

Cross-border Intraday: Way Forward

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1. Background

- Europex and ENTSO-E are **committed to implement a pan-European cross-border Intraday mechanism** consisting in a Shared Order Book (SOB), performing continuous cross-border implicit intraday matching, and a Capacity Management Module (CMM) allocating the cross-border intraday capacity in a continuous manner
- At the 2nd Intraday meeting between EC, ACER, Europex and ENTSO-E held on 12th of May Europex committed to propose a sufficiently clear and detailed solution by 24 June
- On 24 June, **Europex has released the paper** “A Flexible Intraday Cross-Border Trading Scheme for Europe” asking for regulatory approval and TSOs acceptance
- ENTSO-E welcomes the Europex proposal and believes that it **constitutes a pragmatic approach and a good starting point** for further discussions
- Over the summer period 3 meetings between Europex and ENTSO-E took place in order to discuss the way forward and **define a joint approach**
- The following approach has the potential to provide a solution for the Interim Model and a clear path for a smooth transition towards the Target Model

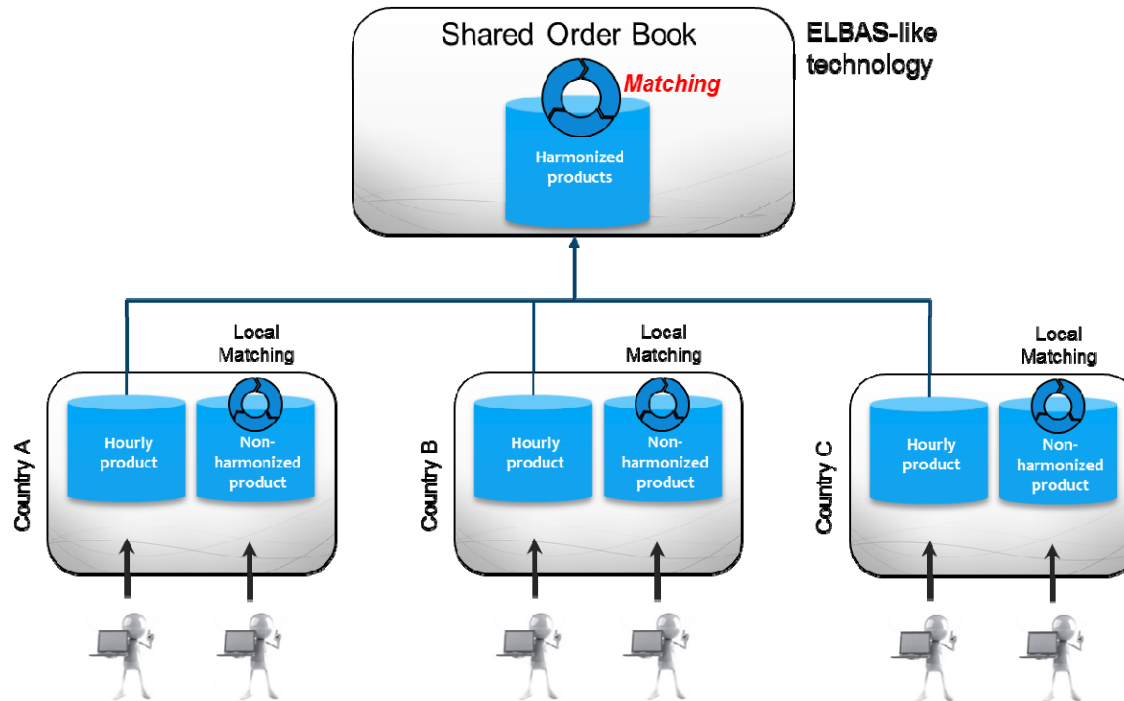
2. Introduction

There are a number of aspects to the further development of cross-border Intraday (XBID):

