these issues.

Concerns about transparency were reiterated by Mr Kllokoqi, who said GSKs methodologies and values should be published by TSOs as soon as possible. The same goes for the IDs (identifications) of the critical branches (CB) and critical outages (CO) – fixed IDs should be published on D-1 in the morning. He also added that there are also REMIT concerns with non-publication by the TSOs of such information, which clearly is likely to have significant impact on prices.

The Chair concluded with a thought that considering all the transparency and other concerns raised, more time is needed to discuss the solutions and a dedicated user group meeting may be organised in November. Mr Verseille agreed and confirmed that the topic will indeed be discussed at the end of October/early November at the user group meeting.

An update will be provided at the next ESC meeting.

3.5 Update on the MRC's algorithm and the related market parties' concerns (NEMOs)

Mr Gonzalez presented the reality of the situation with regards to Euphemia's performance, especially the Market Parties Platform's (MPP) concerns regarding the quality of solutions found by Euphemia and their requested objective evaluation of the 'optimality' gap, as well as the complexity of the geographical scope covered (i.e. 50+ bidding areas) by the algorithm and the network constraints imposed on it (CWE intuitive FB, Line/Lineset ramping, DC cable losses).

He observed that the complexity of the problem is growing. Since January 2011, the number of block orders has multiplied by approximately two and a half times; the number of PUN steps have been multiplied by approximately eight times, whilst the number of MIC orders remained stable. With this in mind, continuous short- and long-term improvements are underway. A new E9.3 version is expected for November 2015, which will include the PUN speed-up (complementary to improvements made in E9.1 and E9.2) and the PRB reinsertion. In 2016, further improvements will be made to improve the gap of the solution, including PRB reinsertion; heuristic MIC filtering; address time lost due to numerical difficulties; parallel processing and better branching strategies.

Mr Otter wanted to know the size of the gap since in his view this detail is a prerequisite for discussing the improvements. Mr Otter was concerned about the message which might be given to certain players to simply ignore the gap as well as the lack of assurance regarding the reinsertion of bids which do not fit in. This is a sensitive issue as it touches on the discriminatory access of market players to the network.

Mr Nilsson explained that the effects of the complications that the PCR parties are facing are being studied/investigated, however not all the questions can be answered. Mr Gonzalez listed three more radical solutions, proposed by the algorithm vendor, none of which are simple, which could possibly ease the complexity of the problem:

1. Reduce the amount of block bids and other complex products allowed per participant and market (bidding zones);
2. Reduce the range of products treated in Euphemia; or
3. Relax the linear pricing rule (and accept that the result has more than one price per bidding zone and time period).

Mr Gonzalez also presented the Van Vyve model, which could, in the opinion of the algorithm provider, – by solving the (near) optimality with a proven optimality gap - address the main concerns expressed by Market Parties Platform. Mr. Gonzalez asked the stakeholders to evaluate the proposals submitted and to express an opinion about them. He also encouraged the stakeholders to present any other idea that they might have to improve the situation.

Mr Giesbertz mentioned that market participants will have to look into the proposals. He also added that the „Line/Lineset Ramping Constraint“ should be removed. EFET has mentioned several times, that there is no proper justification for this constraint. He explained that large changes in the power balance for the Nordic market should not lead to any imbalances and frequency excursions as long as the ramping rates and ramping periods for market participants and DC interconnectors are well aligned.

Mr Claxton reminded the members of the cost which is attached to these efforts and the need to recoup it. Some of the more radical solutions proposed by the algorithm vendor are risky and might be dismissed as non-adherent to CACM. A workshop with the vendor and some professors from universities will be held. The focus is on finding possible improvements of the solution which might be presented at the next stakeholder committee.

The Chair closed the debate by urging all the parties involved to discuss the matter further with stakeholders and to involve the NRAs in the discussion. Mr Nilsson expressed their intent to have a workshop with the market parties before the next Market ESC.

3.6 Update on the XBID project (NEMOs-ENTSO-E)

Mr Gonzalez presented the structure of the XBID project, which includes the XBID solution, XBID common project and LIPs (Local Implementation Projects). Once the XBID platform is developed, local implementation projects will follow. The expectation is that the Market ESC will in the future mostly concentrate not only on the progress of the central system but also on the situation of the different LIPs. With regards to timeline, there is a slight delay in the creation of the functionalities of the shipping module, but there are no delays with regard to the critical deliverables.

