

## 2<sup>nd</sup> Market European Stakeholder Committee

Thursday, 3 December 2015, from 10:30 to 17:00  
ENTSO-E, Avenue de Cortenbergh 100  
1000 Brussels Belgium

### Draft Minutes

Participants			
Christophe	GENCE-CREUX	ACER	Chair
Matti	SUPPONEN	European Commission	
Sven	KAISER	ACER	
Rodrigo	ESCOBAR RODRIGUEZ	ACER	
Alain	MARIEN	ACER	
Noemie	RIAUX	ACER	
Matthias	Rützel	ACER	
Mark	LANE	ENTSO-E	
Zoltan	GYULAY	ENTSO-E	
Marta	MENDOZA-VILLAMAYOR	ENTSO-E	
Pascale	FONCK	ENTSO-E	
Marco	FORESTI	ENTSO-E	
Corne	MEEUWIS	ENTSO-E	
Stela	NENOVA	ENTSO-E	Secretariat
Arben	KLLOKOQI	EFET	
Guido	PASTERNAK	EFET	
Jerome	LEPAGE	EFET	
Florian	CHAPALAIN	EDSO for Smart Grids	
Marc	MALBRANCKE	CEDEC	
Alexandra	TUDOROIU-LAKAVICE	COGEN Europe	
Steve	WILKIN	Europex	
Andrew	CLAXTON	Europex	
Christian	BAER	Europex	
José Javier	GONZALEZ	Europex	
Rickard	NILSSON	Europex	
Gaëtan	CLAEYS	EUGINE	
Marcel	CAILLIAU	EURELECTRIC	
Ruud	OTTER	EURELECTRIC	
Marion	LABATUT	EURELECTRIC	
Victor	CHARBONNIER	EWEA	
Petteri	HAVERI	GEODE	
Mats	NILSSON	GEODE	
Peter	CLAES	IFIEC	

#### I. Opening:

##### **1.1. Welcoming address + Approval of minutes + Final ToR + Draft Agenda:**

The Chair welcomed the participants to the 2<sup>nd</sup> Market European Stakeholder Committee (MESC) meeting.

##### **1.1.1. Approval of the minutes of the 1<sup>st</sup> MESC:**

No comments to the minutes of the 1<sup>st</sup> MESC were raised. The minutes were approved.

### **1.1.2. Approval of the ToRs of the ESCs:**

ToRs were approved as modified and shown on the website.

### **1.1.3. Approval of the Agenda of the 2<sup>nd</sup> MESC:**

The Agenda was modified as follows: point 3 on **Electricity Balancing Network Code** was removed from the agenda as the BSG meeting did not take place at the end of November due to security threat levels in Brussels. The topic of balancing will be discussed at the next MESC meeting. Changes to the agenda were accepted.

The Chair congratulated all the organizations which submitted their slides on time before the deadline and thanked all members for their submissions.

Alain Marien (ACER) explained that no slides were sent on the NEMO designation process as so far only 3 NEMOs were formally designated.

The Chair invited all stakeholders to send the relevant presentations/contributions to the Chair (christophe.gencecreux@acer.europa.eu), the Stakeholdercom email ([stakeholdercom@entsoe.eu](mailto:stakeholdercom@entsoe.eu)) and to cc Stela ([stela.nenova@entsoe.eu](mailto:stela.nenova@entsoe.eu)). ENTSO-E is working on developing a system which will notify automatically the MESC members of any updates on the page when materials are uploaded but until then the update notifications will be sent manually by email.

Proposals for dates & venues for the 2016 meetings: 3<sup>rd</sup> February (CEER, Brussels), 11<sup>th</sup> May 2016 (ACER, Ljubljana), 7<sup>th</sup> September (ENTSO-E, Brussels), 7<sup>th</sup> December 2016 (CEER, Brussels), were approved by all.

The Chair provided updates on the latest developments related to NCs & ACER's activities:

-The FCA was voted in comitology on 30/11/2015, now will pass through scrutiny of EP & Council.

-ACER mentioned its 4th Market Monitoring Report on 30/11/2015, covering wholesale and retail markets, and includes a preliminary assessment of the coordination and efficiency in the capacity calculation methods and an assessment of the use of existing XB capacity at different time frames; <sup>1</sup>

The Chair mentioned that ENTSOE and ACER developed a notification/monitoring platform to collect feedback from stakeholders on the implementation of the gas Network Codes. It is not clear yet when the platform will be available, but once it is functional, if stakeholders deem it useful, the platform can be implemented in the electricity sector. The Chair will notify the ESC as soon he knows when the platform goes live.

## **1.2 EC's update on the Energy Market Design Initiative and Renewable State Aid consultation**

Matti Supponen explained that the EC released a preliminary report on its Market design consultation, which received 320 replies (preliminary results and individual submissions are available [here](#)). The EC is now collecting advice from Cabinets/Heads. The final proposal is expected to be available by summer 2016 and the legislative proposal in December 2016.

The main findings are:

1) In its report the EC notes the wide support of the need for scarcity pricing relating to time and to location on both wholesale & retail markets as well as for kick-starting demand response at all levels; the need for flexibility, speeding up the development of integrated short-term (balancing and intraday) markets; the full integration of renewable energy sources (RES) into the market. Stakeholder views tend to vary with regards to the future need and design of RES support schemes.

2) Ideas for a blueprint for capacity mechanisms received significant support. A majority of stakeholders agree on the need for more aligned methods for generation adequacy assessment and for a common EU framework for cross-border participation in capacity mechanisms, which will also be explored in relation to risk preparedness plans and security of supply.

3) Retail: DSR, data, tariffs: Concerning the role of DSOs, many stakeholders consider market facilitation and data hub management as possible functions for DSOs. Stakeholders agree on the need for some general principles & framework on tariffs, but some stress that tariff harmonization might not be a good idea as Member States are quite different.