- Rapid implementation of an interim solution
 - Provisional support to **Elbas-like solution for SOB/CMM** (to be more described for clear understanding between TSOs and PXs) and acceptance of Europex's proposed technical solution by ENTSO-E subject to functional requirements to be fulfilled
 - Need hub-to-hub shipping (cross-border clearing and settlement, and hub to hub / cross border nomination)
 - Necessity for coordinated capacity determination at least on the current coordination level
 - **Aim to cover at least NWE by end 2012**, if feasible, but open to other Regions (borders or group of borders) if ready and subject to consultation with ID Coordination Committee
- Design and implementation of Target Model
 - Finalize requirements, with the participation of relevant stakeholders
 - Target end of 2014 launch
- Development of the governance framework
 - **Interim solution to be kept simple** to avoid delay and reflecting simplicity of the interim solution
 - Target Model possibly more complex and may be impacted by Governance Guideline (link to Governance Guideline and to Network Codes still unclear)

3. Technical solution

Interim



- All cross-zonal capacity will be allocated through the platform
- Regional auctions may complement the implicit continuous mechanism and has to be coordinated with and linked to the solution
- OTC access provided by SOB/CMM platform, under TSO terms of access

Enduring

For the Enduring Solution all products should be matchable through the SOB, subject to consistent arrangements such as nomination, settlement and imbalance rules

4. Program approach

- **Establish a cross-border intraday “Program”**
 - Contains core arrangement projects for both TSOs and PXs and a light and pragmatic governance solution
 - Comprises a certain number of local or multi-party projects, each with their own project management and own stakeholders
 - Overall Program ID Coordination Committee
 - Provides overall coordination and monitoring (without decision power) for core arrangements and local projects
 - Representatives from TSOs and Europex
- **Periodic information and consultation with:**
 - EC, ACER and NRAs (e.g. twice a year)
 - Non-participating PXs and TSOs by ENTSO-E Monitoring Group
 - Market parties via AESAG and on relevant local/regional levels

4.1 Potential Program Components – Interim Solution

Reporting on progress → EC, ACER, NRAs

ID Coordination Committee

Participating TSOs and PXs
NWE plus other involved countries

Joint Governance Project for implementation

Objectives: Establish Interim Solution governance principles and implement
Participation: European PXs and TSOs
Timing: Start immediately, complete end of 2012

PXs SOB/CMM Core Arrangements Project

Objectives: 1. Establish Elbas-like core solution, including joint-PX governance, API interface
2. Establish PX-PX settlement arrangements
Participation: European PXs (+ TSOs' input regarding their requirements – e.g., OTC (depending on NRAs decision))
Timing: Start immediately, complete mid 2012

TSOs Core Arrangements Project

Objectives: 1. Establish coordinated capacity calculation (at least bilateral) and allocation requirements
2. Establish nomination arrangements
Participation: NWE Project Team with regular consultation of non NWE TSOs
Timing: Start immediately, complete mid 2012 at latest

Joint Implementation Projects consistent with Core Arrangements

Objectives: 1. Implement interim solution on a particular Region, specific border or group of borders
2. Local regulatory/contractual arrangements
Participation: Directly involved TSOs and PXs
Timing: Start when ready (can be in parallel to Core Arrangements projects)

4.1 Potential Program Components – Enduring Solution

Reporting
on progress



EC, ACER, NRAs

European ID Coordination Committee TSOs & PXs

PXs Core Arrangements Project

Objectives:

1. Establish enduring functional requirements following TSOs and stakeholder requirements
2. Develop/build associated SOB/CMM functional elements, incl. algorithm
3. Manage migration, implementation, simulation, testing

Participation: European PXs (+ TSOs input regarding their requirements)

Timing: Start 2012 (after the Interim Design but could be in parallel of the Interim Implementation), complete mid of 2014

TSOs Core Arrangements Project

Objectives:

1. Establish coordinated capacity calculation and allocation requirements
2. Establish more harmonization arrangements if needed

Participation: European TSOs

Timing: Start 2012 (after the Interim Design but could be in parallel of the Interim Implementation), complete end of 2014

