

1st Stakeholder Advisory Group Meeting

Forward Capacity Allocation Network Code

Draft Structure

1 October 2012, Brussels



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Relationship with other Network Codes

- CACM Framework Guideline sets out key principles for the Forwards Network Code (i.e. there is no separate FG for Forwards)
- Forwards should be considered as an integral part of capacity allocation along with Day-ahead and Intraday
- It should be possible in the future to merge the Forwards NC with the CACM NC providing Market Participants with a single NC for capacity allocation and congestion management
- Some sections of the Forward NC may simply refer to the CACM NC if content is the same

Approach to drafting: General Provisions



Purpose and Objectives + Whereas section

- Will precede General Provisions section in line with CACM NC

Definitions

- Recycle definitions used in CACM where feasible (i.e. no change)

Regulatory Approvals/Publication/Consultation etc

- Same approach as that taken with CACM
- Intention is to provide a section up front for each



Capacity Calculation/Bidding Zones

- Refer to the CACM NC if content is the same
- Include determination of capacity volumes and split over timeframes

Forward Capacity Allocation

- Outline options available for cross-zonal LT TR risk hedging
- Nomination procedures for PTRs



Auction Platform & Secondary Trading

- Single Auction Platform for primary and secondary trade?
- Establishment, Tasks & Requirements of single platform(s)
- Regional platforms

Allocation Rules

- Establishment, Principles & Requirements
- Regional allocation rules

Approach to drafting: Requirements



Firmness

- CACM deals with Day Ahead Firmness Deadline
- Long Term Firmness Deadline?
- Inclusion of Force Majeure & Emergency Situations

Transitional Arrangements

- Regional platforms

Approach to drafting: Conclusions

ACER Public Consultation

- Should help inform on issues relating to products, single platform and harmonisation of allocation rules etc

CACM

- Where relevant, the Forward Network Code will refer to CACM
- Possibility to merge Forward and CACM Network Codes in future

Stakeholders

- Stakeholder interaction & engagement is key
- Transparent process with early input from stakeholders

1st Stakeholder Workshop

Forward Capacity Allocation Network Code Initial Thoughts

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1. *Relation with CACM Code*

- FWD NC to be considered as an integrated part of the CACM NC: necessary adjustments to the latter should be possible to accommodate FWDs issues.
- Cost Recovery and Congestion Income Distribution principles must be aligned with CACM NC.

2. *Product Definition and Choice*

- Both PTRs & FTRs can be accommodated. FWD NC should leave decision on FTRs vs. PTRs as a regional market decision, based on general criteria.
- NRAs to approve which borders offer appropriate cross-border financial hedging and do not need to implement PTRs/FTRs.
- FWD NC to determine pre-requisites for introduction of FTR options.
- A target model for forwards is not clearly defined. A stepwise approach to harmonisation is preferable.



3. *Long Term capacity calculation and interactions with other timeframes*

- Both NTC and Flow Based, coordinated on a regional basis, should be possible.
- While the CACM NC is LT compliant there may be a need to define further details depending on the different timeframes.
- Capacities shall be calculated in a coordinated way for each long term timeframe

4. *Volume of Transmission Rights and split between timeframes*

- Volume of PTRs/FTRs is determined by TSOs and must be based on capacity calculation and split rules coordinated at a regional level.
- NRAs to approve a coordinated methodology at regional level (criteria and process) to define volumes and splitting capacity between different timeframes.



5. *Auctioning platforms and secondary trading*

- FWD NC should define the preconditions of the Single Auction Platform and the tasks associated with it.
- Issuing and auctioning entities should be TSOs or TSO designated entities.
- If possible a single auction platform should be established for both primary and secondary trading. TSOs should establish this platform.

6. *Harmonisation of Allocation Rules and PTRs Nomination Procedures*

- FWD NC shall set out an efficient process for preparation/amendment (by TSOs) and approval (by NRAs) of a single set of allocation rules.
- FWD NC should define timings that need to be harmonised (e.g. gate closure) and timings that only need to be compatible.



7. *Firmness*

- Provision of regional harmonisation of firmness regimes with appropriate and equitable risk-sharing.
- FWD NC shall be without prejudice to the rights of MS to maintain or introduce measures that contain more detailed or stringent provisions.
- For curtailments announced in due time to market participants or during periods of very high prices, TSOs (and ultimately end-users) shall be protected against unlimited compensation payments. For curtailments before the DA firmness deadline the pay-out should not exceed the income for a certain period.
- For these cases the derogation option given in the FWL CACM shall be used.



8. *Financial Regulation Implications*

- An essential condition for TSOs to issue and auction PTRs and FTRs, is to be exempted under MiFID (and related financial regulation obligations).
- Ensure that also person(s) acting as a service provider to TSOs are exempted from MiFID II when issuing TRs and providing trading platforms.
- FTRs should be outside the financial instruments definition.

9. *General Issues*

- Approach to code drafting (as already agreed for CACM NC).

Thank you for your attention!