Key achievements of the project include: completion of the physical Master contract signature by DBAG and PXs (MSA) and development and License contracts (DSAs); finalisation of the functional specifications and of the requirements for the shipping module; agreement on a new performance improvement option proposed by DBAG; management of negotiations for the hosting and maintenance contracts; confirmation of the all PXs' positions on the Local Trading Solution; endorsement by DBAG of the hardware for the Customer Test Environments; outlining and review of the scenarios for the accession of the non-NWE parties to XBID; and auditing of the costs etc. Nevertheless, the project continues to face a number of challenges, including ensuring that hosting and maintenance negotiations are completed on time, challenges relating to the establishment of the communication channel (MPLS) providing secure communication between XBID and PXs/TSOs), the exposure of XBID CMM to the open public internet by external parties securing explicit capacity, as well as a review of the issues relating to CACM compliance and non-continuous trading.

Some of these challenges may necessitate change requests and additional expenditure. The arrangements to recoup the costs have been made in line with the NRA letter on cost sharing, cost recovery and retroactivity. A solution is expected to be agreed upon in the period from August to October next year.

Mr Gonzales touched upon the question of new parties joining the project and their status in the project. The new proposed process in this respect is to get them on board in a newly formed accession stream to be created, listen to their needs and to accommodate them the best way possible on time. This would help relieve the pressure of this project, which is to be on time.

Ms Fonck presented the quick wins on the Belgian border with the following progress made: finalisation of the specifications of the intermediate solutions with the service provider for the BE-NL and the BE-FR borders and orders for the developments of the intermediate solutions have been placed, planning is being developed including a consultation organised by the NRAs by the end of the year and communication with the market participants will be completed as soon as possible.

Ms Fonck emphasised the continuous progress made by the LIPs in establishing individual project governance arrangements, structures and budgetary planning. The 1st assessment of the implementation of the projects has also been completed with the necessary technical, operational, regulatory and contractual changes expected. These changes have been classified either as minor, major or medium ones. In addition to this, the readiness test for the LIPs in process, with the major test plan currently being prepared.

Mr Cailliau wondered about the classification into minor and major changes. He is missing information on the shipping module. Mr Gonzalez explained that, with regards to the shipping module, as soon as the LIPs' module is linked to the central system, the interfacings will be tested. Ms Fonck added that it will be up to each LIP to explain which changes are major and which are not. Each LIP is being asked to explain the planned changes in great details.

Mr Marien informed the members that on the BE-FR border, the respective NRAs (CREG and CRE) are expecting a proposal by the end of this month.

3.7 Update on the definition of Capacity Calculation Regions (ENTSO-E)

Ms Fonck presented the timeline for the process of the CCRs' proposal development and highlighted the current phase of assessing the comments received in the public consultation so that the proposal can be developed and submitted to the NRAs by 13th November as per the CACM guideline. Proposal will be sent from each TSO to each NRA.

In the absence of an all-TSO proposal, TSOs will submit a draft proposal with an explanation on non agreement, with ACER and NRAs making recommendations to the EC who takes appropriate steps to enable the adoption of CCRs. Once the proposal is with the NRAs, the regional work can start if the NRAs approve the proposal. If there is no NRA approval, amendments and resubmissions of a new proposal in line with Article 9.12 follow. In the absence of an NRA consensus, ACER decides as per Art 9.11.

Ms Fonck shared the first results from the public workshop, which was held on the 14th September on the topic of the CCRs process and content:

- Speed and ambition are required. Coordination between TSOs should be strengthened and calculation process improved;
- TSOs/NRAs shall work/decide on a proposal in a coordinated way, with ENTSO-E/ACER facilitating their respective work;

- The ACER Polish opinion will be considered as input to the work when preparing the final CCR proposal;
- CACM gives the possibility to amend any proposal by All TSOs or All NRAs, should the BZ Study conclusions refer to different BZ borders than the ones considered for establishing the proposal on CCRs;
- General welcome from stakeholders to involve non EU countries was expressed;
- CCRs are used only for the FCA and operational codes;
- It is possible to have one calculator for 2 CCRs;
- The fact that small regions that will have to coordinate among themselves will mean additional layers that could result in a less efficient process (e.g. Hansa/Nordic, Chanel/IU and CEE/CWE);
- Indicators will be developed by all TSOs as requested by the CACM GL to assess the efficiency of the transmission system.