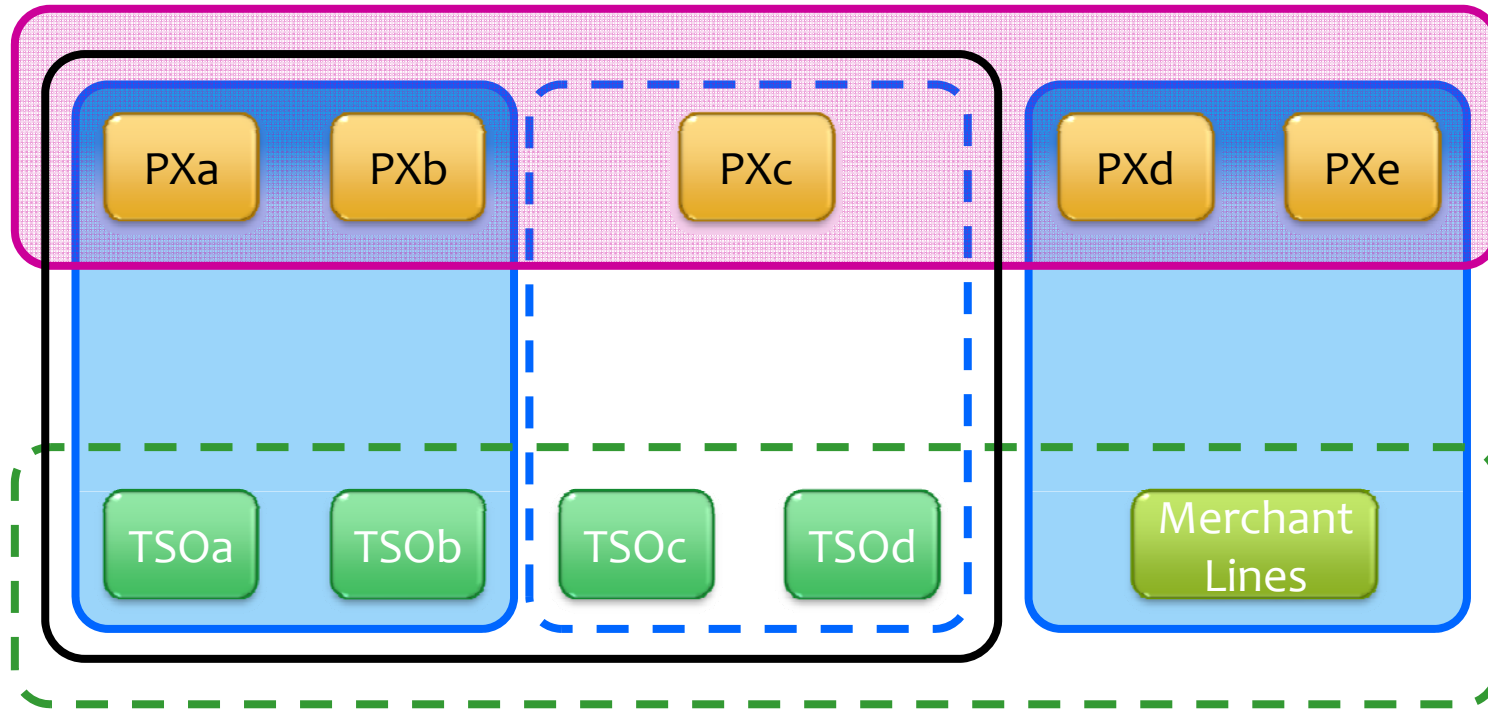
Joint Governance Project for implementation and operations

Objectives: Review governance principles for Enduring Solution (in line with Network Code and Governance Guidelines if relevant) and modify, if needed