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<sup>1</sup>For more information, the Market Monitoring Report is available here:  
[http://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Publication/ACER\\_Market\\_Monitoring\\_Report\\_2015.pdf](http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER_Market_Monitoring_Report_2015.pdf)

4) Governance: Stakeholders' opinions with regard to strengthening ACER's powers are divided. There is clear support for increasing ACER's legal powers by many stakeholders (e.g. oversight of ENTSO-E activities or decision powers for swifter alignment of NRA positions). However, the option to keep the status quo is also visibly present, notably in the submissions from Member States and national energy regulators." The EC still has to see how the current tasks are fulfilled and in the end make proposals if/where needed, once substance issues are clear.

5) A clear majority of stakeholders are in favour of closer cooperation between TSOs (RSCIs, balancing etc.) and regional cooperation, with about half of those in favour of regional decision-making responsibilities (e.g. for Regional Security Coordination Centers). Views were split regarding the impact of national security of supply responsibility on cross-border cooperation.

In autumn 2016 the EC will have its proposal on the future market design and a review of the RES Directive (due in December 2016) and the Energy Efficiency Directive (due in September 2016) – these have links with the future market design and need to be coherent. The EC is aiming for a holistic view, regardless of the timing of the proposals.

Pascale Fonck (ENTSO-E) inquired about the connection between the public consultation running now on the RES directive and the next EC actions. The EC explained that this consultation will feed into the RES Directive review, most likely remaining separate from, but coordinated with, the other legislative proposals (on balancing responsibility, dispatch etc.)

Christian Baer (Europex) asked how the EC intends to coordinate all sub-packages. The EC answered that it expects the idea to be clear in September 2016 regarding the different parts.

Marco Foresti (ENTSO-E) asked about what the potential instruments related to market design could be (new regulation, Directive revision or others). The EC replied that it has not been decided yet what type of regulation is needed but that once the content is known, then the instruments will be decided upon. However, expected changes can cover the electricity Directive, the electricity Regulation along with some possible new NCs; the topic of risk preparedness and the possibility for the SoS Directive review will also be considered.

## **II. Forward Capacity Allocation**

### **2.1 Impact of FCA adoption on HAR (e.g. on the firmness regime)**

Jerome Le Page (EFET) explained that EFET welcomes the FCA GL adoption by Member States. EFET thinks that the adopted text is a good compromise and an achievement for all parties but also wants to see concrete achievements for 2016, with expectations of the FCA Regulation entering into force in Q1-16.

EFET encourages TSOs to start developing the key terms, conditions and methodologies in the FCA Guideline immediately in order to have these ready for NRA approval by summer 2016. EFET's expectations are that market participants will get involved at an early stage in the implementation process. In addition, EFET expects a proposal for the update of the EU HAR by summer 2016. Pre-implementation work is needed already on the TSO and NRA side. EPEX stated that NRAs should ensure that improved firmness does not lead to lower allocated volumes of forward rights by the TSOs (for example the Italian decision 2015). In addition, EFET calls for the EU HAR to be updated and brought in line with the FCA Guideline as quickly as possible.

Rodrigo Escobar (ACER) explained that NRAs have started to think about how to address these issues and discussed on Dec. 2 the situation: difficulties stem from uncertainty over the date of entry into force of the Regulation.

NRAs will work on reducing the number and size of the annexes and improving the level of firmness provided in the HAR by end-2016, in case it's not feasible to have fully compliant rules by then.

Mats Nilsson (GEODE) stated that TSOs should not be the ones assessing market liquidity (as a basis for any decision on an exemption to allocate long-term rights) ACER explained that NRAs will have to consult on this issue and further decide. Rickard Nilsson (Europex) stated that while it is a task of relevant NRAs and not TSOs to make the assessments per given MS' and CB IC's about which of the LTTR design options provided for in the FCA NC to apply, including considerations linked to the options being referred to as exceptions, it is natural that TSOs contribute to the process since TSO operations, risk exposures etc. are affected by the choice(s) made.

Marco Foresti (ENTSO-E) confirmed that he is not aware of TSOs being eager to do such an assessment. The FCA is clear on the role of NRAs leading on the study and TSOs are following this as they will have to implement it in the future. On the question of Energinet and Statnett looking at the issue (Mats Nilsson), Rickard Nilsson (Europex), explained that TSOs have to be involved as an exemption has an impact on their situation.

Jerome Le Page (EFET) commented that last year there was no final text (FCA guideline) yet whereas now the text is available and there is more than 9 months to work on harmonizing rules until the time the FCA Guideline enters into force. Marcel Cailliau (Eurelectric) approved these ideas, but was surprised at the slow pace of progress even now with the FCA Guideline and asked whether planning can be developed to take on board these new provisions. He expressed full support for any commitment of the MESC to go faster than the Guideline timelines and to be as efficient as possible.

Mark Lane (ENTSO-E) highlighted the time it took to develop a proposal for the HAR in advance of the FCA Guideline entering into force in order to have largely harmonised rules for 2016 allocation and compared this to the time provided for in the FCA Guideline and stakeholder expectations, both having much shorter timelines. He also noted that the current HAR proposal was developed using existing allocation rules that are already well understood by TSOs, NRAs and stakeholders. It is unclear to what extent rules for FTR Obligations need to be included in the HAR when no market looks like it is intending to use this type of product. This and other issues such as NRA approvals, the Regional design of LTRs and TSO resources will all have a bearing on how quickly a final set of HAR rules can be implemented. The FCA Guideline is only likely to enter into force by Q2 2016. Adherence to the timelines would mean the HAR would not be approved until Q2 2017 for 2018 allocation. Any steps to speed up the process to ensure that the HAR will be approved in 2016 in time for allocation of 2017 products will require cooperation and agreement from all parties.

Marco Foresti (ENTSO-E) added that the process takes time as the internal approval procedures, consultation times and approvals of changes require 4 months at ENTSO-E level and it can be challenging to keep to the deadline.

Jerome Le Page (EFET) underlined that stakeholders can help, give feedback now and work together on the problems for the single allocation platform. He underlined that a lot has been done already, but some updates are needed and that he hopes that a number of key requirements would be ready by September 2016.

