

## Conclusions of the 6<sup>th</sup> SG meeting

### ERI South-West region

Madrid, 25 October 2012

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The 6th Stakeholder Group meeting of the SW region gathered delegates from the NRAs, TSOs and PXs of the region as well as several market players from France, Portugal and Spain<sup>1</sup>. The Spanish Ministry (MINETUR) apologized for not being able to participate in the meeting.

#### 1. Long term auction platform

REE summarized on behalf of TSOs towards market players which has been the evolution of the interconnections as regards long-term management with focus on the contacts made with CASC to extend the LT auctions to IFE and IPE borders.

Pursuant to the agreement reached in the 10<sup>th</sup> IG meeting, REE and RTE sent a request for comfort to NRAs and the Spanish Ministry on 29 June 2012. CNE and CRE expressed their support to the project in their respective Letters of Comfort on 4<sup>th</sup> October and 17<sup>th</sup> October respectively. The response of the Spanish Ministry is expected in the coming weeks. RTE and REE commented that it is urgent that the Ministry answers as early as possible, as the project is already suffering delays.

REE and REN were invited by the NRAs to request comfort regarding the extension of CASC to IPE. TSOs' letter to NRAs and Ministries, where relevant, must include an updated planning and a description of the project and of the costs associated. The idea is to transfer/implement auctions for both interconnections (IFE and IPE) under CASC as soon as possible. REE and REN remarked that it would be more efficient in terms of work to ask for comfort as regards IPE when all the comfort letters for IFE have been received.

NRAs clarified that their proposal is to implement a coordinated product in the interconnection, in order to comply with the EU regulation, of the type transmission rights based on the underlying cross-border capacity.

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<sup>1</sup> Participants: EFET Iberia, Endesa, Iberdrola, Gas Natural Fenosa, GDF SUEZ, EDF Trading, EDP, Unesa, EPEXSPOT, RTE, REE, REN, OMIE, CNE, ERSE and CRE

ERSE asked REN to start making the necessary contacts with CASC and stated that the regulators would like to allocate transmission rights for IPE in the second semester of 2013.

OMIE claimed that PTRs should not be implemented in IPE as they would distort the efficient physical allocation of the capacity that has been achieved through market splitting. EFET underlined the need to avoid any possible technical problem or incompatibility that may hamper long term cross border trade in both interconnections. EFET called for the derogation of the provisions that prevent the participation of MIBEL's dominant market players in the auction of capacity from France to Spain. UNESA supported this proposal and expressed its disappointment for the delay in the process to join CASC.

## **2. Implementation of day-ahead market coupling between MIBEL and NWE**

Following the decisions of the 10th IG meeting, TSOs and PXs of the SWE region produced a cooperation agreement, which is in signing process, to start the design of the pre- and post-coupling processes and prepare implementation for the coupling of MIBEL and NWE. The activity of some working groups has already started and the main deliverables of the design phase should be carried out throughout Q4 2012. The regulatory changes in MIBEL to change the GCT of the day-ahead market from 10:00 CET to 12:00 CET are foreseen to be ready before the end of this year, for subsequent approval. EFET questioned the need to change the GCT before market coupling is implemented (the expectation now is that market coupling will go live at the same time than NWE, by the end of Q2 2013). UNESA and RTE showed concerns related to the risk of delay in the approvals by the Spanish Ministry. CNE explained that, in the context of the ACER day-ahead cross regional roadmap, there is a commitment to harmonise the GCT as early as possible in order to facilitate, step by step, the subsequent coupling with NWE. Additionally, this change will minimise negative gaming behaviour observed in the French-Spanish interconnection.

A short discussion took place on market coupling fallback procedures, which can be different in each region. In this regard, OMIE put forward that the draft NC CACM may prevent the necessary time to put in place appropriate fallback procedures as foreseen by PXs, in general, not for SWE specifically. EFET warned that, whatever method is chosen, fallback procedures should minimise distortions in the market. Market players showed no initial preference for any specific fallback model and were informed that the PCR algorithm optimises the overall market results in all Europe in a way that, when

used with PTFDs, it can produce non intuitive flows in a given interconnection if flow-based is utilized. RTE stated that flow-based should not have important impact on the France-Spain interconnection, whereas a study to confirm this point should be carried out.