Participation: European PXs and TSOs

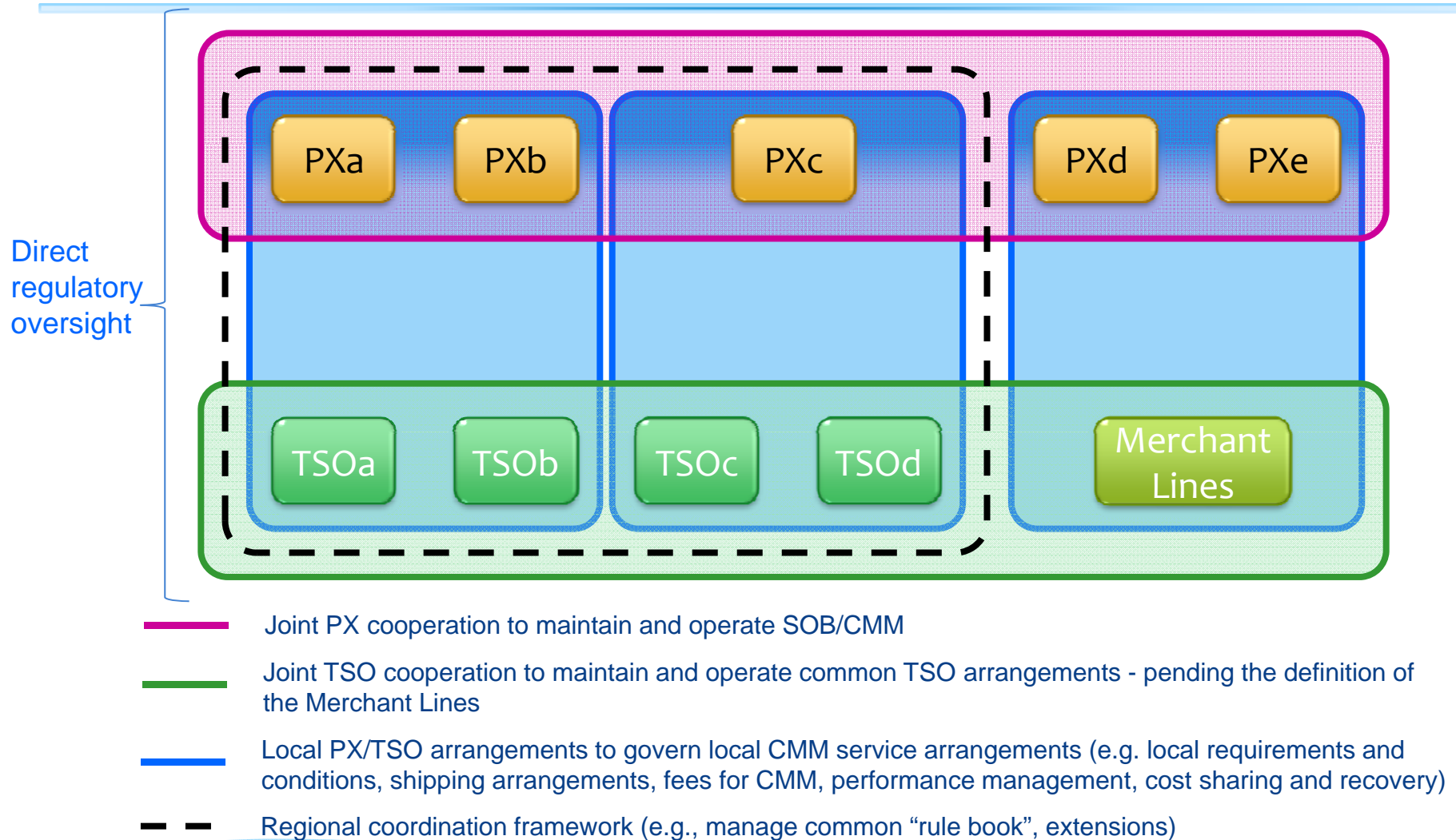
Timing: Start 2012 (after the Interim Design but could be in parallel of the Interim Implementation), complete end of 2014

4.2 Illustrative Interim Governance for Project Phase Relationships



- Joint PX cooperation to design (+ TSOs input regarding their requirements) and implement SOB/CMM
- - Potential Joint TSO cooperation to design and implement TSO arrangements
- Local PX/TSO cooperation to set up the local projects
- Memorandum of Understanding between PXs and TSOs