The Chair shared the same hopes and agreed that there should be progress on firmness next year, but that depends on the goodwill of all NRAs and TSOs.

Marcel Cailliau (Eurelectric) suggested that ENTSO-E should be given a hand to define what is most urgent and to work first on it. Consultation takes a long time but Associations and experts should be involved directly and early in the drafting process to support and help speed up the process. He requested that FTR obligations can wait as it is not a priority and could take a long time to develop.

Pascale Fonck (ENTSO-E) underlined that TSOs are willing to work on the HAR to converge with the approved version of the FCA Guideline. She pointed out the need for an open discussion on priorities for 2016, as FTR obligations would require significant work, but TSOs don't have a clear view about stakeholder's expectations on this. TSOs would like to understand stakeholder's priorities. TSOs would welcome a discussion to sort out the urgent issues, prioritize these better in view of stakeholder expectations and decide on what issues can be done at later stage. ACER agreed with the suggestion and asked if this can be organized in early 2016.

Mark Lane (ENTSO-E) confirmed that TSOs are open about the approach but the final decision on the type of product is not with the TSOs. The main question is whether FTR obligations need to be included in the HAR to be drafted in 2016 or if this can be pushed out until required, in order to prioritize issues that are key for stakeholders.

Rickard Nilsson (Europex) posed a question on the single allocation platform and on how it can be ensured that there is non-discriminatory secondary trading as the FCA Guideline does not address this issue currently, noting transparency and liquidity of contracts should be increased and that clarity on a registry for ownership transfer of LTTRs acquired via primary auctions - that shall be possible to execute on bilateral, OTC, or Exchange based basis- needs to be addressed and put in place within the timeline established for the SAP implementation.

Mark Lane (ENTSO-E) explained that it was already agreed at previous stakeholder advisory group meetings that the TSO would primarily be responsible for primary allocation of capacity and that this is now reflected in the FCA Guideline.

Rodrigo Escobar (ACER) said that if NRAs could approve the HAR within 3 months, it should be easier to approve the new rules with some modifications based on points that need to be agreed with TSOs (on emergency, firmness deadlines). If TSOs can deliver by September, NRAs can approve in 3 months too. The key is to agree on the priorities.

The Irish decision is going to be made in December 2015, so more clarity will come on the need to implement FTR obligations in 2016.

Jerome Le Page (EFET) suggested EFET could provide by early January a list of its expectations; then a meeting on this can be organized with ENTSO-E.

***ENTSO-E will take the lead and set up a workshop (including all relevant stakeholders) in January 2016 to try and identify stakeholders' priorities on the work to be done in 2016.***

## **2.2 Move from PTRs to FTRs:**

Arben Kllokoqi (EFET) presented the current situation in Europe with regard to PTRs & FTRs. He noted that most European TSOs issue PTRs at their borders. FTRs are only issued at the ES-PT border. He clarified that UIOSI PTRs are hedging instruments with a possibility to nominate in DA and the nomination option serves as an additional hedge and guarantee against high imbalance prices. He explained that the introduction of FTR options at the BE-FR and BE-NL borders has been approved in October 2015, and that FTRs are being considered for the DE-DK1, DE-DK2 and DK1-DK2 borders (on hold until 2017) and the GB-IE cables (possibly with FTR obligations).

EFET underlined that the current design of FTRs rights does not meet the requirements of market participants. EFET explained that market participants fully understand that FTRs are an option in the target model and may facilitate the implementation of FBMC on TSOs' side but underlined that if FTRs are introduced, they should not be equivalent to PTRs without nomination. According to EFET, the main rules for such introduction for FTRs should be as follows: the FTR volumes allocated should be maximised, no reservation of capacity can be justified by system security elements with FTRs in the calculation of capacity; FTRs should be fully financially firm from the moment of their allocation; price regulations and other mechanisms that would expose market participants to risks they cannot cover using FTRs should be reformed (EFET mentions for example the CREG recommendation on the applicability of the strategic reserve price).

In addition, EFET underlined that FTR obligations should not be considered: transmission rights are a hedging tool for market participants; TSOs are remunerated through congestion rents, they do not need a hedge against DA prices. FTR obligations issued by the TSOs would mean that the TSOs would be taking a 'trading position' in the market. In addition, this could expose market parties to risks as they do not have an equivalent full overview & knowledge on the system compared to TSOs.

Arben Kllokoqi (EFET) explained that from a MiFID point of view the impact is indirect but still exists: if it is not a physical hedge, it would be appropriate to trade it financially but then MiFID issues and obligations would have to be met so the market becomes more expensive for market participants.

Christian Baer (Europex) asked if based on Art.2 of MiFID secondary trading can be exempted. EFET replied that they are not concerned on the definition of FTRs but rather on the impact of FTRs on the market given the fact that if a financial trade is done, then there is MiFID issues on the financial contract with the party, even if FTRs are financial instruments. For market participants this is not an issue. Christian Baer clarified that there is a hedging transaction definition but not a distinction in MiFID on the financial transactions and the physical contracts. Mark Lane (ENTSO-E) clarified that there is a reference to transmission rights which includes both (PTRs and FTRs). EFET explained that as far as market participants, these rights appear as physical but it is quite subjective.

Rickard Nilsson (Europex) inquired whether the shift to FTRs will make a big difference at all and gave the example of the DK-DE border which has PTR UIOSI LTTRs today that are used financially 99% of time, thus seemingly no real need for the physical nomination (UI) option.

EFET explained that at some borders some participants want to use FTRs so it varies but the bigger issue is when curtailments or price rises can be foreseen and there is an impact in such cases.

Alain Marien (ACER) explained that the Belgian regulator does not foresee the activation of strategic reserves during winter 2015-2016 as nuclear is expected to come back. FTRs are to be linked to the capacity of the transmission network. TSOs are required to allocate maximum rights.

