

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

Tuesday, 04 September 2018 from 10:30-16:30  
ENTSO-E, Avenue de Cortenbergh 100, 1000 Brussels

### Draft Minutes

Participants			
Christophe	Gence-Creux	ACER/Chair	
Mathieu	Fransen	ACM	
Marie	Woithe	BNetzA	
David	Allman	BNetzA	
Tomas	Querrioux	ACER	
Reinhard	Kaisinger	E-control	
Nico	Schouttet	CREG	
Marie	Montigny	CRE	
Laurent	Schmitt	ENTSO-E	
Mark	Lane	ENTSO-E	
Konrad	Purchala	ENTSO-E	
Benjamin	Genet	ENTSO-E	
Zoltan	Gyulay	ENTSO-E	
Marta	Mendoza	ENTSO-E	
Jean	Verseille	ENTSO-E	
Jan	Voet	ENTSO-E	
Michele	Dion-Demael	ENTSO-E	
Mathilde	Lallemand	ENTSO-E	
Alexander	Dusolt	ENTSO-E/Secretariat	
Jerome	Le Page	EFET	
Paul	Giesbertz	EFET	
Sonia	Saly	EFET	
Cosimo	Campidoglio	NEMO Committee Chair	
Paul	De Wit	CEDEC	
Victor	Charbonnier	WindEurope	
Steve	Wilkin	Europex	
Yolanda	Cuéllar Salinas	All NEMO projects repr.	
Rickard	Nilsson	Europex	
Hélène	Robaye	Eurelectric	
Ioannis	Retsoulis	Eurelectric	
Pierre	Castagne	Eurelectric	
Edmund	Beavor	Europex	
Michaël	Van Bossuyt	IFIEC Europe	
Marine	Delhommeau	EASE	
Matteo	Moraschi	EASE	
Tim	Shittekatte	EUI-FSR	
Matti	Supponen	EC	

## **1. Opening**

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

The chair opens the meeting and welcomes participants. The minutes of the previous meeting were approved with the proposed changes and additions received from OMI and Eurelectric. ENTSO-E noted that the minutes of the last meeting do not reflect the requirement that a compensation (if any) for bids skipped due to network constraint shall be equally applicable to all voltage levels. The MESC noted ENTSO-E's request but agreed to not change the version of minutes incorporating OMI's and Eurelectric's additions and proposed changes. The item on balancing was moved to the beginning of the meeting and the agenda was approved. The Chair announces to review the attendance of the MESC in relation to full member/observer status and equal representation from different associations.

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

The chair informs on the following elements:

- No comments were received during the public consultation on the CORE region fallback methodology. They aim at issuing a decision by end December. EFET highlights that they did respond to the consultation.
- ACER consultations on intraday cross zonal capacity pricing will start in the next weeks.
- CORE region public consultation on RD&CT methodology will also start in the next weeks.
- ACER will publish their 7<sup>th</sup> edition of the market monitoring report on 18 October  
→ allocate time for market monitoring report in next MESC.

ENTSO-E will share with the MESC the slides presented in the SO ESC on the suspension and restoration of market activities according to NC E&R. Deadline for TSOs to submit this proposal is 18 December. The Chair invites MESC members to comment on the presentation before the next MESC meeting. IFIEC asks about apparent lack of the coordination of market suspension and restoration at EU level. The Chair shares the concerns but clarifies that no harmonisation is foreseen. ACER asked ENTSO-E to get more involved and invited the TSOs to map practices in each Member State. Europex believes that cross border effects, including on trading/pricing in SDAC and SIDC, need to be considered.

→ ENTSO-E to circulate SO ESC presentation on market suspension and restoration to MESC members.

EFET expressed in a paper that the maximum intraday price cap should be similarly adjusted as foreseen in day ahead market. The Chair advises EFET to raise their concern with NEMOs and NRAs.

The EC informs that the CEP will be under discussion in the upcoming dialogue meetings.

## **2. Balancing**

### **2.1. Update on main issues at stake**

ENTSO-E (Benjamin Genet) updates on the discussions that took place in the EBSG on 3<sup>rd</sup> September. The main topics discussed were the pricing proposal and the discussion on cross border marginal pricing, the balancing energy pricing period and the related dynamic effects for the aFRR process. TSOs propose to set the BEPP on the control cycle, which currently is four seconds, thereby reflecting the dynamic of the platforms. This approach allows pricing in a consistent way with the usage of cross zonal capacity as congestions can change each control cycle. TSOs propose to have a cross border marginal price for all bids but remunerate bids activated for system constraints on a pay as bid principle, if their price is higher than the XBMP. Remuneration of unavailable bids is not part of the proposal. ENTSO-E clarifies that in the explanatory document for the pricing there are different options on which stakeholders' feedback is appreciated.

