
ENTSO-E FCA Network Code

Date: 28 August 2013

Time: 10h30 – 16h00

Place: ENTSO-E premises, Brussels

Stakeholder Advisory Group meeting Minutes

Participants:

Chairman	Antonio Lopez-Nicolas	ENTSO-E
DT Convenor	Mark Lane	ENTSO-E
Member	Ritva Hirvonen	ENTSO-E
Member	Márk Csete	ENTSO-E
Member	Kirk-Wilson William	ENTSO-E
Member	Víctor Saenz de Meira	ENTSO-E
Member	Johan Roupe	CEER/EI
Member	Marie Montigny	ACER
Member	Martin Povh	ACER
Member	Sven Kaiser	ACER
Member	Alain Marien	CEER/CREG
Observer	Matti Supponen	EC
Member	Mukund Bhagwat	IFIEC
Member	Marcel Cailliau	EURELECTRIC
Member	Håkan Feuk	EURELECTRIC
Member	Jérôme Le Page	EFET
Member	Rickard Nilsson	EuroPEX
Member	Yves Langer	EuroPEX
Member	Jan Willem Meulenbroeks	Britned

1. Welcome and Introduction

Antonio Lopez-Nicolas welcomes everyone and informs the Stakeholder Advisory Group members about the purpose of this meeting which is to get feedback from each member before the FCA NC is submitted to the ENTSO-E's internal approval process. He mentions that the ENTSO-E Market Committee takes place on 6 September where Stakeholders' comments received during this meeting could be discussed. Concrete written comments are welcome by Friday 30 August, however, there is no drafting team (DT) meeting foreseen before the Market Committee meeting where the DT could assess these comments. Afterwards he asks Mark Lane to present the main changes of the FCA NC made since the last SAG meeting.

2. ENTSO-E summary on latest FCA NC changes

Mark Lane presents slides (see slides) summarising the main changes that ENTSO-E has made since the 4th SAG meeting. After going through the presentation the floor is open for questions. IFIEC asks EC what are the next steps of the FCA once it is submitted to ACER. Matti Supponen explains there is no decision yet on whether FCA will be a fully independent code or will be merged with CACM during the Comitology process. EURELECTRIC and ENTSO-E explain that the use of congestion income is defined in the third package responding to IFIEC's questions on this issue. Johan Roupe asks the EC what is the timeline of the possible merger of the two codes. Matti Supponen mentions the approval stage.

Antonio Lopez-Nicolas asks each Stakeholder to provide their feedback on the main changes which were presented.

IFIEC: They fully support the code and request that if changes to the code are proposed, an explanation on the need for these changes and how they impact end consumers' needs is provided.

EURELECTRIC: Revenue Adequacy is not necessary in the code. If the principle of Revenue Adequacy does remain in the code, it needs to be further clarified. The code still includes the term "best endeavours", which should be removed or replaced by "shall". Firmness is still very unclear/complex and many open questions remain. In Article 34 – Risk Hedging Opportunities – paragraph 1 and 3 are not in line with each other i.e. in paragraph 1 TSOs are not required to issue long term transmission rights while in paragraph 3 TSOs shall not issue long term transmission rights. ENTSO-E confirms that they will make it consistent. Methodology to decide on risk hedging opportunities shall also be included in the NC. It is not clear why the long term firmness deadline (LTFD) is different for PTRs and FTRs. In addition, synthetic FTR as a type of product should be included in the code.

EUROPEX: They agree with EURELECTRIC on Firmness, Revenue Adequacy, Synthetic FTRs and LTFD issues. The risk hedging opportunities article is fine with them. They support the current text on Secondary Trading, although would welcome a bit more detail on the communication channels between the Single Allocation Platform and other Secondary Trading platforms. They believe the Transparency of Information article is confusing and Power Exchanges should be included to the list of members of the Stakeholder Committee for Forward Capacity Allocation.

EFET: They agree with most of EURELECTRIC' comments, especially on firmness. They are satisfied with the improvements in the definitions section (harmonisation with CACM), however, they question why ENTSO-E moved some NRA approvals from all NRA to each NRA. The risk hedging opportunities article is confusing for them; they would like some minimum objective requirements for the studies analysing the existence of hedging instruments; they want to see a completely new assessment based on these common requirements for the first decision to be made by NRAs on the bidding zone borders where long term transmission rights do not exist. Paragraph 4 should explicitly include the rationale why long term transmission rights should not be issued. EFET supports the current efforts to improve the wording of secondary trading sections, although some improvements remain to be done; however, Force Majeure should be taken from CACM and Emergency Situation from the Operational codes. ENTSO-E confirms that this is one of several areas where the FCA code will need to be updated at a later date to align with CACM. Unfortunately EFET could not fully participate in the second part of the meeting due to some technical problems with the room microphones.

BRITNED: They would like to see more clarity on the Revenue Adequacy principle. Firmness is an issue for Interconnectors as they are not financed through the tariffs and are concerned about the possible implications.

