

# Summary of responses on EU HAR annex consultation and open questions relevant for CWE borders

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*Concerning annex 2 (CWE), annex 8 (NL borders) as well as open CWE questions about FTR Options and annex 8.*

## 1. Introduction

The consultation of the EU HAR was held from 2<sup>nd</sup> until 31<sup>st</sup> of March 2015. Next to the consultation of the EU HAR main document, border specific annexes and regional specific annexes were consulted. In addition TSOs had the possibility to ask open questions related to LTRs.

The CWE TSOs (Amprion, Elia, RTE, TenneT TSO B.V., TenneT TSO GmbH and TransnetBW) jointly provided annex 2 and open questions regarding an introduction of FTR Options on CWE borders. Annex 8 and related open questions were initiated by TenneT TSO B.V.

## 2. Comments on CWE annex

No comments from market parties on the CWE annex on firmness were submitted during the public consultation.

As such no modifications were introduced based on the comments received on the specific CWE annex but the comments collected in the main body of the EU HAR were also considered for the CWE region specific annex.

Three additional "steps forward" for the CWE region compared to the current HAR version 2.0 as well as compared to the firmness rules of the EU HAR main body were introduced in the region specific CWE annex after the public consultation.

### **First additional step forward: Long Term Firmness Deadline (LTFD) in line with new flow-based market coupling processes**

CWE TSOs implemented on the 20<sup>th</sup> of May 2015 the new coordinated capacity calculation validated by the CWE NRAs, namely flow-based market coupling (FB MC), at CCR level, which improves the allocation process on the day-ahead timeframe and brings more regional social welfare. The CWE TSO proposal regarding the LTFD is constructed in such way that it takes into account the newly implemented operational procedures while respecting as much as possible the idea behind the firmness regime constructed in the HAR version 2.0. By setting the LTFD at a point of time after the first preliminary FB MC capacity calculation results become available, CWE TSOs can and will maximize the DA capacity domain into account before deciding on curtailing

long term transmission rights. This is not possible if the LTFD is set before since the first usable FB MC results are only available at D-1, 4:10 a.m.

### **Second additional step forward: harmonization of compensation for Emergency Situations and System Security**

The CWE TSOs have increased the firmness regime for the financial compensation when triggering Emergency Situation as requested by NRAs and Market participants. Market participants will be **compensated based on the Day-Ahead market spread (introduced in the EU HAR main body) capped up to the LTFD and no cap will apply after the LTFD (introduced in CWE annex on firmness).**

### **Third additional step forward: No discrimination between FTRs options/PTRs with UIOSI regarding the LTFD**

Since the LTFD for PTRs with UIOSI is linked to the nomination deadline, the LTFD for PTRs with UIOSI is not the same for all bidding zone borders that will allocate this type of product within EU HAR region and within CWE region. Furthermore, the current EU HAR introduces a different LTFD for bidding zone borders that allocate FTR Options. **CWE TSOs have taken the initiative to harmonize all LTFD for all type of products on all the bidding zone borders. For this, they have initiated the harmonization of their nomination deadline for LTRs as early as possible given operational constraints and existing procedures at D-1 8:30 am.** By doing so, PTRs with UIOSI will have the same LTFD and by using this same deadline for the bidding zone borders where FTR Options are allocated, it is **avoiding any arbitrage by market participants between the bidding zone borders triggered by the different firmness deadlines** as suggested by NRAs and setting it as closely as operationally possible to the EFET's request for FTR Options (namely D-1, 8 a.m.).

## **3. Given the objective of harmonization of the allocation of cross-zonal capacity at European level and the change due to the implementation of the flow based market coupling, CWE TSOs do not consider their adapted CWE proposal as a step back. Open questions regarding FTR Option introduction in CWE region**

### **1. Responses**

Four market parties (traders and generators having productions in several CWE countries) reacted to the open questions (IBERDROLA, EDF SA, EFET, EURELECTRIC). All of them were not in favor of implementing FTR Options in CWE region for 2016.

