

## 13<sup>th</sup> Market European Stakeholder Committee (MESC)

Friday, 08 June 2018 from 10:30-16:30  
CEER, Cours Saint-Michel 30a, 1040 Brussels

### Draft Minutes

Participants			
Christophe	Gence-Creux	ACER/Chair	
Mathieu	Fransen	ACM	
Lisa-Marie	Mohr	BNetzA	
Rafael	Muruais	ACER	
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Camille	Hamon	ENTSO-E	
Mark	Lane	ENTSO-E	
James	Matthys-Donnadieu	ENTSO-E	
Benjamin	Genet	ENTSO-E	
Zoltan	Gyulay	ENTSO-E	
Marta	Mendoza	ENTSO-E	
Jean	Verseille	ENTSO-E	
Alexander	Dusolt	ENTSO-E/Secretariat	
Jerome	Le Page	EFET	
Paul	Giesbertz	EFET	
Johannes	Schulz	EFET	
Cosimo	Campidoglio	Europex/NEMO Committee	
Paul	De Wit	CEDEC	
Steve	Wilkin	Europex	
Wolfram	Vogel	Europex	
Nuria	Trancho	Europex	
Rickard	Nilsson	Europex	
Hélène	Robaye	Eurelectric	
Ioannis	Retsoulis	Eurelectric	
Pierre	Castagne	Eurelectric	
Steve	Wilkin	Europex	
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Markela	Stamati	EC	

### **1. Opening**

#### **1.1 Welcoming address and Draft Agenda**

The chair opened the meeting and welcomed participants. The minutes with the addition from NEMOs were approved, the agenda was approved with minor changes.

#### **1.2 Update on recent developments**

The chair informs:

- About ACER's decision on IDXZGCTs. Eurelectric asks ACER to clarify how to get to the target timing and asked for exemptions.
- On CC methodologies no delays are expected and EC confirms the firm deadlines. TSOs will submit the updated methodologies and the relevant NRAs within each CCR should approve within 6 months.
- ACER is working on the algorithm decision.
- In the Florence Forum, the electricity regulations Art. 13 and 14 were discussed and stakeholders raised their concerns. Also, the BZ study and how to improve it was discussed. XBID go-live is expected next week. Other topics included digitisation, cyber security etc.

EC updates on the next steps of the CEP. Further meetings will take place in June and July. First trilogue on technical level will be in July and continued in September.

EFET points out that the FF concluded on BZ that more work on the approach needs to be done involving EC and NRAs. EFET would like Stakeholders to also be involved. ACER finds the process still strongly driven by political agendas. ENTSO-E would like to improve the quantitative part and would not mind open discussion at a political level. Political discussions however should not hamper improving the technical details.

### **1.3. Content Discussions in MESC**

The Chair reminds and shares stakeholders' concern that not enough content is discussed in the MESC.

ENTSO-E points out that the MESC should not interfere with the regional approaches. ENTSO-E will always be available to investigate specific inquiries. As an example, ENTSO-E proposes to present its future ambition in terms of transparency at the next MESC.

- ➔ include transparency in the next MESC.

Eurelectric finds that the CCM involvement should have been done in the beginning of the process with discussions on the key EU principles and not at the end. Eurelectric would appreciate feedback on high level principles. They consider that ENTSO-E has to ensure overall coordination and consistency, which is also in the interest of ENTSO-E and the respective TSOs. ENTSO-E says that formally, as per the regulations, they can't interfere nor have any role. Eurelectric adds that the ToR of MESC is clear on it having a monitoring role over the implementation process. Hence in order to achieve that we need to address regional aspects in MESC as well. ACER agrees. ENTSO-E states that they need to adhere to the process. Eurelectric says that legally the guidelines do not prohibit such discussions outside the regional groups. ENTSO-E responds that they think we are all on the same page, but MESC is not a decision-making body. Eurelectric agrees that MESC is and should not be a decision-making process, but that does not prevent MESC to propose input to the regional discussions. A high-level overview could also be done by NRAs and presented in MESC.

