



Italian Market Coupling PPC Design report CSE Implementation Group

AEEG Premises
2013, March 13th

agenda



Presentation of the current initiatives

NWE MC project update

Italian borders cooperation > the PPC Design Study

NTC/ATC Market Coupling

High Level Business Processes (HLBP)

Detailed roadmap

Risks assessment

Approval phase for launching the implementation

Presentation of the current MC initiatives



NWE project:

- As regard to ACER roadmap, NWE is the region where PCR would be implemented first.
- NWE Progress Report issued on a monthly basis
- February report: NWE is on schedule in accordance with the target planning of go-live in November 2013

SWE project 28th January 2013, 13th meeting of the ACER Stakeholders Advisory Group (AESAG):

- Florence Forum: The SWE ATC DA market coupling go-live is initially foreseen in Q2 2013, subject to the previous coupling of NWE
- The SWE project go-live date will be defined in a reasonable manner once the process is evaluated in detail together with NWE
- SWE parties are working on a detailed planning (with risk assessment of main milestones) to be delivered by end February taking into account coordination with NWE and including the assessment of temporary solutions for some specific processes

CWE-Switzerland Impact Assessment

CEE: NWCE FB MC

- No further steps since the Florence Forum in November 2012

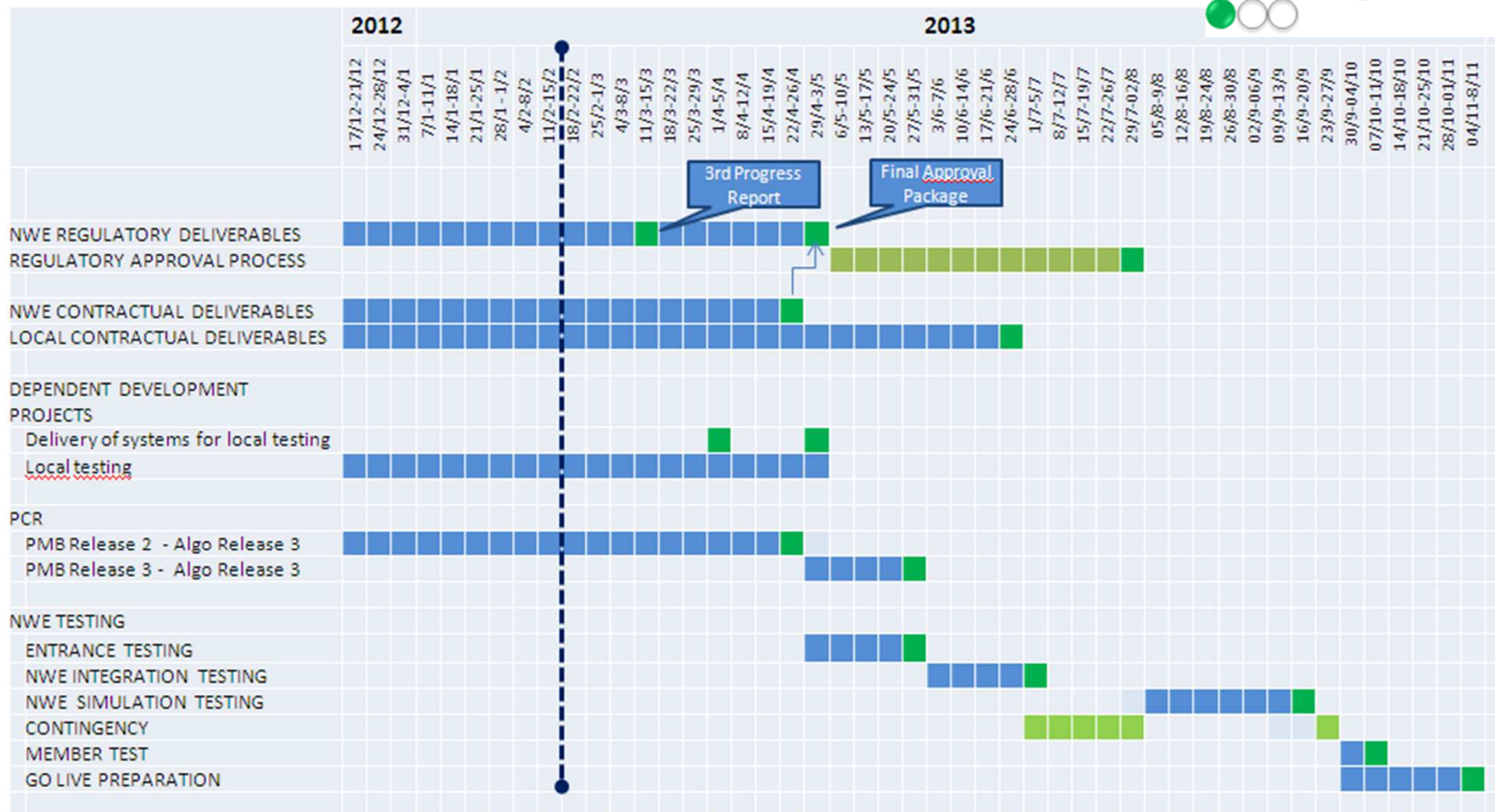
→ *Currently no collision between IB MC project and other MC projects in terms of the schedule for joining the NWE MC foreseen.*