Market Party	Feedback
EURELECTRIC, EDF, EFET	1. Before introduction of FTR Options an analysis of their potential impact and risks on market players and consequently on the market liquidity and access should be performed (cost-benefit analysis) and wide consultation of market players. <b>FTR Options should only be introduced if this analysis is positive NOT from 2016.</b>
EURELECTRIC, EDF, IBERDROLA	2. Before introduction of FTR Options <b>clarification of financial regulation is needed (MIFID II is not stable yet)</b>
EURELECTRIC, EDF	3. Recommendation <b>to be ready</b> but only implement if price formation issues are really encounter. The risk of an increase of nominations of long-term transmission rights due to higher uncertainties on DA market outcomes is believed to be overestimated. Market participant's behaviour should be <b>monitored</b> in first period of FB MC final implementation.
EDF, IBERDROLA, EFET	4. Introduction of FTR Options not justified by actual needs of market players. Preference for PTR with UIOSI since it allows to manage the risk associated with physical delivery of power. FTRs cannot help avoiding market risks if extreme prices are reached and so a pro-rata approach for market bids is implemented. Final customers could see their deliveries not satisfied due to this curtailment, whereas a nomination of PTRs ensures the delivery. <b>Flexibility</b> granted to market players is <b>more important</b> than gains in <b>efficiency</b> of capacity allocation.
EURELECTRIC, EDF	5. Additional condition for implementation of FTR Options : <b>all the concerned borders</b> are ready

## 2. Request from CWE NRAs

*"Given the FTR Option implementation is requested as one of the methodological improvements by the CWE NRAs in the framework of the approval of the FB implementation, the introduction of FTR Options in the CWE region is maintained according to the specifications mentioned in the Common Position Paper of CWE NRAs on Flow-Based Market Coupling, more specific article 9.4 "Implementation of FTRs :*

*The agreement between Project Parties on the inclusion of long term allocation capacities in the day-ahead FB domain is considered as a non-optimal, intermediate solution for allowing the go-live.*

*The implementation of FTRs, already asked years ago by CWE NRAs, is considered as the enduring solution, at least on the Belgium-France and Belgium-Netherlands borders, for mitigating the impact of difference in shape of the FB domain with the ATC based long-term rights domain. CWE NRAs request TSOs to prepare FTRs design so that they can be implemented for the 2016 delivery period on Belgium-France and Belgium-Netherlands borders. For this CWE NRAs expect that the proposal is submitted on time for an approval by the first auctions on the Dutch borders."* (Position Paper of CWE NRAs on Flow-Based Market Coupling, March 2015)

## 3. Assessment

On the one hand there is some feedback for a limited number of market parties stating that the introduction of FTR Options for 2016 is too early, on the other hand CWE NRAs decision regarding

Flow-Based Market Coupling asking TSOs to prepare a FTRs design that can be implemented in 2016 at least on the Belgium borders.

Given the CWE NRAs Common Position Paper on Flow-Based Market Coupling, CWE TSOs continue to do their best to have everything prepared for an introduction of FTRs on the Belgian Borders in 2016 including changes of national grid codes, market party consultation and planning of required system changes.

#### **4. Comments on Dutch border annex (8)**

No comments received.

#### **5. Open questions regarding the Dutch annex (8)**

##### **1. Responses**

One market party (IBERDROLA) provided two comments on annex 8. The market party stated that auction specifications should be published as much as possible in advance. This comment was somehow misplaced as the annex 8 is not providing rules for the timing of auction specifications. Furthermore the party requested that all auction dates of all borders should be set in the HAR.

##### **2. Assessment**

Given the introduction of the new EU HAR rules with an objective to harmonize the Allocation Rules and the absence of a request of market parties to maintain these Dutch border specificities, the necessary steps (i.e. change of the Dutch grid code) to eliminate the need for this border specific annex are initiated.