Ms Fonck outlined the next steps including consideration of the written comments to the Public Consultation, inclusion of the ACER opinion in the final proposal, which will be submitted by each TSO to their respective NRAs. Ms Fonck passed on the common view of the TSOs that a joint decision from NRAs is very important.

Mr Otter queried the timeline about the implementation of capacity calculation methods and whether this would still be compliant with CACM if the implementation is going to take two years. Ms Fonck confirmed that this would still be compliant.

Mr Claxton wondered what would happen in the case two regions would decide to merge and more specifically whether progressive extension could be done.

Ms Mendoza-Villamayor clarified that we should distinguish between methodology and the application of methodology. One methodology could be proposed for one region, but it could probably be implemented in different steps, so a progressive implementation was indeed possible.

The Chair concluded that all these aspects would have to be elaborated in the proposal.

3.8 Update on the Polish request for an Opinion

The Chair informed the members of the Agency's Opinion on the compliance of the NRAs' decisions approving methods of cross-border capacity allocation in the CEE region with the relevant legislation, which was published on the 23rd September 2015.

Mr Giesbertz enquired as to the NRAs' next steps following the Opinion. Mr Kaiser said that the CEE NRAs and TSOs are working towards the four-month deadline i.e. to the adoption of the coordinated capacity allocation procedure on the DE-AT border; however it is too early to say what the result will be, especially also given the results of the CCR process. He also said that it is unclear whether market participants will be consulted.

Mr Otter wondered what the relationship was with the BZ configuration process. The Chair outlined the three processes which are currently running: the Opinion, the CCR and the BZ review process. As the Opinion is not binding, the CEE NRAs and TSOs are still free to take another decision. With regard to the CCR, if TSOs can propose a more appropriate solution, compliant with CACM, all NRAs could potentially agree on it. This is the same for the BZ review process. In practice, it may happen that ACER will have to take a decision on the CCR if NRAs disagree. In such a scenario, the Chair said that ACER will most likely stand by its Opinion unless new elements arise which will change ACER's position

Mr Otter enquired whether the borders of the non-CEE surrounding countries had also been considered in ACER's assessment and whether these countries will now be involved in the follow up process, as the proposed split of the DE and AT zone will equally affect CWE countries. The Chair confirmed that such impact assessment had not been performed but that, if performed, the results of the analysis would show positive for the other borders too.

Members discussed the possibility of an opinion for the DK-DE border, an issue which is relevant for many other borders in Europe, as well as the possible involvement of stakeholders in the solution building, which, in the absence of detailed information about the process, remains unknown.

3.9 Update on the Bidding Zone Review process

Ms Mendoza-Villamayor reported on the most recent activities of the BZ Review process, which result from the BZ Advisory group meeting from June and from a workshop on the methodology designed by the consultant:

- ENTSO-E continues its approach to ensure transparency;
- In order to continue ensuring transparency, ENTSO-E will prepare a first list of assumptions for further discussion which will be distributed to the stakeholders in the next meeting;
- Stakeholders' request of analysing the wholesale and retail markets and liquidity in all timeframes will be followed up. A dedicated workshop will be organised on the subject;
- ENTSO-E will organize a similar workshop with stakeholders on the model-based scenarios;
- Next meeting of the BZ Advisory group will be held in Autumn.

Mr Giesbertz expressed his concerns that the recent analysis of new configurations bypassed the Bidding Zones stakeholder advisory group. As no reason was given for this, the fear is that it will happen again. The Chair assured Mr Giesbertz that although he is not aware of the reason why the Stakeholder group was not consulted, he is confident it was not intentional. He expressed his strong belief that an additional BZ scenario is needed.

Ms Mendoza-Villamayor replied that CACM defines the process to define the methodology and scenarios, and that ENTSO-E and the TSOs are working to follow it. Anyhow, the advisory group will be also involved in the discussions with the measures explained before.

