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Europex preliminary view on the CACM Network Codes

CACM Network Codes – Stakeholder Workshop

07/05/2012 – Brussels

Expected scope of the Network Codes

- The scope of the Network Codes should be in line with the specific areas related to **transmission system operation and grid access**, as referred to in Art.8 (6) of the Reg. (EC) No 714/2009:
  - network security and reliability rules, network connection rules, 3rd party access, data exchange and settlement rules, interoperability, operational procedures in case of emergency, capacity allocation and congestion management, balancing and reserve power rules, transparency rules, transmission tariffs structures, energy efficiency regarding electricity networks

- Staying in line with this specific technical areas **will avoid overlaps** of rules and competences, and **will enable to go more in depth into the essential topics of network management** – instead of governance
  - **CACM Network Codes are about enhancing the cross-border management, not ruling the entire electricity market !**
  - Focus should be on addressing some technical topics at a European level, in order to reach more harmonized standards (firmness rules, compatibility of cross-border nomination rules, etc..), and avoid getting into unnecessary details that conflict with existing markets features

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Potential impacts of Network Codes on the market integration process

- **Pitfalls to be avoided by the Network Codes:**

1. **Not enough focus on the minimum harmonization requirements in the capacity allocation rules** (nomination, scheduling…) underlying the market rules

2. Too much details of market rules in the Network Codes **bringing the risk of inflexibility**

3. **Inclusion of Governance issues**, to be addressed in the Governance Guideline and not in the Network Codes

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Capacity Calculation – Size of the bidding zones

- Security of supply and secured operation as main drivers of the bidding zones configurations: **what is the role of market efficiency and liquidity** (a distinct concept from "Social Welfare") ?

- Potential reassessment of the bidding zones configuration every two years: **potential risk for frequent variation of bidding zones configuration ?** How does it fit with the criteria of having "*Bidding Zones sufficiently stable and robust over time*" ?

- Market operators will be impacted in the operation of the market with the reassessment of the bidding zones configuration : **they should be involved in the consultation process**

- *"Fast track"* process of bidding zones reassessment, by-passing the regional process, **and giving discretion to TSOs for deciding on the new bidding zones is hardly justifiable**

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Algorithm development – Intraday and Day-Ahead

- Art. 44-46 and 61-63 seem to imply that the whole process of development, evaluation and acceptance of the coupling algorithm **will be re-started from the beginning**, where it is close to finalization today
  - **No acknoweldgement of work already done and current projects (e.g. PCR)**

- **Each modification of the algorithm leads to a complex and long evaluation process by the TSOs:** this should be limited to changes **affecting materialy the efficiency of capacity allocation**

- Inputs / Outputs of the algorithm: Example of incoherency identified
  - **Art. 48:** The day-ahead algorithm should support ***"products covering parts of an hour"*** : Price-coupling auctions with non-hourly products is a major change of the market design, which is not anticipated
  - In addition, it is **not possible today on many borders to nominate cross-border non-hourly products** : work needs to be done **first at TSOs level**, by harmonizing the cross-border nomination rules and systems !

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Intraday market

- **Art. 72:** Pricing of intraday capacity
  - The concept is absolutely unclear, and not mature
  - **Should it be included at all in this version of the Network Codes?**

- **Art. 67:** Operation of Intraday Markets
  - Timing for each border should be left to involved Regulators to decide not imposed by the Network Codes

Firmness of Cross-Zonal Capacity

- A crucial topic, rightly tackled in the Network Codes

- However, disctinctions between case of « Force Majeure » and « Emergency situation » is not clear
  - **A harmonised definition of « Force Majeure »** over Europe is needed, as recommended by CEER

- **Firmness deadline only 1 hour before the Gate Closure Time is too short** for market participants to integrate the capacity information, especially if it is in the form of FB parameters

Governance: Orientation taken by the Network Codes

- ***CACM Network Codes - Article 39-58, Functions in the Day-Ahead / Intraday electricity market :***

  "The Day Ahead / Intraday electricity market shall involve the following functions:

  a. System Operator;
  b. Market Operator(s);
  c. (the) Market Coupling Operator;
  d. Coordinated Capacity Calculator;
  e. Market Information Aggregator; and
  f. Scheduled Exchange Calculator"

  - How these two functions can be considered separately ?
  - The Network Codes are obviously biaised towards a « Single Market Coupling Operator » entity, risking being in contradiction with the upcoming Governance Guidelines, and reality

- **Art. 87-92 are dealing with cost-recovery of market operation, clearing and settlement, and market coupling !**
  - **This is absolutely out of the scope of the mandate provided by the CACM Framework Guidelines**
  - **This concerns local regulatory and commercial issues, which cannot be dealt unilaterally by ENTSOE**
  - **Cost recovery of market coupling is dealt with in the Governance Guidelines**

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