NWE MC project update



NWE Planning presented in the NWE IG meeting the 20th February 2013

2) Planning Overview





Italian borders cooperation

> The PPC Design Study

Italian Borders Cooperation for the Market Coupling



First discussions on how to proceed to implement target model on **Italian borders** with all parties have been started in July 2012.

It has been decided to start a cooperation for elaborating a design for a day ahead market coupling on Italian borders using PCR

A Cooperation agreement for a Design Phase (PPC Design Project) was signed end of 2012 between the following parties :

On TSO side:

**ADMIE,
APG
ELES
RTE
Swissgrid
TERNA**



On Power exchange side:

**BSP Southpool
EPEX Spot
EXAA
GME
LAGIE**

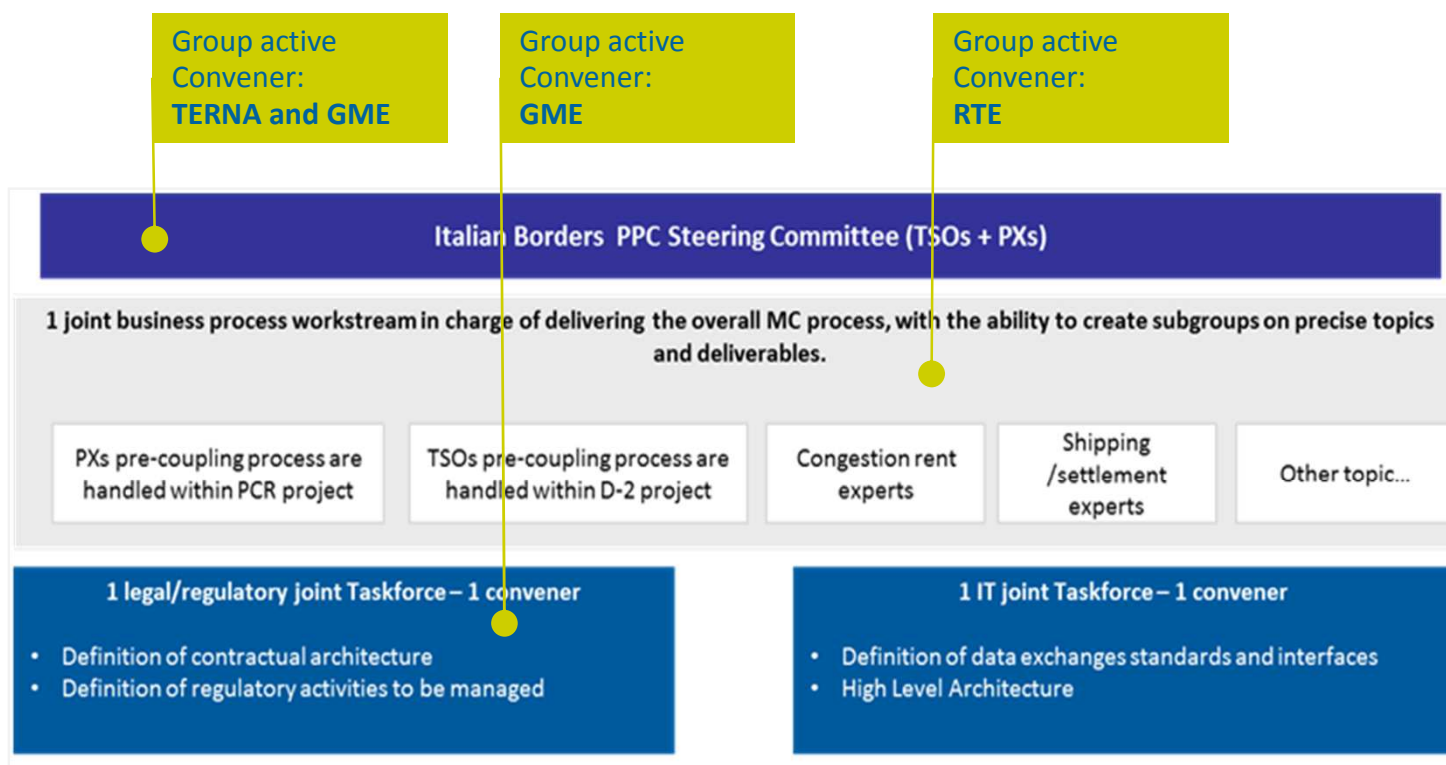
Communication to Market parties on this project aiming at implementing such coupling in 2014.