3.10 Introduction to the Common Grid Model

Ms Mendoza-Villamayor updated the members on the ongoing work with regard to two of the tasks under CACM - the CGM and the Generation and Load data provision Methodology. The first ideas of the methodologies, which were a result of work started some time ago, will be presented on the 26th October at the workshop. Ms Mendoza-Villamayor invited all interested members to register by 16th October at the latest. Early next year (from 4th February to 4th March), a public consultation will be run on these methodologies, with a workshop currently planned for the mid public consultation period on the 18th February 2016.

4. Electricity Balancing Network Code

4.1 Update on Electricity Balancing Network Code adoption process

Mr Supponen provided an update on the electricity balancing network code (EB NC) adoption process. The impact assessment for EB NC has (together with the emergency and restoration NC) not been launched, and is scheduled for Spring 2016, followed by the submission of the draft for the Commission approval in Summer 2016 and to the committee in the autumn of next year.

4.2 Main Changes from the Qualified Recommendation (ACER)

Mr Fransen emphasized that the early implementation phase is key to reaching the deadlines from the ACER FG. To support this process, ENTSO-E and ACER have jointly created the Balancing Stakeholder Group and agreed on a working plan for all European deliverables of the draft EB regulation. Implementation in (pilot) projects (outlined under the next point) are conducive to these deliverables as they provide substance development and real implementation experience.

Several policy options, which were requested in the ACER FG and which included proposals in the ENTSO-E draft NC, were chosen to reach the objectives of the balancing market integration, including procurement & exchanges of balancing energy and of balancing capacity as well as harmonisation of key aspects of balance responsibility and imbalance settlement.

In July 2015, ACER sent its recommendation for the adoption of the draft NC to the European Commission, including significant amendment proposals. ACER recommended the adoption of the EB NC subject to the following amendments, which aim to significantly improve the functioning of an integrated balancing market: changes with respect to Regional Implementation Models; changes with respect to Imbalance Settlement; the distinction between the self-dispatching model and the central dispatching model; greater control and oversight on transitional/exceptional issues; greater clarity and ambition on the reservation of cross zonal capacities and procurement and exchanges in balancing capacity; as well as a balanced approach to allow for new market participants such as aggregators to enter the balancing market. When barriers for entry and competition for DSR are identified, the recommendation envisages a regulatory framework in which DSR providers are independent from suppliers

Mr Wilkin enquired about the expected timeline of the EB NC. Mr Csete responded that experience from the pilot projects will play a key role in determining the timeline for the implementation of the EU balancing project.

With regard to the timeline, there are four main models to achieve the integration of balancing markets, i.e. for imbalance netting, replacement reserves, manual frequency restoration reserves and for automatic frequency restoration reserves. The regional integration models, which are clearly defined in the NC, include a proposal for COBA's for RR, mFRR and aFRR after 6 months (the first draft proposal agreed as an early implementation deliverable in the context of the Balancing stakeholder Group is due in November), the development of implementation framework by the TSOs after two years with all NRAs approval and predict a two (IN, RR) or four-year years (mFRR, aFRR) implementation following entry into force of the NC. For the European integration models a TSO proposal is expected three years after entry into force with all NRA approval with the implementation of six years from entry into force.

4.3 Feedback/conclusions from the Balancing Stakeholder Group on Early Implementation & Balancing Pilots (ENTSO-E, ACER)

Mr Dusolt updated the members on the discussions and conclusions from the Balancing Stakeholder Group meeting. With regard to the pilot projects, requests for earlier involvement in decisions in some pilot projects have been voiced again. A similar need for stakeholder involvement has been expressed regarding the implementation of the CoBA imbalance netting as settlement will also affect them. It was mentioned that the IN CoBA should be the same as the aFRR to guarantee a fair settlement. Stakeholders appreciated the open discussion of the further reduction of products at an early stage. With regard to the CBA – ISP, stakeholders questioned if the analysis of the cases with partial harmonisation makes sense. Consultant should be involved. Discussion on possibility of another case with one ISP per synchronous area. For the data request an additional Balancing Stakeholder Group workshop will be held on the 21st of October.