### 3. Intraday model

CNE explained briefly the recent history and substantial delay of the intraday project in NWE which is relevant for the development of the pan-European continuous intraday trading model. PXs gave more details on the tender process for the intraday platform that is being carried out by Europex for the whole Europe. The selection of the successful candidate is expected by the end of the year. EPEXSPOT and OMIE explained the joint proposal sent to NRAs and TSOs last summer to facilitate the combination of continuous intraday cross-border trade (as performed nowadays in the French-German interconnection) and implicit auctions within MIBEL (or Spain). REN called for the extension of the study performed by EPEXSPOT and OMIE to the IPE and for a parallel implementation on both borders. REN recalled that the Framework Guidelines on CACM require *“that all cross-zonal intraday capacity is allocated via the pan-European platform”* and that *“regional auctions may complement the implicit continuous allocation mechanism”*.

EDP, EFET, Endesa and Iberdrola supported continuous intraday cross border trade in order to exchange energy with the rest of Europe. In their opinion, the intraday implicit auctions should not be detrimental to the participation of Iberian market players in the pan-European mechanism.

### 4. Cross-border balancing model among TSOs

CRE presented the implications of the FG balancing adopted by ACER on 18 September. The FG balancing introduces a high level roadmap to pave the way for implementation through 3 steps (2/4/6 years). The long term target is to achieve a TSO-TSO balancing exchange model with a common merit order. The FG balancing foresees an improved coordination between TSOs with regard to the balancing reserves.

The NRAs have submitted their respective Letters of Comfort to the TSOs, however, the letter from the Spanish Ministry to REE is pending. This response is expected in the coming weeks. The NRAs support the project and encourage the TSOs to follow the proposed roadmap, however, the delay of the Letter of Comfort from the Spanish

Ministry may result in delaying the go live date for Phase 1. It was also discussed the possibility to go directly to Phase 2 if Phase 1 is postponed but this has to be further analyzed.

EDP stated that it is difficult to understand why it is taking so long to integrate balancing markets across the Portuguese-Spanish interconnection. Endesa suggested that, as a quick win, the interconnection capacity left after the current intraday market could be used to exchange energy until one hour ahead of real time. REE commented that the current draft NC CACM foresees a continuous intraday cross-border allocation until, at the maximum, one hour before real time<sup>2</sup>. ERSE warned that any change in this area should not be incompatible with the roadmap agreed for TSO-TSO balancing in the region. OMIE indicated that a first step should be to shorten the time between the intraday market session and real time, at this moment at two hours, fifteen, but that the Network Codes impose to be one hour. Current value is incompatible with the continuous cross border intraday European model.

## 5. Developments at European level

The NRAs briefly informed stakeholders about the official submission of the NC CACM by ENTSO-E to ACER on 27 September. ACER is analysing the compliance of the NC with the FG CACM and the reasoned opinion will be delivered by the end of this year. The EC expects to submit the Governance Guideline (for day-ahead market coupling) to comitology at the same time than the NC CACM.

## 6. Additional information

CRE shared information related to the nomination process on the France-Spain interconnection. Different values of Exchange Programs on the two systems (French and Spanish) have been noticed regularly by TSOs and market participants were informed of this during the meeting. CNE and CRE will continue following this issue with the help of TSOs. The CNE's interpretation is that the program published in the Provisional Viable Daily Program (PVDP) is not a formal nomination.

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<sup>2</sup> According to the Art 67.3 of the draft NC CACM: "The Intraday Cross Zonal Gate Closure Time shall be at the maximum one hour prior to the start of the relevant Market Time Period and shall respect the related balancing processes related to system security."