EFET added that they do not approve of FTRs as they stand in the existing HAR as the quality of these rights have been reduced compared to PTRs when the option to nominate them was removed, without improvement in terms of allocated volumes or firmness. FCA does not address this.

Mark Lane (ENTSO-E) explained that there are different pros and cons with PTRs and FTRs and that one of the primary benefits of FTRs was higher liquidity in the DA market.

The Chair explained that another rationale to move to FTRs was that it would make sense to simplify things and get rid of the option to nominate. He agreed with Rodrigo (ACER) that if NRAs want to implement FTRs, they should consider this carefully.

Rodrigo Escobar (ACER) commented that it will be interesting to see the motivation of market parties regarding the possibility to use FTRs. If we refer to FTRs obligations, these should be fully financially firm. In FCA, they are as firm as PTRs, but there can be a cap on compensation of curtailments and this is in line. He explained that the use of FTRs ties the market parties to NEMOs but that NRAs will consider if there is a problem and take this into account.

Mark Lane (ENTSO-E) explained that capacity splitting between the timeframes is under consultation. There are different views, and it - among others - depends on the actual needs of market parties that apply this mechanism. Petteri Haveri (GEODE) explained that access to liquidity is key and that a separate portfolio for demand and generation for the same bidding zone can be part of the developments. ACER reminded that both PTRs and FTRs go to DA anyway.

### **III. Capacity Allocation and Congestion Management Guideline:**

#### **3.1 Update on Definition of Capacity Calculations Regions:**

Pascale Fonck, ENTSO-E, explained the process for the first task under CACM, the definition of capacity calculation regions (CCRs) and the all-TSO decision which was approved on 29 October 2015 and submitted by each TSO to each NRA individually. Mrs. Fonck explained the 3 main elements which have evolved since the consultation in the proposal: CWE/CEE commitment to merge, the allocation of the borders of Croatia – Slovenia, Croatia – Hungary and Romania – Hungary borders in CEE CCR, and German-Austrian border allocation to CEE CCR. She underlined that the proposal defines 11 CCRs and is based on a dynamic and pragmatic approach, supporting coordination across the bidding zone borders where interdependence is the highest while taking into account the already achieved results and ongoing projects on capacity calculation and allocation.

Mrs. Fonck presented the next steps which will follow with regard to the future merger of the CWE/CEE regions, with a deadline in March 2016 to propose a roadmap for merging the 2 CCRs and a joint concept. The TSOs of the two regions with the help of ENTSO-E already started actions on this, and will use the CWE FB methodology as a starting point for the merger.

Pascale then presented the results of the public consultation regarding the allocation of the RO-HU bidding zone. The majority of stakeholders, including Croatia, Romania MS and TSOs, supported the idea to include it in the CEE CCR since the start, so the approved proposal assigns the Croatia – Slovenia, Croatia – Hungary and Romania – Hungary bidding zone borders to CEE CCR.

Regarding the DE/AT border, Pascale explained that the CCR proposal includes this border in the CEE CCR. She underlined that the inclusion of the border in CEE does not influence the implementation of capacity allocation on this border. Based on the proposal, such capacity allocation will be introduced in line with the implementation calendar agreed upon by the NRAs and TSOs in accordance with the ACER Opinion No 09/2015 and at the latest when implementation of FB capacity calculation takes place in the CEE CCR in accordance with the CACM

Regulation. Pascale explained that NRAs will have 6 months to approve and a coordinated decision by NRAs is needed now.

Ruud Otter (Eurelectric) asked about a vision related on the further development of integration of CCRs in the future, beyond CWE and CEE, and further questioned the flow-based methodology and how it will work to merge the CWE and CEE. Pascale Fonck replied that this will be tackled in the next steps. The proposal in the document already contains information about the mergers.

Zoltan Gyulay (ENTSO-E) explained that regarding the CWE-CEE merging 3 options were on the table: 1) 2 separate CWE and CEE methods, 2) stop all individual processes and come up with 1 common process, or 3) apply gradual extension of projects step by step. All these have positives and negatives but this should be tackled at first and requires a unanimous all-TSO decision. Mr. Gyulay explained that to make this work, it is key for each party to be fully committed, including regulators, before spending resources.

Sven Kaiser (ACER) explained the challenges for regulators on this. The DE/AT border is an issue and E-control recently challenged this legally. The issue of merging CWE and CEE is very important, as the border is only one element in the overall debate. He explained Austria's preference for an immediate merger and wondered what can be expected in March in the NRA approval process as well as timelines of the plan in order to make an overall judgement, as there is only a limited time to look at the proposal. He added that Austria don't agree with the split as it deems it is not feasible for many reasons, including network security. Some measures on the way may include phase shifting to help resolve the issue faster than the implementation of capacity calculation regions.

ACER explained that the key question is which of the 3 options for the CWE/CEE merger to take, and asks how a step-wise approach may be implemented, while staying consistent with CACM provisions.

Sven Kaiser (ACER) reminded that the CACM has 2 types of deadlines: methodologies' deadlines (fixed) and implementation deadlines. A step-wise approach could be considered by using both of them. Ruud Otter asked if things could proceed faster in line with the spirit of the CACM Regulation. Andrew Claxton, EUROPEX, explained that from CWE FB there are huge implications for the market and that it is not sure how the CWE FB methodology can be extended and it should be further discussed with stakeholders (the stakeholder groups, etc). Some issues can be left to the TSOs to solve, but the implications can be big for the market coupling both within CEE and in other regions; the market perspective needs to be fully taken into account.

Zoltan Gyulay (ENTSO-E) explained that if there are 2 regions, it is not clear how to separate them, and ex-ante allocation of some parts leads to suboptimal results. The governance will be discussed after the first part is solved.

Marcel Cailliau (Eurelectric) inquired about the deadlines based on the new proposals and whether it can happen that implicit deadlines get extended or are not met on time.

