**4th Meeting of ENTSO-E Stakeholder Group for CA&CM Network Code**

**Meeting Minutes**

**2nd February 2012, Brussels**

**Participants:**

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| **Name** | **Organization** | **Name** | **Organization** |
| Antonio Lopez-Nicolas | ENTSO-E Secretariat | Sven Kaiser | CEER |
| Mark Copley | ENTSO-E Secretariat | Chris Wood | CEFIC |
| Carolina Tengqvist | ENTSO-E Secretariat | Matti Supponen | EC |
| Samuel Scolari | RTE/ ENTSO-E | Paul Giesbertz | EFET |
| Oliver John | Amprion/ENTSO-E | Arben Kllokoqi | EFET |
| Ritva Hirvonen | Fingrid/ENTSO-E | David Assaad | Europex |
| Christian Dobelke | TenneT/ENTSO-E | Yves Langer | Europex |
| Alexander Mondovic | ENTSO-E Secretariat | Rickard Nilsson | Europex |
| Marco Foresti | ENTSO-E Secretariat | Ruud Otter | Eurelectric |
| Frank Vandenberghe | Elia/ENTSO-E | Almudena Huerta | Eurelectric |
| Hans Vandenbroucke | Elia/ENTSO-E | Paul Wilczek | EWEA |
| Martin Povh | ACER | Paul Kreutzkamp | EWEA |
| Alain Marien | CEER |  |  |

1. **Welcome and minutes of the last workshop**

Antonio welcomes the participants on behalf of Christian Dobelke. He asks them to perform a tour de table.

The minutes of the last meeting of ENTSOE Stakeholder group for CACM Network Code on 8 December 2011 are approved with already received comments from Europex.

1. **Presentation of the ID part of the CA&CM Network Code**

ENTSOE presents the structure of the ID part of the code:

* Architecture, roles and responsibilities (art 66-68)
* Objectives, functionality and outputs from the intraday market (art 69-74)
* The intraday market process (art 75-812)
* Transitional agreements (art 98-103)
* Clearing settlement and scheduling (not included yet; will be a common section with day-ahead

The intraday electricity market shall involve the following functions: System Operator, Market Operator, Market Coupling Operator, Capacity Coordinator, Commercial Exchange Calculator, Central Counter Party and Shipping Agent.

The entities will be: Power Exchanges, TSOs, and Market Participants. The allocation of functions between PXs and TSOs remains partially open and might be impacted by the Governance Guideline.

1. **Stakeholders’ main comments on the ID part**

Eurelectric says that the main issues are:

* Unclear definitions and interaction of functions
* Where is the interim solution mentioned in the FG?

More clarification is needed on the matching algorithm, pricing of intraday capacity. Need to know how the capacity is updated and put at disposal to market parties.

Eurelectric asks for a more detailed description on transitional arrangements. Today much focus is on the enduring model. Available capacity to be explicitly allocated should be at disposal for market parties in the same platform (website) as the available capacity to be allocated implicitly; removal should not be fixed by date. In general the text is ok but details to be improved.

EFET: access of OTC to intraday capacity is not sufficiently dealt with. More details (like auction rules) are necessary. Fixing the date for removal of OTC access should be done after consultation. Better and clearer separation of roles and functions is needed. The wording “commercial exchange” could be misleading. Pricing of intraday capacity: TSOs propose, regulators approve, but the question is under which conditions it would apply and how to implement it?

EWEA welcomes ENTSO-E approach on implicit auctions for cross-border exchanges and the shared order book. More prescription could be envisaged on gate closure time: 1 hour as a minimum before real-time could be a benchmark for harmonization. EWEA strongly recommends reducing this time in view of increased RES deployment. Clarification needed on continuous trading solutions: best solution for RES allocation. EWEA shows a slide with the level of accuracy of wind power predictions which improve significantly during the last hour before real time.

IFIEC is not present in the meeting.

CEFIC sees that intraday is a key for balancing system. It is concerned about the possibility that intraday “steals” capacity from day-ahead market. Preference for PX trading over OTC as it ensures better market process and transparency. Matching block bids with hourly bids should be possible.