Design phase is expected to last six months: until July 2013 (see planning in next slides)

Italian Borders Cooperation for the Market Coupling



Project Structure



A **PMO** is also expected to facilitate the discussion and the organization of the project
The selection process for a PMO is in course.
Objective is to have a PMO **end of March 2013**.

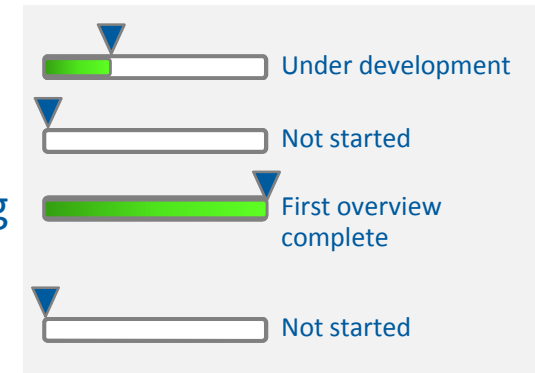
Deliverables of the PPC Design Project



From the Business Process Work Stream (BPWS)

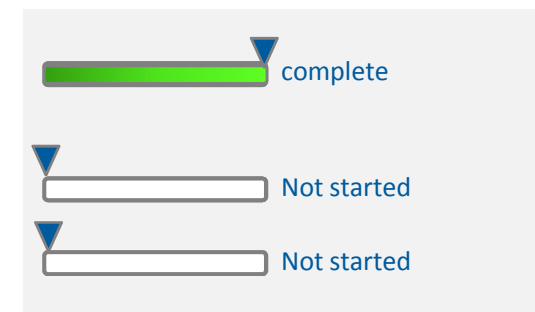
Project Initiation Document (PID) which includes:

- **High Level Business Process (HLBP)** under development
- **High level IT requirement** (IT impact assessment)
- Overall **time schedule** for the implementation phase including risk assessment
- Proposal for a **Project budget** for the implementation phase and for the operational phase



From the legal and regulatory joint task force

- Management of the contractual framework for PMO selection/services
- Contractual architecture for the implementation phase
- Contractual architecture for the operation





Present status

- Methodology applied: Coordinated ATC calculation
- Implemented since the beginning according to the recommendations and standards of the past TSOs' associations (UCTE, ETSO)
- Yearly computation
- Top-down approach for allocation

Market Coupling project was started on the Italian borders according to a realistic, pragmatic and step-by-step approach with a target go live next year

- This directly implies the use of cross border capacity computation methodology currently available on the border (coordinated ATC method-yearly computation)

In parallel a D-2 capacity calculation project at the Italian borders is also in progress

- Requiring new processes and a higher level of coordination
- Also in this case the selected approach is pragmatic and based on a already assessed and experienced method on the border: coordinated ATC