ACER: They are pleased with the constructive cooperation that ACER and ENTSO-E had over the summer. They consider Revenue Adequacy is not necessary as the long term congestion income covers the payouts that TSOs have to pay to the owner of the long term transmission rights. ACER believes that the full harmonisation of nomination rules is foreseen by the FWGL and the current version of the code shall give a deadline to harmonise nomination rules (e.g. three years after the entry into force of the NC, which in the meantime enables TSOs to implement FTR). The proposed firmness regime is not in line with the FWGL. The risk hedging opportunities article should not deal with the first assessment rather it should focus on the reassessments which should be done periodically at least every 5 years using a maximum 6-12 month old assessment. ACER

suggests that ENTSO-E could prepare a regular report on the efficiency of the long term transmission rights which would feed in to the assessment.

EC: EC requests a more innovative approach e.g. potential inclusion of synthetic FTRs and if article 34 actually could incentivise Nordic NRAs in their decision making.

3. Discussion on key topics/articles:

Cross Zonal Risk Hedging Opportunities: ACER explains that they do not think a 3 year periodical reassessment is necessary, rather a reassessment every 5 years would be appropriate as the market does not change so quickly. They insist that the assessment to be made for the first decision after 2 months entry into force of FCA NC should not be mentioned. Another solution is to use a very old (dated autumn 2011 / spring 2012) assessment for this decision, otherwise NRAs have to already start working on the assessment. EFET thinks a 3 year periodical reassessment is necessary and for the first decision a brand new assessment is needed. EFET mentions there is no hedging instruments in the NO2 area and therefore between NO2 and NL or between NO2 and DK1; EFET does not understand why a delay would be needed on borders where no (or insufficient) cross border hedging exists. Others do not have strong views. ENTSO-E confirms there are different views by the SAG members and it will be discussed by the Market Committee.

Secondary Trading Platform: Everybody supports the current approach and text of the FCA NC related to the Secondary Trading Platform. This is basically having one platform called the Single Allocation Platform operating a bulletin board for secondary trading. This function facilitates the secondary trading, however, does not preclude third parties to organise separate secondary market activities.

Firmness: ENTSO-E goes through the firmness related slides from the morning session explaining again the main elements of the proposal. EFET, EURELECTRIC and ACER do not see the rationale to include a price cap. ENTSO-E explains the formula of the price cap. IFIEC supports the price cap as it avoids paying out all congestion income on one occasion because of market spread spikes that are not caused by end consumers. Some Stakeholders see the necessity of a price cap but do not necessarily agree with the current formulation. ENTSO-E also explains the cap based on congestion income which is before the long term firmness deadline as the monthly income from the long term transmission rights allocation in the respective direction while after the long term firmness deadline it is the total congestion income in the respective direction. SAG members do not think this is an appropriate cap. In addition, they recall the FWGL which does not foresee caps after the nomination deadline. ACER shows its proposal (see slides) for the cap based on the congestion income definition to be applied before the long term firmness deadline which is an annual cap with a monthly settlement and annual reconciliation to cover any adjustment (if necessary). Eurelectric and EFET support ACER's proposal for caps' design before nomination deadline. In addition, stakeholders do not see the rationale for having a different Long Term Firmness Deadline for PTRs and FTRs and encourage ENTSO-E to better explain this issue.

CACM alignment: ENTSO-E explains the current situation with the CACM code, which is in pre-comitology status thus not stable yet. The question is what to do with the common CACM and FCA articles. There is no ideal solution, however a number of possibilities include: using the official version which was submitted by ENTSO-E to ACER in September 2012; using the most up-to-date non-stable version which might create confusion and contain text that is still subject to change or use cross-references everywhere. This question is predominantly concerned with articles 1-9. Stakeholders generally support the option to update the FCA based on the non-stable CACM. ENTSO-E states that this question will go to the Market Committee next week but most likely cross-references will be used.

Single Allocation Platform: ACER outlines its concerns about the long lead-time (3 1/3 years) to set up the platform since this deviates from the cross-regional road maps. EURELECTRIC stresses the importance of having a well-functioning platform rather than a quick-fix solution. IFIEC also stress the need to allow enough time for implementation. ENTSO-E explains these lead-times are maximum times that do not prevent a quicker implementation through the non-binding cross-regional process and highlights the need to follow due process in the code setting up the single allocation platform. ENTSO-E also recalls the compatibility of the proposal with ACER's Framework Guideline which allows regional platforms to coexist transitorily. Moreover, ACER insists that the prolongation for regional platforms can be done only once. ENTSO-E explains the NC FCA has been updated and the prolongation of the regional platforms can be done only once in line with ACER's proposal. Parties also debate about the added value of a single allocation platform and generally stress that the biggest benefit would come from the harmonization of the allocation rules.

4. Conclusion and next steps

Antonio Lopez-Nicolas thanks everybody for coming and highlights again that each member can send their written concrete comments/proposals focusing on key issues by Friday 30 August. He also thanks the SAG members for the extensive cooperation over the past year where ENTSO-E received a significant number of valuable proposals and feedback. The code goes now for Market Committee and Assembly approval, and will be submitted to ACER for its Opinion before 1 October 2013 before proceeding to the adoption phase via the EU comitology procedure.