Europex: the code should not focus on the method of pricing capacity (too early) or products specifications. The target model is asking for shared order book, capacity management module etc. The link is not clear at the moment. The function of market operator should be merged with market coupling operator and capacity exchange calculator (otherwise continuous trading may not be feasible). Agrees that tasks and roles should be as precisely defined as possible but it means that all of these should be requirements on the SOB operators The impact on nomination, harmonization, and firmness in capacity calculation code should be checked.

Matti asks whether the code deviates from the target model and if so, where. As to governance model, the question is whether intra-day and day-ahead should be governed in a similar manner. Functionalities could be tested (somewhere) before the code is implemented.

ENTSOE answers that the Drafting Team didn’t deviate from the target model. The only possible deviation is the date of removing explicit capacity access in 2016, instead of 2014 as target date for the full scale target model implementation. Functional link is to be done with SOB and CMM. As to governance, the common sense says that day-ahead and intraday must converge and have similar rules.

Europex have a draft definition of Market Operator which includes Market Coupling Operator. At the moment ENTSOE wants to keep both functions separate.

Europex says that we are speaking about the continuous trading mechanisms in the same trading system. That means that it doesn’t matter where the bids are collected (locally or elsewhere). This requires a difference between day-ahead and intraday mechanism.

EFET says that clear allocation of functions and separations of roles is important for EFET. Commercial exchange calculator is close to TSOs (calculation of flows): therefore, the wording “commercial” is misleading (ENTSO-E acknowledges that an option would be to change the wording “commercial exchange” into “scheduling”). If the role in intraday is similar, the corresponding wording needs to be improved too.

1. **Common discussion ID part**

ENTSOE explains the different functions listed in the code. Frank Vandenberghe presents a slide with all the main functions necessary in both the day-ahead and intraday target model (including the option of shipping agent on some borders), describing their interactions .

The participants appreciate the clarity of the slide and consider it important as it portraits all the essential functions of the process. Additionally, they make suggestions as to how to improve the chart (e.g. adding arrows to better show interdependencies). They stress that CMM must be updated instantly by every trade in Europe. EFET considers important to keep competition between PXs as MOs and CCPs within one bidding zone.

For better understanding of the chart, ENTSOE emphasizes that it only shows functions and not the entities to which the functions are assigned. The more you go into the details of the TM the more functions are disaggregated and tasks have to be clearly described. Based on existing models we see a need of openness on some of the functions, although it doesn’t mean that it cannot be performed by one entity. It’s in the interest of efficiency to be discussed and agreed. Europex could come up with coherent and well-functioning solutions for this.

1. **Short presentation of updates in the CC part of the CA&CM Network Code**

ENTSOE presents slides. The capacity calculation DT thanks for feedback received (it is not yet integrated in the code). Clarification is needed for:

Remedial actions: The same range of remedial actions should be considered when calculating cross-border capacities as is used when calculating access rights within Member States. “Internal grid actions” and “commercial actions”: EFET explains that even a topology change can be costly, whereas some others involving market parties may be relatively cheap. Better differentiation is needed.

Dynamic stability limits are not ramping constraints. They can limit the capacity during CC, and define maximum import/export for a bidding zone. EFET asks what that these limits are translated - into flows limits? I.e. how this affects the final security domain? ENTSOE explains that this is an input for the calculation if physics of power system require such limits. EFET expresses the concern that dynamic limits might become a black box for stakeholders. ENTSOE says that these limits will be treated like other constraints defined in the code.

Fallback if FB doesn’t work: ENTSOE explains that ATC is indeed the natural fallback solution.

Guarantee that FB will offer more capacity and SoS: ENTSOE says that this requirement is nothing new and has been already discussed during AHAG work.

1. **Stakeholders’ main comments on bidding zones, common discussion**

Eurelectric asks how the interaction with trading time frames is ensured. Moreover, the process of assessing bidding zones is complicated. Definitions (inconsistencies) and reasoning are unclear.