4.2 Illustrative Interim Governance for Operations Relationships



4.3 Other Aspects of the Interim Governance Framework

- **Intraday capacity calculation and allocation** (including explicit access for OTC/Balancing) are **governed by TSOs** according to TSO rules, subject to regulatory approval
- **Intraday shared order book is governed by PXs** according to PX rules, subject to direct regulatory oversight applicable to markets and market places
- **TSOs will take part in evaluation of starting point** against TSO requirements, further algorithm development work and later on in change management of algorithm: TSO involvement limited to the extent allocation issues are concerned
- After implementation of the enduring solution **further SOB/CMM system and products evolutions** to be developed by PXs based on defined principles between TSOs and PXs and in consultation with market parties, and subject to approval by the NRAs concerned

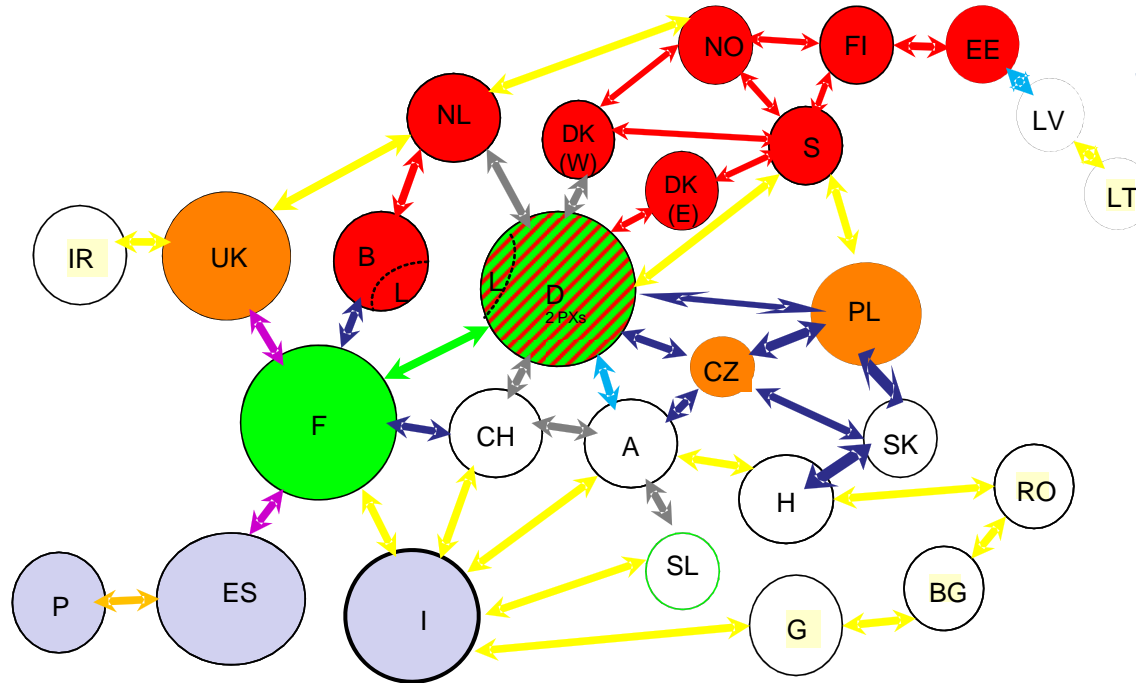
5. Tentative Roadmap

		2011		2012				2013				2014			
		Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
Interim Solution	EC Meeting														
	TSO / PX Kick-off meetings														
	MoU	■	■												
	PX core arrangements	■	■	■	■	■	■								
	TSO core arrangements	■	■	■	■	■	■								
	Local implementation			■	■	■	■	■							
	Go-Live														
Enduring	Governance arrangements			■	■	■	■	■	■	■	■	■	■	■	■
	PX core arrangements (incl. enduring algorithm)					■	■	■	■	■	■	■	■	■	■
	TSO arrangements					■	■	■	■	■	■	■	■	■	■
	Go-Live														