Marta Mendoza (ENTSO-E) underlined that the all-TSOs CCR proposal submitted to the NRAs is a very good first step already, and that now a roadmap design is ongoing regarding CWE & CEE, we have the first steps on track, and it is up to NRAs to do the next step, and approve the CCR proposal and the implementation deadlines. Ruud Otter, Eurelectric, acknowledged the first good steps but asked about the outlook for next steps and pointed out that it is not clear on the final point where we want to go, so a vision is needed to avoid running into traps.

Sven Kaiser (ACER) underlined that the proposal moved from 8 to 11 regions but despite being dynamic, there still seem to be too many regions and the reasons for that are questionable. Arben Klllokoqi, EFET, said that market participants still don't seem to know what the plan will be on the side of TSOs and would like to know if there is some more involvement of market participants on some issues and would welcome such involvement (ex. usergroups). Pascale Fonck, ENTSO-E, explained that now TSOs are collaborating to develop the roadmap and then it will be clear at which point of time market participants will be involved.

Andrew Claxton (Europex) highlighted some of the substantive technical and market issues that need to be taken into account when considering possible merging of regions and that it is not as simple a process as some stakeholders might think. It is not clear yet if the methodology is scalable for large regions and what the implications for flows and pre-congestions will be; it will need to be properly evaluated.

Ruud Otter (Eurelectric) agreed that there is an operational challenge, that more coordination should be ongoing and that TSOs are expected to express their ambition on how to solve these issues. Pascale Fonck (ENTSO-E) explained that this is precisely why TSOs are also concerned, and they are developing in parallel the tools but that a full merge can't be made yet.

The Chair explained that the 2 main issues for NRAs currently are the DE/AT border and CWE/CEE merger. He noted that there is still a large number of regions and this will be a challenge. ACER will provide an update on the approval process of the CCRs.

### **3.2 Limitations of cross-border capacity:**

Ruud Otter (Eurelectric) stated that a level-playing field in Europe is needed and that XB connections should be treated in the same way as internal links. He pointed out that the products on DA are going well (CWE FB MC being an important step) but many things still need to be improved. He gave an example on NTC values on the DK1-DE border where capacity has decreased in the last year. TSOs conducted a study on the situation and found different social welfare impacts when comparing the local DK1-DE situation and the wider regional level if capacity reductions between the two countries are removed. Another example of a need for improvement of the situation is related to the decision to install a phase shifter on the BE-LU interconnector for security reasons. He pointed that a business case for this is not known by market parties, and the impact on welfare and FB MC is not clear. On the NL-NO border, recent capacity reductions were observed due to what seems to be some maintenance but it was not clear to the market why curtailments occurred and to what extent the NRAs have been involved in monitoring the reasons for capacity allocation restrictions. On the bidding zones' review, Eurelectric still expects answers to some questions.

On a general level, Mr. Otter explained that the CGM is not a common calculation and things should go forward, and pointed out that the regional approach should be stronger in this as currently most coordination still happens bilaterally. He pointed out that redispatching appears to be a rather hidden process and the technical report does not provide a full picture on this process and the market can't really explain this. In addition, market participants would like to have more visibility on the treatment of redispatch costs and the calculations, and would like to have a reasoning on what is preventing real optimisation on this. Last but not least, he called for a more coordinated NRA approach on this, and for a more open discussion on the plans for delivering solutions for congestion management as well as for a discussion on the critical issues, be it legal, operational, technical or TSO-regulation related.

Matthias Rützel (ACER) explained that the study on DK1-DE border overestimated the potential welfare impact and the results were not showing reality. NRAs, TSOs and market participants are discussing this situation. Currently some lines are under construction to increase capacity in the future.

Mats Nilsson (GEODE) raised a comment regarding the institutional procedures: if NRAs don't cooperate for political reasons, who can be asked for an opinion on the case as currently the obligation is to go to DG COMP immediately. There should be a way to first ask directly the NRAs to coordinate better, then to address DG COMP if this does not work.

The Chair pointed out that the ACER Market Monitoring Report 2015 tried to benchmark the extent to which TSOs and NRAs are compliant with the CACM today, and the result was that the percentage of compliance was still very low for now. There are some cases of discrimination between cross border and internal flows across Europe but the hope is that TSOs will address the issue of discrimination when drafting the capacity calculation methodologies. ACER is waiting for TSOs' views on the discrimination issue and has some ideas related to capacity calculation methodologies, which will be discussed with NRAs now and then shared with stakeholders at some point soon. He concluded that all this is to be dealt within the CACM implementation, from now to the submission of the CCRs methodologies after the CCR approval. He welcomes all ideas on this subject.

Zoltan Guylay expressed his own opinion that the conflicting CO2 objectives and priority dispatch and maximizing cross border trade have their limits as to what the TSOs can do in reality, along with political limits too.

Alain Marien (ACER) pointed out that in Belgium there have been price spikes on September 22nd, and recommended a recent [CREG working paper](#) on the issue of XB discrimination.



Ruud Otter (Eurelectric) pointed out that improved coordination could perhaps avoid building lines and that capacity calculation and TSO coordination would be crucial.

Matthias Rützel (ACER) explained that there is an ongoing process to solve this and encouraged the TSOs to cooperate more but agreed that more infrastructure is a prerequisite for this. In Germany, there is also a political link but grid development is key and it's the core of Energiewende which is a major goal for Germany. He explained that this can be challenging and has some side effects but that Germany tries to coordinate regionally with neighbours. Ruud Otter, Eurelectric, inquired if there is relationship with CCR, and pointed that CCR should provide a single calculation and a better view on the network flows. Mr. Rützel answered that CCR is indeed crucial. However, CCR will not solve the discrimination issue, the Chair added.

Peter Claes (IFIEC) pointed out that the Energiewende should not jeopardise the overall security of supply (SoS) and the competitiveness of Europe, and suggested that tariff revenues could be reduced progressively if some unsolved congestion issues remain as one potential solution.

Jerome Le Page (EFET) pointed out that according to the ACER monitoring report, interconnections are still not optimally used across Europe and questioned the need for more interconnection capacity, calling for a different type of discussion on this. Christophe replied that a proposal to follow-up on this could be done but has to be first discussed with NRAs.

