



ETSO comments on ERGEG Public Consultation Regulation (EC) 1228/2003 Compliance Monitoring, Second Report, 2008

12 November 2008

I. Introduction

ETSO welcomes the opportunity to comment on ERGEG's Second Report on Regulation (EC) 1228/2003 Compliance Monitoring. ERGEG considers TSOs as 'the key players and market facilitators' and to this end ETSO is working on a number of initiatives that will facilitate compliance with the Regulation and CM Guidelines and the overall achievement of the IEM.

ERGEG acknowledges that although the Regulation and CM Guidelines have not yet fully been implemented, considerable progress has been made since the First Compliance Report was issued. Indeed, the Second Report only outlines the state of play as at Spring 2008 and therefore does not include the significant progress that has been made in the interim period to the present time with regard to market coupling at the day-ahead stage and the harmonisation of long-term allocations. The setting up of companies to manage cross-border transmission capacity marks an important step towards integrating Europe's electricity markets:

- (CASC-CWE) Capacity Allocation Service Company for the Central West-European Electricity market;
- (EMCC) European Market Coupling Company between Germany and Denmark; and soon between Germany and Sweden.
- (CAO) Central Allocation Office for the CEE region.

II. Commitment of TSOs

In addition to progress being made on regional initiatives, a lot is also being done at the European level. The Declaration of Intent signed by the TSOs on 27th June 2008 expresses the intent of the TSOs to establish ENTSO-E. The establishment of ENTSO-E will strengthen both pan-European and regional TSO cooperation and representation with the aim of enhancing the integration of the European electricity market and the security and reliability of the European transmission system. The incorporation of ENTSO-E represents a major step towards increased harmonisation of our current rules and practices.

ETSO and EuroPEX are working closely together to define and agree on a Coordinated Model(s) for Regional and Inter-Regional Congestion Management and intend to present their findings at the Florence Forum in November 2008. The findings reflect the views of stakeholders who have been consulted on the basis of an interim report. The scope of work

includes coordination of capacity calculation methods and cross-border capacity allocation including: forward and secondary markets, day-ahead and intraday mechanisms.

ETSO remains fully committed to continuously developing and improving ETSOVista and establishing the platform as a reference for transparency across Europe's wholesale electricity markets. Since 1st September 2008 a new set of data is being published on ETSOVista.

III. Comments on issues raised in the consultation

ETSO considers that criteria which are beyond the legal framework should be excluded from the Report until the Regulation and CM Guidelines have been amended. With regard to the issues of curtailment, firmness and compensation, ETSO would welcome clear and transparent requirements, agreed upon between all regulators, and outlined in the Regulation and CM Guidelines to ensure a common and well-understood standard. ETSO believes that it should be a major contributor in deriving the definitions and rules surrounding these key concepts and as such would like to engage with ERGEG on this matter.

Explicit auctions are fully compliant with the CM Guidelines, although implicit auctions are generally considered more efficient in the short-term timeframes. However, there are preconditions which need to be fulfilled before implicit auctions can be introduced, such as liquid spot markets.

ERGEG recommends the introduction of legally binding provisions on information management and transparency. Although the CM Guidelines introduced a minimum legal level of data provision, they also introduce ambiguity in terms of who is responsible for the publication of certain data. It is essential that these provisions clearly outline the responsibilities for third party data provision and fully acknowledge that TSOs cannot be held accountable for inaccuracies or omissions in data for which they have no control. Having this in mind, ETSO welcomes the regional transparency report. However, the new definitions in this report have the potential to delay the current implementation of the transparency provision deriving from the CM Guidelines.

IV. Region specific developments

In the FUI region:

- National Grid & RTE are finalising the detailed design for the new IFA Capacity Management System (CMS) with the software supplier. Go-live is currently expected in summer 2009. IFA CMS will deliver intraday market-based allocation (explicit auctions) on go-live. This is being developed in line with the CM Guidelines;
- Furthermore, harmonisation opportunities are being explored with the new Britned Interconnector;
- National Grid and RTE have discussed the potential for multi-lateral market coupling on IFA coinciding with the planned introduction of market coupling on Britned. National Grid and Tennet are investing heavily in a market coupling software solution;
- In terms of Transparency, the GB market is considered to be mature, with emphasis and effort in the region being focussed on other key areas.

In the CWE region:

- Harmonisation of long term capacity auctions (through the creation of CASC) is well advanced (one set of rules, one IT interface, one single point of contact);
- There will be further integration of the day-ahead market with ATC-based market coupling at the end of 2009, followed by flow-based market coupling after a sufficient time of parallel run.
- A proposal for an intraday cross-border target mechanism has been made by the TSOs. The proposed mechanism is in line with the ETSO recommendations. This proposal is going to be further developed by TSOs, PXs and Market Parties;
- A study on inter-regional market coupling with the Nordic region is on-going;
- Improvements on transparency are being achieved.