Once the D-2 capacity calculation process will be on a steady state

- Daily computed ATCs will be input to the Market Coupling process

A next step would be a transition to a flow-based capacity calculation as defined in draft of CACM NC: subject to results of evaluation and experimentation



High Level Business Process (HLBP)

High Level Business Process (HLBP)



Phases	Activities
PRE-COUPLING	Preparation of input for coupling (definition of the daily ATCs on the Italian Borders)
COUPLING	Production of the market results (net positions, prices) for PX participating in the coupling PCR system
POST-COUPLING	Definition of exchange schedules Exchange of energy between hubs Financial settlements between Central Counter Parties Collection and sharing of the congestion rent between TSO

PRE-COUPLING



Main items under development

D-2 NTC coordination project is dealing with the two first steps above (on going separated TSO project)

Impact on pre-coupling activities of the new timing due to the postponement of the day-ahead market gate closure

Publication of ATC given to MC > Transparency issue

Sending and verification of ATC to MC (common or local systems)

Backup of ATC calculation and sending

Preparation of the fallback mechanism in case of decoupling

COUPLING



Main items under development

Methodology for computing exchange schedules (to be provided by TSOs)

Opportunity to use exchange schedules computed by PCR

Possible local validation by TSO of the PCR results

POST-COUPLING



Main items under development

Definition of the process organization (shipping agent for instance)

Timing for fall back in case of decoupling situation

Nomination needed or not

Common system or not for collecting and sharing the congestion rent



Detailed Roadmap

Detailed Roadmap



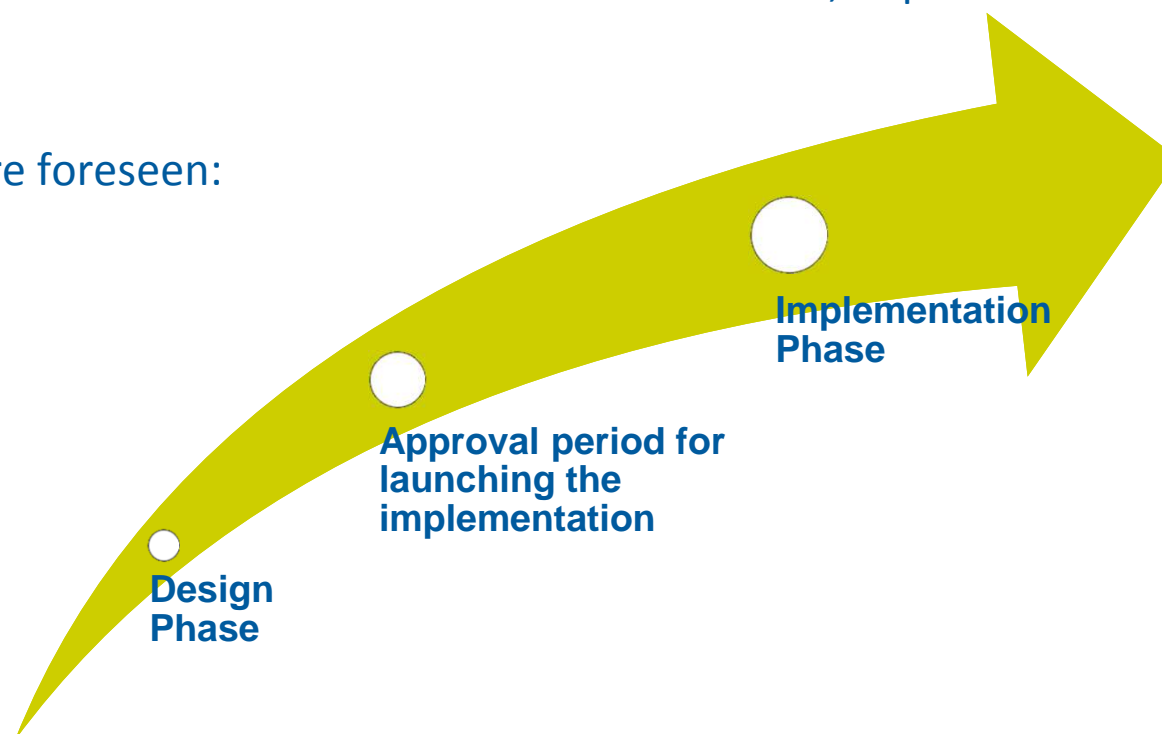
The aim of the cooperation is to **have a coordinated approach on all Italian borders.**

Taking into account the experience of the PPC Design project Parties, the planning is **realistic** and **confirms that the target date for having a day-ahead market coupling is still possible in 2014**, as requested by ACER roadmap.