Mr Dusolt presented an overview of the pilot projects, mentioning that projects 3 and 8 are on hold, whilst there has been good progress on projects 1, 2, 4, 5, 7 and 9. He presented the three main barriers identified in the development of pilots: a) lengthy implementation process with necessary reruns every 4 seconds on some observations, b) lack of harmonised XB ID market in Europe affecting the definition of common timing and scheduling for balancing and c) regulatory elements including different settlement schemes and the existence of caps and floors in pricing in some areas.

Mr Otter asked if the current version of the balancing code is of help as it will overrule some of the regulatory elements. Mr Dusolt answered that this has not yet happened, that however a proper regulatory support is a must in ensuring that certain national decided aspects have an impact on the implementation.

Mr Fransen noted that a debate on the CoBA was held in the Balancing Stakeholder group which helped agree on the way of working and stakeholder involvement. It was agreed that ENTSO-E will work further on the mFRR CoBA, market participants will be asked to come forward with views on both the mFRR and aFRR CoBA, NRAs will do the same and the options available will be discussed jointly. Stakeholder involvement and adherence to deadlines are key in the process. The first ENTSO-E proposal for the mFRR COBA is to be discussed in the BSG on the 27th of November.

5. Forward Capacity Allocation

5.1 Update on the Forward Capacity Allocation Network Code adoption process (EC)

With regard to the FCA NC adoption process, Mr Supponen explained that all stakeholder comments have been considered seriously, in particular regarding the firmness of capacities and the decision on the TRs, which was in particularly relevant for the Nordic countries. The FCA NC should be submitted to the vote of the committee for the mid October.

5.2 Update on Harmonised Allocation Rules and the Joint Auction Office project (ENTSO-E)

Mr Csete presented the most recent status of the activities with regard to the harmonised allocation rules: on 30th June, all TSOs approved the rules; in the first part of July, annexes were finalised, followed by the publication of the main body of the HAR on ENTSO-E's website. Submission of HAR and Annexes started in the second part of July.

As of 23rd September, the HAR were already adopted in Latvia and Lithuania. For a majority of countries HAR were submitted and expected for approval by mid October. Mr Csete explained that the first auction to run according to the rules is the yearly one. No changes are foreseen for the other auctions.

Mr Killokoqi said that EFET has expressed criticism and dissatisfaction with the set of rules, which includes 16 annexes, and is quite far from the FCA NC proposed draft. He also highlighted that the late approval by the regulators has increased overall uncertainty among market participants, in addition to the uncertain status of the registration process and access to the platform in the framework of the merger between CAO/CASC into JAO.

Mr Meeuwis informed the members that JAO was formally established on the 1st Sept 2015., but that JAO is now waiting for the approval of new rules. As soon as the new rules are approved, the situation will change. The time is running very short and decisions need to be known whether, e.g. there should be two rounds of auctions or not on the Dutch borders. JAO is hopeful that the first round of rules will be approved by mid October.

Mr Escobar-Rodriguez informed the members that approvals of the rules from NRAs are being received. On the Dutch borders, Mr Fransen informed that the decision is already made but not yet published.

Mr Marien informed the members about the common decision of NRAs to TSOs for a common approach on FTRs on the Belgian border. EFET's concern about the firmness will be discussed and agreed on with the other involved NRAs.

6. Any other business

The Chair informed the members that a detailed overview of the Transparency Regulation data completeness was received from ENTSO-E. An update on this will be provided at the next stakeholder committee meeting.

7. Next meetings

The second Market European Stakeholder Committee meeting will be held on 3rd December 2015 at the premises of ENTSO-E in Brussels. In the spring of 2016, the Market ESC will be held in Ljubljana.

Summary of actions

Description
ACER to circulate the final revised ToR.
NEMOs to report on the NEMO governance process (also as in the EC's PC) and governance plan as outlined under point 3.2 (NEMOs-related governance)
NEMOs and ENTSO-E to report on the implementation tasks from the CACM Action Plan as outlined under point 3.3 (MRC Extension Project)
NEMOs and ENTSO-E to report on the recalculation of ID capacities as outlined under

point 3.4 (CWE FB implementation)
NEMOs to report on possible improvements to be made to the solution of optimality as reported under point 3.5 (MRC Algorithm and the related MPs' concerns).
ACER to update on the ENTSO-E data completeness as outlined under point 6 (AOB).

Summary of decisions

Description
The draft agenda of the 1 st Market ESC meeting was approved.