In the CSE region:

- Congestion management on the Italian interconnection with all the bordering countries (France, Austria, Greece, Switzerland and Slovenia) is solved through the “joint” allocation of the Interconnection Capacity. All available capacity on each interconnection is offered, through explicit auctions (Yearly, Monthly and Daily), on the basis of harmonised, public and non-discriminatory auction rules;
- There have been improvements on allocation rules and work on harmonisation of capacity allocation;
- A working group has been set up for the creation of a single point of contact, which will manage capacity allocation on Italian borders;
- An action plan for the implementation of day-ahead market coupling has been developed;
- A proposal for an intraday cross-border mechanism has been made by the TSOs. This proposal is under review due to some implementation problems related to national market rules;
- Improvements on transparency are being achieved.

In the CEE region:

- There has been a coordinated solution in operation since 2005 among Poland, Czech Republic, Germany (VE-T, E.ON) and Slovak Republic. This solution represents explicit NTC-based capacity allocation under common Auction Rules with one Auction Office operated by ČEPS;
- Based on the request of the CEE regulators a new regional initiative started in 2006. This initiative to introduce coordinated capacity allocation for the whole CEE region is facilitated by a common Auction Office, operating as a separate company. The CAO – Central Allocation Office GmbH was officially set up in July 2008 and is based in Freising - Germany. The CAO shall support coordination of the capacity determination and allocation using a method respecting physical flows. Such a flow-based method was defined and this is now subject to testing. The start of the operation is expected in mid-2009;
- In May 2008, Czech and Slovak ministries initiated a market coupling project between their respective countries. The day-ahead Czech and Slovak electricity markets are expected to be coupled from July 2009 and the transmission capacity will be allocated implicitly.

In the SEE region:

- A flow based co-ordinated method for explicit auctions is under review for the region;
- A dry run for flow-based co-ordinated auctions has been done and the TSOs are acting consecutively as SEE CAO;
- A non-binding MoU for the establishment of the CAO in the region has been elaborated;
- There are ongoing improvements on transparency.

In the SWE region:

- The main challenge is the launch of long-term explicit auctions on the Spanish-Portuguese interconnection in order to be fully compliant with the CM Guidelines. Although the report mentions that they are already in place, the implementation of the auctions is pending since the end of 2007;
- Once implemented, the next step is the harmonisation and integration of the long-term explicit auction systems within the region. TSOs have already presented a proposal on this;
- With regard to day-ahead allocation between France and Spain, the introduction of market coupling between MIBEL and CWE markets is now under review;
- There are ongoing improvements on transparency.

In the Nordic region:

- Market coupling between Denmark and Germany is being implemented. It was introduced on 29th September 2008 but it was necessary to temporarily suspend it due to problems with the optimisation algorithms. The restart is expected in the Q1/ 2009;
- Baltic Cable between Sweden and Germany has announced that they will introduce market coupling using the same solution. This will be implemented after the coupling has been re-established;
- A study on how to couple the Nordic and CWE regions is currently being undertaken;
- An intraday platform, offering capacity on the interconnector between Denmark and Germany was introduced in June 2008. The trade of energy takes place outside the platform;
- It has been suggested that an intraday market (Elbas) be implemented in Norway in January 2009, subject to approval of the Norwegian Regulating Authority.
- Forerunner on transparency.

V. Clarification Questions

Section 3.1

Provision of Information on Interconnection capacities: Has there been any consultation/ explanation by the NRAs where information differs on different sides of the border?

Section 4.6

There are still ongoing European discussions how to cover costs for guaranteeing firmness. An amendment of the CM Guidelines shall clarify this issue.

Section 6.1.11

Why are areas such as curtailment, firmness and compensation included as areas of ‘critical non-compliance’ when the requirements for compliance have yet to be clearly defined?

Section 6.2

ERGEG calls on the EU Commission/ Member States to adopt and implement the ITC and Transmission Tarification Guidelines as soon as possible. However, there is no mention of the important role of TSOs with regard to ITC and Tariffs?

VI. Conclusions

It is important to note that considerable progress has been made to date by TSOs, both at the European and regional level, to comply with the Regulation and CM Guidelines and that this work is ongoing.

ETSO believes that it would be helpful if the Report was more specific in terms of names of projects which should be completed, assignment of responsibilities for achievement of described criteria and assigning assessment of criteria to the regions.

ETSO welcomes the opinion of ERGEG that the Regulation and CM Guidelines shall be amended in order to remove current ambiguities and to provide clarity on what is required. ETSO strongly advocates a single, clear and transparent set of Guidelines, which are applicable and well understood by all.