Some **prerequisites have still to be fulfilled in different Countries on a national level** (see risk assessment slide).

If these prerequisites cannot be fulfilled in some countries, implementation will continue **on other borders.**

Three phases are foreseen:



Detailed Roadmap

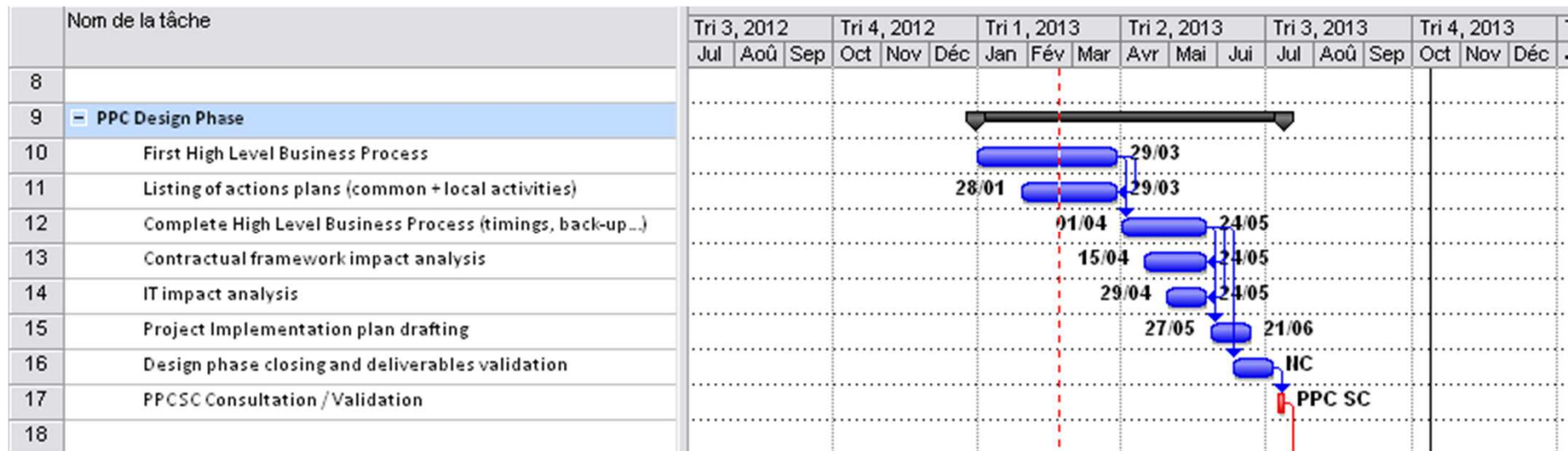


Design phase

The design phase is aimed at description of the processes and analysis of the impacts. This shall also be used for the definition of a project budget.

- High Level Business Process (Main Concepts, parties involved, Business process for Pre-coupling, Coupling and Post Coupling, Questions to be answered)
- Contractual framework impact analysis
- IT impact analysis
- Project implementation plan, budget

End of activity: **July 2013** (6 months duration)