EFET argues that the remuneration of bids declared unavailable should be in scope of the proposal as unavailability could be compared to activation for other system constraint reasons. ENTSO-E explains that this is not in scope according to EBGL: EBGL according to ENTSO-E requests to list activation purposes, not non-activation purposes. Furthermore, ENTSO-E highlights that not only TSOs can make bids unavailable but also DSOs. It is up to NRAs to decide on the remuneration. ACER explains that balancing bids don't have any locational information except the bidding zone, thus in fact they can only be used for cross border countertrading / interconnector controllability. For ACER it turns out from the EBGL that the remuneration of unavailable bids will be decided at national level even if a harmonised approach at EU level would be preferable. NRAs are currently investigating the question.

ACER asks in how far congestion can change between different balancing processes. ENTSO-E explains that the left-over capacity shall be used, and that congestion may be different per process, thus the uncongested area may be different for different processes.

Europex asks if price elastic TSO demands are to be allowed and how they would be considered. ENTSO-E answers that they are considered similarly to the BSPs' bids in order to form something equivalent to the offer and demand curves.

CEDEC asks for the arguments to apply counteractivation. ENTSO-E explains that the activation optimisation function can either only meet TSOs' demand and leave market parties to optimise their portfolio or give all bids to the AOF to optimise. CEDEC prefers market solutions, however if there is no other option for the market then a 2<sup>nd</sup> best solution like the counteractivation could be followed. Eurelectric reminds about the impact on intraday markets.

Eurelectric points to the discussion held in June's MESC meeting, and the request for transparency/disclosure of the study that ENTSO-E conducted and referenced in their aFRR proposal that was under public consultation during that period. As ENTSO-E had committed during the aforementioned meeting to timely inform stakeholders whether this study could be disclosed or not, Eurelectric kindly asks for an update, following the TSOs' pledge to make a redacted version of the study available in July already. ENTSO-E plans to present more details during the EBSG meeting in November.

Europex understands that some parties are against price elastic demand from TSOs. Such parties find that TSOs should not be allowed to set the up/down balancing price via own price dependent orders. ACER states that on RR and mFRR some TSOs clearly request to have elasticity. They explain that TSOs have a dual role with responsibility for system security/frequency but also to optimise between processes and balance different approaches in Europe.

Europex finds the planning unfortunate as the RR proposal (submitted in June) is related with the pricing proposal (deadline in December) and the UK NRA already approved local arrangements for RR. Thus, changes on the pricing proposal mid next year could affect already approved national arrangements. ACER understands the concern but confirms the timing has been chosen consciously. The implementation time is one year after NRA/ACER decision for pricing proposal, so by definition after platform go-live.

ACER mentioned that NRAs have asked TSOs to further specify the principles for the price formulation for elastic demand. NRAs understand that the most part of TSO demand will be inelastic (aFRR) but will likely allow elastic demand for RR and mFRR to enable TSOs to optimise between processes.

## **FCR**

ACER informs that NRAs prepare a request for amendment of the FCR proposal requesting to delay implementation of daily auctions, which shall be combined with the implementation of marginal pricing planned for July 2019. The decision is expected by the end of the year and has a half year implementation time. The TSOs are ok with RFA which corresponds to what TSOs were willing to propose initially. Eurelectric welcomes the decision, which is reasonable in line with stakeholders' past reactions. It has however been taken at a very late stage, and this should be considered for future implementation processes. EFET welcomes the announcement following all the discussions with NRAs of the FCR cooperation on this matter. EFET mentions that trilateral discussions (NRAs-TSOs-Market) to assess the best possible time to implement the daily auctions would have saved time and efforts for all.

### **2.2. NRAs' update on Eurelectric's proposal regarding the compensation of rejected bids**

ACER believes European approach/guidance is warranted. ACER informs that NRAs are still discussing the question of compensating unavailable bids and the relation to the pricing proposal. A meeting with stakeholders is considered in October.

## **3. Capacity Allocation and Congestion Management Guideline**

### **3.1 Update on the CCM CORE**

ENTSO-E (Jan Voet) presents the CORE CC methodology.

Eurelectric questions whether it is too difficult to make an assumption on the clearing point and include costly remedial actions around that point. ENTSO-E explains that to find the social welfare optimum not only remedial actions but also the complete market outcome needs to be known (i.e. the price spreads between bidding zone), which is different to estimate net positions, as all bids would need to be estimated in D-2. ENTSO-E explains that a certain minimum capacity is foreseen for cross border exchanges to avoid discrimination. There is still discussion around the exact level of the minimum RAM.