EFET agrees with Eurelectric. It considers regional CCM proposals are of European relevance and should be discussed in the MESC. The high-level principles drafted by ACER in 2016 were not mirrored in the CCM proposals. NRAs have sent detailed request amendments. EFET points out that regions don't have their own governance and the ToR for the MESC includes monitoring progress on NC implementation at local, regional and pan-European level. CCM proposals lack involvement of stakeholders as they are only involved at the beginning but not after change requests from NRAs. A central website would be needed; ENTSO-E is already good on codes, stakeholder communication, ESC material, but regional proposals/developments are still missing. ACER and ENTSO-E confirm to be working to update all Regional proposals in their websites.

ENTSO-E explains that there is a reason for the regional approach as this was already agreed in NCs. NCs have established high-level principles and ENTSO-E respects the regional approach. ENTSO-E can be transparent on the methodologies but it is difficult to assess the NRAs' requests against the proposals. ENTSO-E explains they don't have a formal role in the establishment of regional proposals, they can organise workshops, include consultations on the website and try to overcome differences but the decision making firmly remains in the regions. ENTSO-E offered to invite regions to present proposals, e.g. the CORE CCM proposal. ENTSO confirmed that the website will be further completed with an overview of regional proposals in addition to the EU proposals.

ACER invites the CORE region to present their methodology in the next MESC.

- ➔ ENTSO-E to present regional proposals (CORE) in the next MESC.
- ➔ ENTSO-E to present the updated website in the next MESC, including regional proposals.
- ➔ ACER informs that the NC part has been updated on ACER's website and will follow up for the next MESC.

Europex believes that compatibility between regions needs to be linked at the EU level and shares concerns on stakeholder involvement only at the beginning of the process. It notes the need to emphasize more the EU context by NRAs, indicating we have failed if the different regional proposals are not compatible with each other. The impact on adjacent regions also needs to be considered. CORE is a key region but the impact on others also needs to be evaluated. Missing stakeholder involvement in the early stage, could be solved via CEP.

Eurelectric asks for a benchmark of the regional CCM and would like to better understand the reasons behind the differences between regional proposals. For instance, it is important to understand why the Nordic CCM will include optimization between costly remedial actions and cross-zonal capacity limitations in the CC process and not the CORE region.

→ ENTSO-E notes the question on presenting the status of the methods in the different regions.

### **2.1 Balancing**

ENTSO-E (Benjamin Genet and Alexander Dusolt) updated on the developments on the Electricity Balancing Guideline. ENTSO-E explains that the remaining cross border capacity will be first used by replacement reserves, then mFRR, then aFRR. The latter processes will not be exactly parallel so that capacity can be forwarded from one to the other. Details still have to be worked out e.g. whether a centralised approach with platforms communicating with each other will be implemented, or a decentralised approach where information would flow from one platform to another through the concerned TSOs. ENTSO-E explains the AOF will first maximise welfare. If two solutions reach the same welfare the second principle will be applied.

Europex and EFET ask to discuss activation purposes together with pricing and the activation optimization function. Europex raises concern on the CEP parliament version, electricity regulation Art. 7.1, which requests the Intraday GCT 15mins before real-time, which may collide with mFRR and aFRR processes. ENTSO-E shares the concern but confirms that the identified design would not hamper an implementation of the aFRR and mFRR process after the ID. The operational aspects would however need to be investigated.

E-control updated on the D/AT border: TSOs intend to reserve XZ capacity for common balancing capacity procurement. There will be the possibility that XZ capacity will be given back to DA/ID market if this is more beneficial. The proposal was consulted by TSOs (public in German).

Eurelectric raises concerns on the reduction of the FAT for mFRR to 12.5 min and on whether the 10mins ramp between TSOs may lead TSOs to prevent and/or incentivise other reactions. ENTSO-E explains that the 12.5mins were a compromise based on existing FATs and the fact that TSOs need to respect the time to restore frequency, together with the need to let some time for the European process that are precisely needed for allowing the integration. They explain that the interpretation of the ramp period will be ruled in national terms and conditions and will not be harmonised on EU level. On the proposed FAT of 5mins for aFRR, Eurelectric points out to a formal letter sent to ENTSO-E on the non-disclosure of the studies supporting ENTSO-E's proposal in the context of the corresponding consultation that is currently on-going. They state they are surprised by this approach, and highlight it is not in line with the fact ENTSO-E is as per EB GL to ensure transparency during the implementation process. They add that it is critical that such studies, on which ENTSO-E's proposal is based, are timely disclosed to stakeholders in order for them to adequately assess ENTSO-E's proposal and respond accordingly. At last, Eurelectric kindly asks that ENTSO-E comes back on whether these studies can be shared timely enough as the corresponding consultation is on-going. ENTSO-E and ACER explain that the FAT for aFRR will be harmonised as of 2025, before that the exchange across countries will be done on minimum of 7.5mins but the FAT will not be harmonised. This however incentivizes TSOs to move to 7.5mins at an earlier stage. Standard products will still be defined although FAT is not harmonised before 2025. ENTSO-E welcomes feedback in ongoing consultations or in stakeholder workshops. The publication of the study will be further considered by the PICASSO project. The limited expectations we could have on long term quantitative studies (such as for 2025) are explained and acknowledged.