Ruud Otter (Eurelectric) pointed out that there are legal issues which should be put on the table, and issues with the regulation of TSOs and asked if regulation is challenge to TSO-collaboration. He called for a clear and pragmatic view on the challenges that need to be solved.

The Chair confirmed that with CACM TSOs will have to coordinate and improve the methodology, and if there are any national legal issues, they should be solved. **He proposed to present some figures from ACER's Monitoring report at the next MESC with regard to discrimination between cross border flows and internal flows, and to prepare a few slides on this issue, providing a forum for discussion on this and on the capacity calculation methodology.**

### **3.3. Re-calculation of ATC for intraday capacity allocation pending introduction of the SOB:**

Guido Pasternack (EFET) presented some issues related to the XB ID capacity reductions following the CWE FBMC go-live, with substantial reduction of the ID capacity especially on the DE-FR border.

Guido pointed that this has an impact on ID trading and that market participants would need a clear confirmation of the target model for intraday and whether a full FB capacity calculation or a simple recalculation of ATC values post-DA clearing is applicable. He requested as well an indicative timeline for the completion of the target model and the implementation of CACM requirements.

Guido recalled that as an interim improvement, NRAs requested in March 2015 the recalculation to be done by November 2015 but this has not been done yet. He added that RTE had presented a solution which may free up some capacity but with very unclear impact as it only addresses certain D-2 external constraints, and relies on a decentralised process. EFET would like to see a full interim model proposing a real recalculation of ATC values, based on all available data after the market results of DA FBMC are published as well as clear timeline on when such solution could be delivered.

Pascale Fonck (ENTSO-E) gave an update on the CWE proposal on ID capacity calculation (CC) in FB context. She explained the general requirements for ID CC and that, according to CACM, CWE TSOs have to finalize the FB ID methodology 19 months after the entry into force of FB DA, which means that by Q2-2017 the methodology should be provided.

In 2014, TSOs in CWE investigated the impact of FB go-live on ID ATC and possible short-term improvements after introduction of FB DA. CWE TSOs decided to start right away with developing FB ID version 1 in line with CACM, keeping in mind that 'short-term' improvements require at least 1 year for implementation. CWE TSOs proposed a three-step approach for the implementation of FB ID after thorough analysis and in line with NRA, CACM and EC

prerequisites. CWE NRAs were consulted throughout the development of FB ID and received an approval package to formally approve the intermediate step towards FB ID.

Several stakeholder associations, among them EFET, Eurelectric and Europex expressed their dissatisfaction with the long development period and wondered if there was a possibility to implement some type of CB capacity recalculation after DA for the ID timeframe in a shorter time period than one year.

Pascale Fonck explained that a step-wise approach was taken for the development of FB ID version 1, and CWE TSOs agreed to implement a pragmatic ID ATC process for all CWE borders with ID ATC Capacity Calculation for the short term (with the coordinated increase/decrease process for all CWE borders now pending NRA approval), as well as an FB ID Capacity Calculation for the longer term, which is still in progress.

Pascale presented the current challenges in developing FB ID, pointing that FB re-computation should be performed based on more recent Common Grid Models since recent and accurate information should allow for more accurate result of the remaining capacity. However, it should be noted that this will never guarantee an increase in capacity available for intraday. The DA process can be seen as a good starting point but some new challenges have to be considered, related to updating main inputs to ensure consistency with new information contained in CGMs, the 24 timestamps, feasibility and added value of re-computation to the markets, among others. CWE TSOs have started working on these challenges and foresee an implemented process by the end of 2017.

***The process has started, work plan is being done, for the next MESC, TSOs will provide a more detailed planning for how this will be implemented. Markets will be informed on the developments via the CWE CCG, the ESG and JAO websites.***

Alain Marien (ACER) recalled that a decision has been taken by all NRAs in CWE, before the start of day-ahead flow-based market coupling, by which NRAs requested recalculation of ID capacities, based on the most recent information available. He concludes that fast progress on the recalculation is very important as this is linked to a successful CACM implementation. Matthias Rützel (ACER) confirms this view.

Jerome Le Page (EFET) agreed with Alain Marien and asked about the current plans of NRAs on how they will ensure real recalculation of ID capacities before 2017 as well as what the outstanding pitfalls and problems are.

Pascale Fonck, ENTSO-E, explained that the current operational process does not allow for a full re-computation of intraday capacities in the short term. She pointed out that the proposal of CWE TSOs includes steps to enhanced coordination (both bilateral and on all CWE borders).

Andrew Claxton (Europex) commented that the XB ID system requires huge investment that might turn out to be redundant if intraday capacities are too small. He noted that some genuine issues remain for intraday capacity calculation. He looks forward to the TSOs' plan on this for the next MESC.

Ruud Otter (Eurelectric) inquired also on the current expectations regarding the speed for the process. Pascale Fonck (ENTSO-E) answered that TSOs are working on this and further information can be presented in the next MESC.

**The Chair requests further reporting from CWE TSOs and NRAs at the next MESC meeting.**

### **3.4: Update on Euphemia performance issues:**

Marcel Cailliau (Eurelectric) presented the market participants' questions related to Euphemia. As main issues related to the Euphemia performance, he identified some growing concerns on the quality of the solutions found by Euphemia, the lack of information for market participants to understand the optimization process and some missing statistics on Euphemia performances. He explained that in order to find a solution for this, the real cause of the problem needs to be identified. Having a better sense of the complexity induced by each component, including a periodic update on performance results published by the PCR project, should help as well.

Mr. Cailliau pointed out that market parties miss background and statistics of Paradoxically Rejected Blocks (PRBs) as well as the key questions related to links existing between the optimality of the solution and the occurrence of PRBs, as well as what are the real issues causing the PRBs, which have to be addressed by market parties. In addition, an inventory of potential sources of sub-optimality is needed, and an assessment of the impact limitations of calculation time, cable losses and ramping constraints, among others, and which patches lead to sub-optimality,

impacting the algorithm performance. He underlined that heuristic implementation should be sought in this context.