Detailed Roadmap

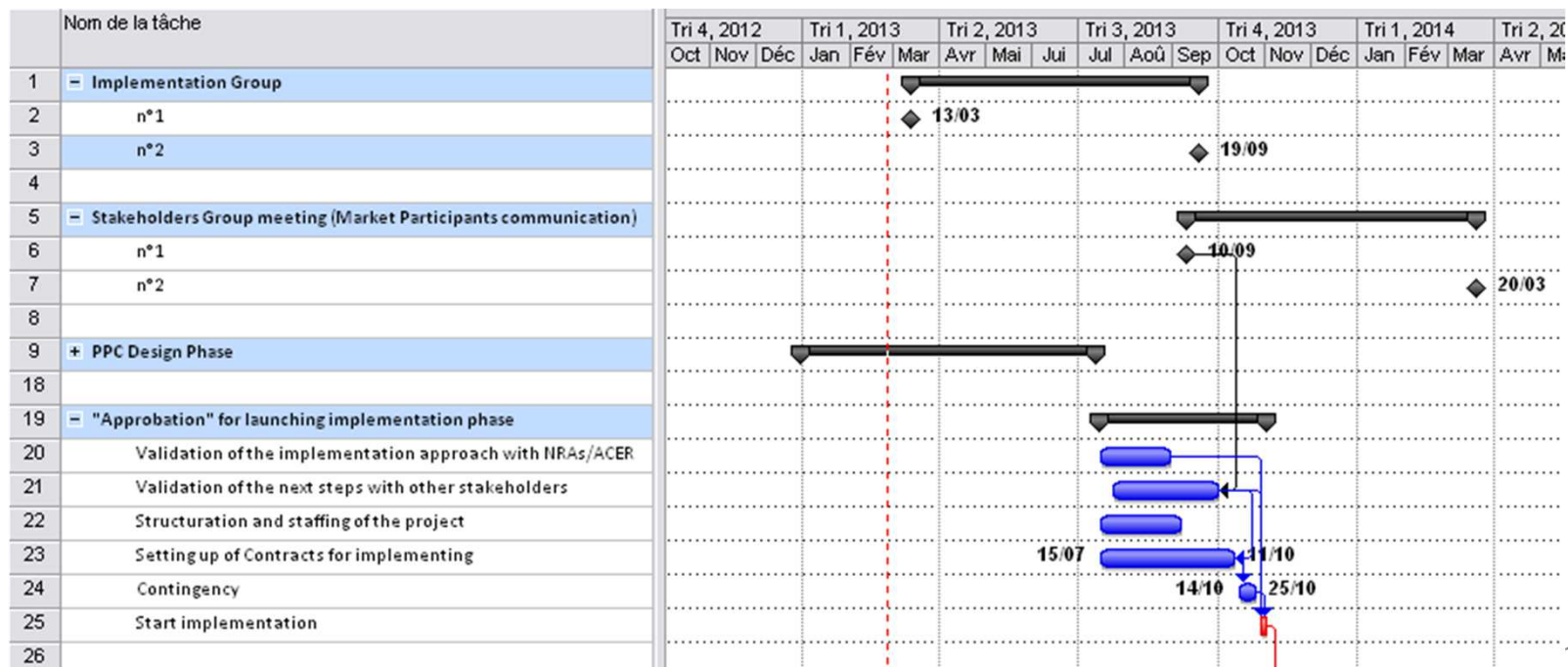


Approval phase

The Design and Budget of the Project have to be Approved by NRA Before the Implementation Phase Starts

- Validation of the approach with NRA/ACER
- Validation of next steps with other stakeholders
- Setting up contracts for implementation, including budget (for implementation and for operation)

End of activity: **October 2013** (3 months duration)