Backup

Cross-border Intraday*

Situation as of May 2011



XBID capacity allocation and energy trading

- Continuous IDXB (integrated SOBF-CAF system)
- Continuous IDXB (SOB system connected to a CMM)
- FCFS allocation of capacity obligations
- Implicit ID auctions
- Explicit ID auctions
- Allocation methods based on ID sessions (Pro rata, FCFS)
- No intraday allocation method in place
- Not congested interconnection

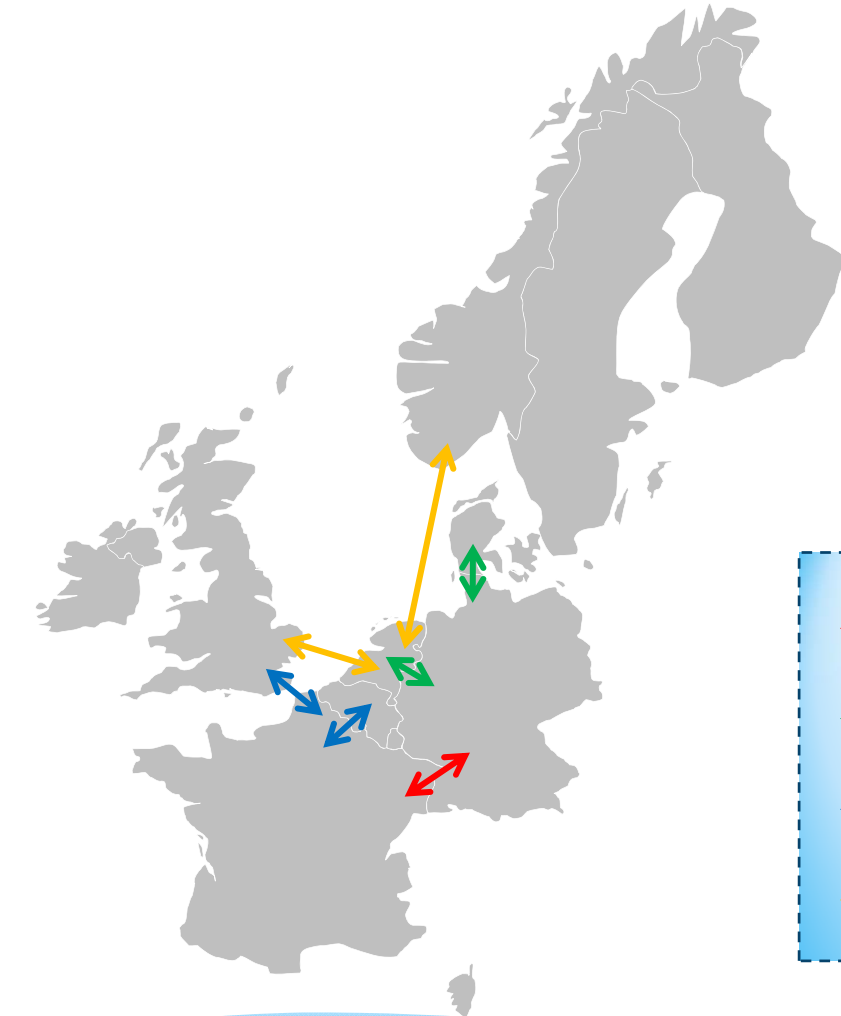
National ID Market

- Continuous IDXB
- Continuous IDXB
- Continuous internal ID (not cross-border)
- Cross border ID auctions
- No PX ID Market

(* Disclaimer: The above graph represents a snapshot of the current situation with regard to Intraday as known by the authors of this presentation

As an example: NWE discrete Projects for the Interim

The local / multi-party projects will aim to change the current capacity allocation mechanism on several NWE borders into an Elbas-like mechanism



- ↔ Implicit capacity allocation (DBS + EPEX)
- ↔ Explicit capacity allocation (DBS)
- ↔ Explicit capacity allocation
- ↔ No capacity allocation