Marcel refers to the proposals for solutions made by PCR : they could include either reducing the amount of blocks types and other complex products allowed per participant and market (bidding zones), reducing the range of products treated in Euphemia among others. *For Eurelectric*, in any case, market parties need a detailed diagnosis before starting discussions on any proposal and PCR parties should explain each option to allow for proper discussions and consultations. He underlined that the increasing complexities and number of products that are used are a continuous challenge and there should be more clarity on the types of products used in countries/regions, their use in different markets, the impact of these products on iteration, among others.

In addition, Marcel raised further questions for discussion with regards to the possibility to introduce a portfolio bidding in Spain instead of plant by plant bidding, whether the Italian PUN model should be kept, among others.

The recommendation of Eurelectric/EFET is that further simplification in existing individual market designs is needed, and any further PCR extension should not add additional complexity (products etc.) nor additional market design elements that can be harmonised beforehand while the “unharmonised” elements should not be coupled yet.

The PCR project will organize a workshop on 11 January 2016, to provide answers and understanding to the questions related to Euphemia. The program of the workshop can be found [here](#), and the organizers welcome all feedback and suggestions related to the workshop program and the audience. Eurelectric and EFET confirm their attendance to this.

#### **3.4.1. The PCR project and PCR status update:**

Andrew Claxton (Europex) gave an update on the PCR project and latest Euphemia developments. He pointed out that optimality gap has been a concern but that a good solution exists now to solve this. Some of the stakeholders’ concerns were taken already on board in the latest release of Euphemia 9.3 on 26/10/2015.

The increasing complexity is a challenge and at an internal PCR expert workshop on 20 November with the algorithm supplier, PCR discussed different options and their feasibility on measures for performance improvements.

The Workshop (WS) on 11 January is expected to gather 80-100 participants. The PCR organizers want to provide a good understanding of what they are doing, and will invite the MESC as well as other relevant people. The workshop will focus on the current status, performance and improvements of Euphemia and provide a forum for discussion on the way forward for the algorithm as well as collect feedback from stakeholders on it. Topics will cover the treatment of different size of bids and market areas, PRBs, optimality gaps, heuristics principles, time to first solution among others.

Andrew explained that CACM implementation influences the cost management for PCR. One possibility is to search for another approach eventually, if this does not work, with the help of some universities. Rickard Nilsson (Europex) suggested that SEE Parties as well as Parties from other regions not yet coupled via PCR solutions in MRC (or 4MMC) should be encouraged to join the Euphemia WS on 11 January to enhance their understanding and ability to provide input.

Matthias Runzel (ACER) thanked for the presentation and asked about how many bids can be handled today and how many countries are part of the target model as this information is needed in order to see whether a new approach is needed for the algorithm. He welcomed the upcoming workshop and said that a better assessment on what the actual algorithm can do is needed which can then be presented to NRAs. He pointed out that all Europe should be taken on board already now, not only the MRC parties since the non-MRC parties should adopt the discussion too in the future. The NRAs would in addition appreciate some more detailed explanations from experts on the types and nature of blocks that can be designed.

Rickard Nilsson (Europex) said that the focus of PCR now just like before is to fulfill the pan-Europe Target Model based on DA Market Coupling and also that simulations and developments are continually being done to ensure to have a solid solution that provides trust in the market.

Jerome Le Page (EFET) pointed out that a framework for improving the optimality of the solution is needed as well as a better understanding of the problem itself.

On the side of the NRAs, Alain Marian explained that NRAs have to approve the products and the algorithm too, and expect as much as possible information to be delivered on this.

José Javier González (Europex) explained that the problem was the evolutions of options, as the DA organized markets started simple, but the market requested more complex products, and its evolution multiplied the number of blocks.

### **3.5 Update on the NEMOs-related governance aspects (NEMOs):**

Andrew Claxon (Europex) presented the ideas around stakeholder engagement within the NEMO governance structure. He reminded that PXs have started working on the development of the potential NEMO governance framework as required under CACM. The MESC has been informed before about the idea for the creation of a NEMO Committee (“NEMCom”) to deliver the MCO Plan and other tasks required in CACM to be agreed among all NEMOs. PXs expected to become NEMOs have jointly started to develop some proposals on how to ensure effective stakeholder engagement at the European level regarding common NEMO responsibilities and the relationship towards regionally/locally handled processes.

Mr. Claxton asked the MESC for feedback on the proposed ideas for stakeholder engagement related to art. 10, 11 and 12 of the CACM.

PXs have ideas related to engaging with ACER/EC in development of MCO Plan & Methodologies; applying the provisions of art 10 to NEMCom meetings (ex. publishing (approved) minutes). Mr Claxton pointed out that the main focus for 2016 will be in the methodology parts and in finding ways to engage further with ACER and EC.

With regards to Art. 11, Mr. Claxton presented some ideas on ways to ensure effective stakeholder engagement. He asked how it is best to report on NEMO issues and within what framework (integrated with ACER-led MESC or separate), in what timeframes and in what constituency. He invited all participants to send their views in the next few weeks in December.

Jerome Le Page (EFET) welcomed the idea of having a forum for stakeholder feedback. Andrew added that XBID stakeholders group is jointly organized by TSOs and PXs and asked if it would need to have broader participation from other parties. Pascale Fonck, ENTSO-E, noted that, in case the participation is broader, it would overlap with the MESC, which is also dealing with DA/ID coupling. Andrew Claxton explained the NEMCom amendments’ classification and process under art. 12, related to consultations as well as the obligations of NEMCom for ensuring compliance with art. 12 consultation requirement, including the need for an appropriate framework and a more tailored approach for future amendments. He outlined the proposals for the different types and levels of change that can be introduced depending on the type of impact the changes could have on market parties (non-notifiable change vs. notifiable change vs. consulted change vs. methodology amendment) with a view to ensuring fair treatment, maximum transparency, right checks and balances without increasing bureaucracy and burden. Minutes of NEMCom and/or Change Register could be published, and a quorum can be used if stakeholders disagree with the NEMCom approach, in which case they can request the change to be discussed at a special Stakeholder Group meeting. On request of ACER, following MESC’s advice, NEMCom may be required to address any change as a formal methodology amendment. The important objective would be to use the right change management process and to put it into place efficiently.