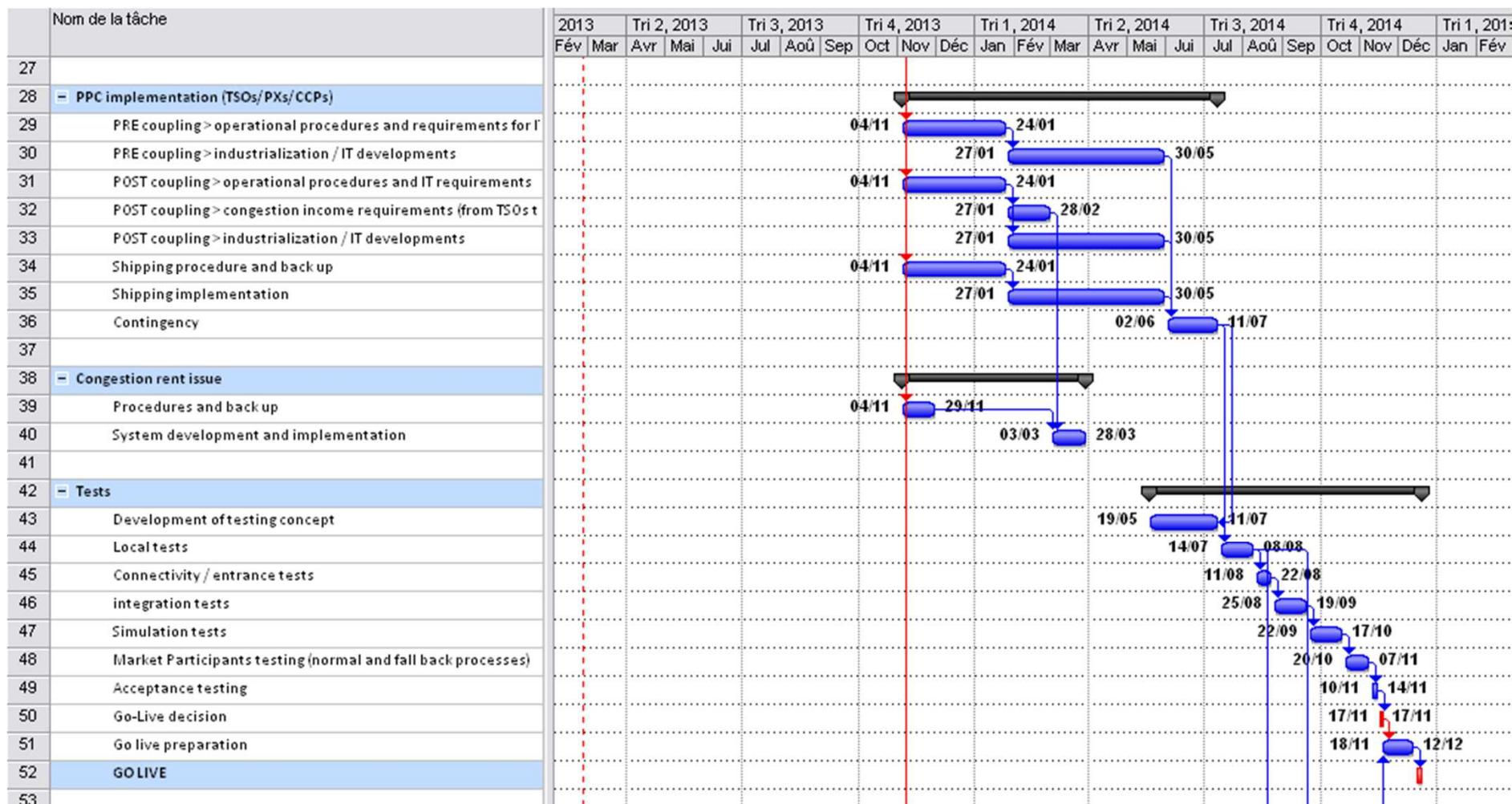
Implementation phase

- PPC Implementation: PRE and POST Coupling operational procedures, industrialization/IT development; Shipping procedures, back up and implementation; Fall back procedure(s)
- Agreements (bi/multilateral) between parties (for the operational phase): Between TSOs, between PX; between all project parties (TSOs, PX); with service providers
- Change of rules: Harmonized auction rules; Intraday auction rules; Market rules
- Congestion rent sharing: Procedures and implementation
- Tests: Definition of procedures; Local, connectivity, integration, simulation , with market participants, acceptance testing before go-live approval.

Capacity calculation

- D-2 Coordinated capacity calculation project (NTC based): Not on the critical path of the MC Project implementation, can run in parallel

Detailed Roadmap



Microsoft Project planning >



Risks assessment



1/ Design phase

Risk	Probability	Impact
Duration inappropriate	Low	Delay of 1 or 2 months
Design not fully compliant with Regulation (FB issue initially excluded)/ Deliverables not complete	Low	
Deviation between PPC design and local arrangements	Low/Medium	

Risks assessment



2/ Approval phase for launching the implementation

Risk	Probability	Impact
Misunderstanding between NRAs and PXs/TSOs	Medium	Delay of 1 or 2 months
Delay in the formal answer / formal validation by all involved NRAs	Medium	
Additional request asked by NRAs / MPs impacting the implementation phase	Low	Depending on the request
Local changes in Greek Market not matured	High	Delay of the implementation on these borders but not the project and other borders
Project partner(s) PX (s) not designated in Austria for performing the implementation	Low	
Project partner(s) PX (s) not designated in Switzerland for performing the implementation	Low/Medium	
Switzerland discussion with EC still in course	Medium / High	
Postponement of gate closure of Italian market not completed	Low	Delay on all borders