→ ENTSO-E to timely inform all stakeholders whether the studies for selecting the aFRR FAT can be published.

EFET would appreciate more detail on how the exchange of aFRR between different countries will work. For EFET the imbalance settlement harmonisation (ISH) is most important and not much content is visible yet. ISH is the fundament for all prices in the market (DA, ID etc). EFET is also interested how congestion rent generated in balancing or respectively saved costs are distributed among TSOs. ENTSO-E informs about the status of the proposal on ISH which shall be discussed in the stakeholder meeting on 20/21 June.

EFET explains the letter sent to NRAs on FCR Cooperation, stating that a one-month implementation time after NRA approval is not sufficient. ACER explains that it is a legal risk for TSOs if they don't react by allowing transfers or having shorter auctions. Legal certainty only can be created once NRAs have approved for which they need 6 months. ENTSO-E explains that TSOs reading was that TSOs could propose an implementation time, in line with stakeholders' interpretation. However at least one NRA was against. Eurelectric finds the short implementation time a risk for the good functioning of FCR and proposes to agree on a reasonable implementation time.

→ NRAs/Mathieu to follow-up on this request for the next MESC meeting

## **2.2 Balancing and Congestion management**

ENTSO-E reacted on the position Eurelectric raised in the last MESC.

Further to ENTSO-E's presentation, Eurelectric takes the floor and clarifies that they do not question the fact of rejected bids from a physical perspective. They add that there is a notion of virtual "economical" copper plate within BZs and underline the importance of a level playing field within a bidding zone. They carry on saying that they also do not agree with "increase of costs" since these costs exist already at BSP side. They call for a better allocation of these costs. In terms of "gaming", they highlight that according to their knowledge it is forbidden to regulate with the assumption of gaming. This should not be used as an argument they voice. They at last, call upon the spirit of the GL, which is reflected in the recitals, elaborating that these recitals address the necessity for incentives towards producers, but also towards having an efficient grid, hence towards TSOs. Hence if there is no compensation at all, then we end up with counter-incentives towards both producers and TSOs.

EFET supports the Eurelectric view. It reasons that overall costs will go down if market participants are properly compensated for constrained bids. If risks need to be taken by generators/consumers it is even more costly. Any incentive to shift redispatch from DA/ID to the balancing timeframe should be avoided. ENTSO-E argues that redispatch is compensated, however negative incentives from compensating bids in congested areas need to be avoided.

IFIEC reminds that having some congestion is efficient whereas a full copper plate is not. It is important to keep costs for consumers down. There should not be compensation for services that are not delivered.

Europex states that TSOs have to balance long term investments and costs for not having a copper plate should be visible.

ACER points out that the question is more for NRAs to discuss/answer. It asks stakeholders to give feedback in the context of the EBGL consultations and confirms it will raise awareness among NRAs.

→ NRAs/Mathieu to follow-up for the next MESC meeting

## **3.1 Update on ACER's methodology to calculate cross zonal benchmark capacities**

ACER presents their benchmarking methodology.

EC explains that the rules for all borders are directly applicable except if there is an action plan (then for 2025).

EFET appreciates the good work, good debates started, however asks not to forget to work on implementing CCMs. All are striving to improve social welfare with CCMs and in the CEP. ACER explains that the benchmarking shows the benefits of implementation.

ENTSO-E reminds the discussion on welfare optimisation and that more XB capacity increases welfare however costs may be generated by increased congestion/redispatch. EFET states that it is important to get transparency on costs on the TSO side and opportunity costs on the market participant's side to find the right balance.