Marcel Cailliau (Eurelectric) suggested from a personal perspective that a NEMOCom with a small extension could be a useful platform for discussion with key people delegated from the MESC members to consider all points, decide if some need to be addressed into further detail, then estimate if there is any need of additional stakeholders committees, organize workshops where needed, and if something structural and bigger is needed.

Jerome, Le Page (EFET) commented that the classification of changes has not been fully discussed in EFET but noted that one of the issues (i.e. the distinction between a material and non-material change), might not be very clear in terms of impact to market participants (related to categories 1&2) and recommended that any change that is not methodology amendment should be consulted somehow with stakeholders. If proposals of changes are non-controversial, then the process is smooth and these changes can be also announced in the MESC.

Rickard Nilsson (Europex) explained that there can be many internal changes (i.e. related to operation of MCO Function and NEMO interactions with it) that could have no impact or very low (i.e. file type, backup) on the market parties. An appropriate category for such changes to reduce bureaucracy is therefore needed as pointed out by Andrew.

Andrew Claxon (Europex) explained that the objective was to give a mechanism to challenge if a change is categorized as important. He asked if a similar approach be applied to changes made at ENTSO-E.

Ruud Otter (Eurelectric) explained that the MESC's goal is to smoothen things and provide benefits to all, and asked where the current Board and Council of PXs fits. Rickard explained that the activities in the Board of each PX as well as in a Market Council connected to a given PX is up to each PX to handle separately. Andrew added that this framework and its proposals will be in the MCO plan and when methodology is under discussion, it will be considered.

**The Chair concluded that the proposal of PXs seems a reasonable approach, and that at this stage there is no need for a separate dedicated PCR stakeholder group. The process should be done step by step, and on ad-hoc basis when there is an issue, stakeholders can be invited for specific meetings.**

### **3.6. EC's update on the accession of non-NWE + parties to the XBID project:**

Matti Supponen, EC, explained that some parties requested access to the XBID project. He explained that it was decided to create an accession stream. The CEE electricity forum discussed this situation and some parties were not entirely happy with this. However, he hopes that the accession work stream implementation will help.

Jerome Le Page (EFET) supported the idea. He also asked what should be done for NWE+ parties who didn't progress on the LIPs (ex. the Northern Italian and the Spanish borders) and asked about more explanation on how the regulators are monitoring this.

José Javier González (Europex) answered that the project is in development phase but that it is quite difficult, and that testing interfaces with the trading system is underway. He explained that 6 ID auctions happen in Spain, the results are communicated to TSOs, but in the future this will be 24 times/day, and this needs to be integrated into the projects.

Ruud Otter (Eurelectric) proposed that as the last XBID stakeholder group was canceled, a new one should be planned to look into the details and use input from stakeholders.

José Javier González (Europex) explained that a future meeting is planned where this issue will be discussed and each LIP will be reported upon. The Chair asked the XBID project to organize this group soon or bring this forward into the next ESC. Jose Javier stated that the date of the next XBID stakeholders group will be communicated to ACER.

Andrew Claxon (Europex) added that the interface between ID and balancing timeframes (and cut-off time) needs to be further assessed.

### **3.7 CWE FBMC**

Arben Kllokoqi (EFET) raised a question about the transparency issue. Some points of disagreement were raised on what important info shall be published to the market on FB: market participants asked for the publication of fixed IDs for critical branches etc. but TSOs explained that this can't be published. EFET underlined that improved transparency on these elements was part of the CWE NRAs approval package of March 2015 and was supported by the regulators present at the CWE FB User Group meeting of 19 November. Some follow-up is needed by regulators as the topic impacts the market. The Chair explained that as NRAs and CWE will meet to discuss ID recalculation, this point should be added to the meeting and that there should be a relevant follow-up on this. Alain Marian confirmed that this point is on the agenda.

The Chair requested an update on this subject for the next ESC meeting.

#### **IV. AOB:**

The Chair mentioned that there were a few updates on other issues (CWE/CEE projects, XBID, accession of 4M to MRC) which can be found on the MESC webpage.

Steve Wilkin (Europex) asked if the MESC also cover balancing and what the relationship with the balancing stakeholder's group is. An update on this, is to be included in the next meeting.

José Javier González (Europex) noted that there were issues that should be discussed relating to the intraday market closing and the timing of submissions required for the balancing market. This could be discussed at a future MESC.

Agenda will be circulated in early January. The deadline for all documents to be sent for upload to the MESC platform is two weeks before the meeting, i.e. 20 January.

#### **V. Next meetings for 2016:**

- 3<sup>rd</sup> February (CEER, Brussels), 11<sup>th</sup> May 2016 (ACER, Ljubljana), 7<sup>th</sup> September (ENTSO-E, Brussels), 7<sup>th</sup> December 2016 (CEER, Brussels)

#### ***Summary of decisions & actions:***

- FCA & HAR: ENTSO-E will take the lead and set up a meeting with stakeholders to discuss timeframes, roadmaps and priorities forward (including TSOs, stakeholders, exchanges, and NRAs) in early January 2016.
- As per the Chair's request, if possible for the next MESC to have a view border by border on what can be expected for the early implementation of FCA.
- ACER to present some figures from ACER's MMR at the next MESC with regard to discrimination between XB flows and internal flows, and to prepare a few slides on this issue.
- Recalculation of ATC for ID: for the next MESC, ENTSO-E to provide a more detailed planning for how the FB ID will be implemented and further reporting on the progress and the requirements for the recalculation to be expected.
- Balancing to be included in the agenda of next MESC meeting.