Risks assessment



3/ Implementation phase

Risk	Probability	Impact
Misunderstanding between specification and IT development	Medium	Delay of 2 or 3 months
Deliverables of the design phase not applicable due to unforeseen developments in the implementation phase covering all eventualities	Low/Medium	unclear
NWE delay and possible incompatibility	Low	unclear
PCR delay	Low	Unclear
Implementation of Regulation changes longer than foreseen due to external influences	Low	unclear
Duration of tasks not realistic (9 months for IT specification and modifications)	Low/Medium	Delay of 1 or 2 months
Adaptation of subsequent local mechanisms (balancing mechanism in some countries) and of interconnection mechanisms (intraday on Italian borders) under-evaluated	Low/Medium	Delay of 1 or 2 months
Interference with other projects / coordination not efficient	Low / Medium	unclear
Long discussion on Agreements	Medium	Medium (discussion will start in advance)
...		



3/ Implementation phase

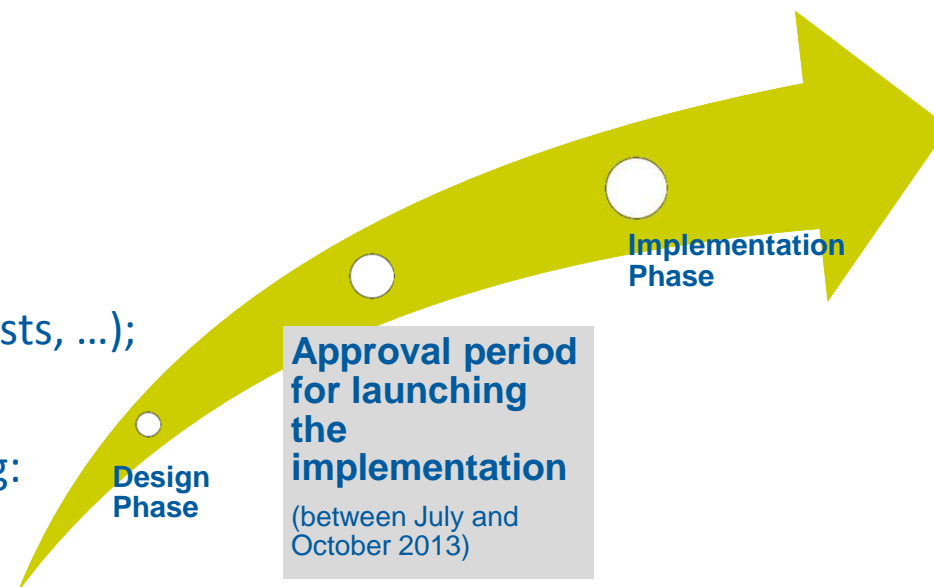
Risk	Probability	Impact
...		
Integration of borders not on board from the beginning	Low/Medium	No or Depending when occur
The resolution of technical problems discovered during the testing takes longer than foreseen	Low/Medium	Delay of 1 or 2 months
Rules modifications longer than expected	Low	Few impact

Approval phase for launching the implementation



During the approval phase TSOs and PXs will:

- **present** the outcome of the design study
(what borders, what organization, what costs, ...);
- **Inform/share** with market parties;
- **Have confirmation** from the NRAs regarding:
 - cost recovery/budget
 - High Level Processes,
 - changes (if any) of regulation or organization needed within each country ...



Additional meetings would have to be scheduled at that time to facilitate the discussion.

Confirmation from NRAs is mainly the objective of this phase.

Conclusions



The aim of the cooperation is to **have a coordinated approach on all Italian borders.**

Taking into account the experience of the PPC Design project Parties, the planning is **realistic** and **confirms that the target date for having a day-ahead market coupling is still possible in 2014**, as requested by ACER roadmap.

Some **prerequisites have still to be fulfilled in different Countries on a national level** (see risk assessment slide).

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Thank you for your attention