## **3.2 Update on the status of the Remedial actions related methodologies and the Capacity Calculation methodologies**

ENTSO-E (Camille Hamon, SvK) presents the Nordic CCM proposal which was submitted in mid May. ENTSO-E explains that GSK and method to minimize RAMs are calculated on a yearly basis, based on learnings from prior years. The values are initially chosen by TSOs based on experience gained from the prototype tool and own studies. Flow Based in the Nordics is planned to go live in 2021, with parallel run in 2020. ENTSO-E explains that in each step already allocated capacity is taken up. For the week after, risk margins are integrated and remedial actions are considered. It is up to TSOs to make sure remedial actions considered in capacity calculations are available during operation. The proposal should be available soon on Nordic RSC's website. TSOs are responsible to deliver CNEs to RSCs. The CNE selection process shall consider remedial actions. Security analysis reveals which CNEs are relevant. An assessment of the availability of remedial actions is then carried out. 2<sup>nd</sup> part of analysis compares costs for remedial actions and impact on market. This will be done weekly on national level and later at RSCs. Description contained in the proposal. The minimum transparency requirement is to publish CNEs with information on bidding zones. ENTSO-E explains that there has been a close dialogue with the NRAs during the amendment process.

Europex confirms to have run tests for including Nordic FB market coupling with up to 28 zones (including virtual ones, ones that exist already from which not all have bids to be calculated). Europex states that no formal request for change has been received. ENTSO-E believes that the changes have been discussed with all stakeholders, so PXs should be aware of the necessary changes.

NEMOs confirm to do R&D in order to guarantee the performance of the algorithm.

Eurelectric proposes to include the CCM topic in the transparency discussion in the next meeting.

- ENTSO-E to present CORE CCM proposal in next MESC.

ENTSO-E (Camille Kamon, SvK) presents the Nordic countertrading and redispatch proposal.

- ENTSO-E notes the question on presenting the status of the methods in the different regions.

ENTSO-E (Mark Lane, Eirgrid) presents the Ireland and UK CCM and countertrading and redispatch proposals.

CEDEC asks for clarification on the key differences between the IU and Channel region. It was highlighted that in the IU region under normal conditions the firm capacity could be either the full technical capacity or a lower level if so specified in a connection agreement. ENTSO-E confirms that in the Channel region technical capacity is also granted to the market, except in the event of maintenance/outage on critical grid elements.

Eurelectric notes its support for the approach taken in the IU CCM and asks about the difference for costly remedial actions between regions and whether they are optional. ENTSO-E explains that while the IU CCM provides for mandatory costly remedial actions, this is an optional rather than mandatory requirement and underlines that it is important to acknowledge the significant difference in scale and complexity between the IU and other regions such as CORE. In the CORE region, it was decided to work with minimum margins, the application of which also includes costly remedial actions.

EFET finds that the basic principles should be the same in every CCM independent of the size. Its preferred approach would be to apply the right principles and provide justifications for deviating from these principles, where needed. ENTSO-E explains that the minimum margins have been in place for a long time. The proposal will be published soon for the CORE region. Cross border RA are e.g. applied on the D/PL border.

### **3.3. Update from NEMOs**

NEMOs presents their update

ENTSO-E states that the discussion on cost sharing and validation of elements is ongoing.

### **3.4 Update on XBID and LIPs and main issues at stake**

ENTSO-E updates on XBID. It explains that applying a fallback solution and going back to the primary system would in practice take more time than directly fixing the primary system. This explanation on fallback was welcomed by stakeholders. ENTSO-E will come back via mail to EFET in relation to the multi-NEMO agreement.

Europex confirms that the Spanish TSOs Operation procedure decisions on XBID have been published. Iberian market participants have been informed about the implementation of the new intraday continuous market in two sessions and one webinar and all the questions raised by participants were clarified.

EFET presents its view on XBID.

EC underlines that there is no step back. It will monitor XBID on governance and technical details, such as the Iberian case. EFET issues will be followed up. On capacity pricing, EC started a study based on two options, one based on the TSOs' proposal, and one based on pricing during continuous trading. First results are expected in September, with completion in Q1 2019.