EFET emphasizes that the code is not balanced regarding zones. For example, it implies that as soon as congestions are structural there is a need to split zones. Not only a list of structural congestion is useful but a list of borders which are not congested should be included into the code too. The FG requires, however, overall market efficiency (and not congestion efficiency). “New delimitation” should be used instead of “new bidding zones” , i.e. make clear new zones doesn’t automatically mean smaller zones. Firmness cost is mentioned in the code. Probably, the costs for TSOs are meant. But, the costs for society are not mentioned. Technical and market report for regulators: this could open the door for not transparent discussion on zone delimitations. There is no point in the report related to market efficiency.

The role of regulators in the code is being discussed. ACER says that the biannual report of delimitations is a task given to regulators under the FG, but this evaluation will be done on the basis of input from TSOs and power exchanges (regulators have no man power for doing more), i.e. the regulators will take positions on the basis of the input.

Matti asks whether we need NTC in capacity calculation at all (once the FB method is well developed). The FB is not described in detail in the draft code. The longer term capacity calculation: forward code is pending, but it will only cover the physical and financial transmission rights. Therefore, other issues related to forward should be reflected in the present code. Zone delimitation: when reading the draft code one gets the feeling that with the proposed process zone delimitations will be difficult to change. As national regulators have the veto right, this situation will always inevitably lead to ACER decision.

ENTSOE says that not all parts of Europe are ready to move to FB and that both methods shall be described in the code according to FG. ENTSOE reminds that the matter of long term was discussed in DTs. It was, however, decided to limit present draft code to DA and ID. ENTSOE stresses that the draft code is long term compliant. The long term code will be developed upon receipt of the accordant invitation letter from the EC. The current letter only calls for the development of short term rights (DA and ID). The participants say that the FG requires a harmonized approach for different time frames. ENTSOE recalls that the data and firmness issues are the most challenging when dealing with long term.

Europex: there is a two layers pricing approach in some countries (like in Italy). This should be clarified in the definitions. A differentiation between market efficiency and social welfare is necessary at bidding zones. As to consultation process, market operators should be involved too. Europex doubts the usefulness of historical data for zone delimitation. As example, if there is no capacity at all, there are no costs (because there is no congestion revenue – which is misleading), but the loss for the society is large. Moreover, some costs may be hidden.

1. **Information/discussion on other issues in the CACM NC**

ENTSOE says that Stakeholders haven’t seen the common section about firmness yet as it is still under development. ENTSOE gives explanations related to full physical firmness. In this context, the definition of force majeure will be harmonized in the code. As per “emergency situations”, there are different national regulations in different countries. Could ACER have a role in harmonization? This is a complex issue for which discussions in the DT are still underway.

“Use it or sell it” forward rights are not mentioned in the draft code: ENTSOE explains that this relates to the interface between the Day Ahead and Long Term timeframe. The topic will have to be covered in the Long Term code.

Transparency of information: “no later than 2 years after entry into force TSOs report…” TSOs should rather report already before. ENTSOE explains that the corresponding article is about monitoring the functioning of capacity calculation process.

1. **Next steps and next meeting**

ENTSOE shows slides with the timeline. The code will go to Market Committee (MC) for approval on the 24th February. That is why all comments (key issues) must be submitted before that. Approval by MC is on the 2nd March. Approval by ENTSO-E Assembly is on the 20th March.

ENTSO-E is planning two workshops: one during the consultation (tentative date: early May) and one after responses received.

EFET and Europex express the opinion of most stakeholders need a possibility to comment and discuss regardless of the public consultation (which is a general occasion to comment for everybody) with sufficient time.

Based on the discussion, it is agreed that comments (focusing only the most relevant issues) on should be submitted:

* by the 7th February noon on bidding zones
* by 10th February on the intraday section

ENTSO-E explains that he draft code which will go into consultation will be accompanied by a supportive document (giving additional explanations) and frequently asked questions.

1. **Any other business**

There are no items under this topic.