EFET questions how the cross-border relevance leads to a 5% threshold and mentions that EU regulations require an economic assessment (comparing the economic efficiency of managing an internal congestion by remedial actions or by limiting cross-zonal trade). ENTSO-E explains that only elements representing a 5% threshold are looked into. EFET asks about the differences to the Nordic proposal and what the problem would be if it was applied in CORE. ENTSO-E explains that TSOs in the different regions have a different grid structure, the grid in the CORE region is more meshed, Nordics have more HVDC cables and more dynamic stability limits. The more meshed the grid the more difficult it becomes to calculate estimated values. They explain that applying remedial actions in CORE will affect much more lines than in the Nordics and applying countertrading, as done in the Nordics, does not make sense in CORE. EFET finds these arguments not convincing. Also, the Nordic system is meshed. There is no fundamental reason why an economic efficiency assessment would be possible in the Nordic and not in the CORE region. There is no need to have/forecast the precise bid ladder to make such an assessment. Europex suggests that all remedial actions, costly and non-costly are considered for capacity calculation. ENTSO-E explains that CACM requires only non-costly remedial actions to be included in capacity calculation. The capacity calculation on the DE/AT border will follow the CWE selection rules also. EFET disagrees with this opinion and re-iterates that the CWE flow-based rules are not compliant with EU regulations.

ACER explains that the 5% rules means that zone to zone trade is above 5% and trade will not be limited by critical branches with less than 5% impact. They explain that welfare can't be compared to costs as it is a different calculation. EFET finds that it is possible to compare the efficiency of applying remedial actions versus limiting cross-zonal trade and that it is approved in the Nordic CCM decision. The Chair informs that they had invited the German ministry to inform about their study of costs and benefits on using remedial actions to increase cross border capacity, but the invitation has not been accepted by the time.

The EC wonders if the 5% threshold and the 20% min RAM will influence the CWE FB. ENTSO-E explains that the CNEC selection principles are in line with CWE FB. It seems rather unlikely to have a significant impact, as the 20% min RAM makes impact on far away lines quite unlikely.

ACER questions why the 20% min RAM is part of the DA CCM but they are not included in the ID CCM. ENTSO-E explains that the closer to real time, the use of margins gets riskier. After ID there is not much time left for any correction.

Eurelectric asks for close and regular monitoring and feedback loop/return on experience of the 20% min RAM. This will enable a better perception of possible risks. To that end, they add that full transparency throughout this process is crucial and hence necessary.

### **3.2 Assessment of the regional CCM and redispatching related methodologies**

ACER presents their assessment of the regional differences and informs about the difficulty to get all proposals. Some regions still have not submitted their first proposal. ACER expects the methodologies to set targets and objectives in line with CACM and reminds TSOs that regional methodologies are only a step towards European harmonisation. Transition paths/existing practices should be considered as exemptions.

ENTSO-E informs that according to the CACM the CCM rules are expected to be further harmonised. The implementation timeline is often unbinding. CORE CCM has not been approved and is now in ACER hands. The Chair confirms the close exchange with CORE NRAs on the CORE CCM. More details are expected based on which ACER will consult stakeholders. BNetzA informs that CORE NRAs prepare to share more details with ACER in the next days.

EFET appreciates the overview and express their expectation on the changes that ACER may do to the CORE CCM after the request for amendments submitted by the NRAs. They would appreciate further stakeholder involvement as the initial consultations took place quite some time ago based on immature proposals. They state the same objective, the justification behind the 5% rule and its application should be pan EU. The Chair appreciates stakeholders' support for further harmonisation.

Eurelectric asks whether TSOs should report all remedial actions to RSC. ACER confirms that for them, this should be the case.

EFET asks whether a negative opinion for the CORE region on the Countertrading and Redispatching methodology is to be expected. The Chair states that the discussion is ongoing, and it is too early to give an indication.

CREG informs about a non-paper prepared by NRAs for submission to ACER, outlining that only three CCMs were approved and one sent to ACER, whereas six others are still discussed with NRAs. They mention second RfAs may not be in line with CACM. NRAs will discuss whether the non-paper can be published.

### **3.3 Update from NEMOs and TSOs**

#### **XBID**

ENTSO-E (Jean Verseille) informs that XBID is running stable for more than two months so that rollback systems are not needed anymore. All NEMOs representative (Yolanda Cuéllar Salinas) explains that also internal reasons erroneously deemed common problems currently still trigger incident committees.

Eurelectric asks for plans regarding the order book depth visibility. ENTSO-E confirms this update is foreseen for the next release planned for mid-2019, together with further geographic expansion. They also explain that different solutions to tackle the issues are being studied and that the chosen solution would be presented end of 2018 if ready. Eurelectric suggests having quantitative indicators to monitor performance e.g. linked to tick size or order book depths, then also the margins would be more transparent. All NEMO representative explains that the performance is good and there is still a buffer to the criteria agreed in the SLA. ENTSO-E confirms that the aim is to increase the number of orders and to take out any limits. Also, losses could be addressed in future.

EFET finds that the implementation has gone smoothly, despite the rush in the end for solving many issues. Non-Iberian EFET members are struggling to participate in the Iberian auctions as the system to set up virtual bidding units for Spain and Portugal still does not function properly. As a consequence, so far, no foreign market participants are active in that area and there is no possibility for exchanging energy with the rest of Europe, hence the absence of flows in ID from Iberia to the rest of Europe even in cases of big spreads appear between the Iberian Peninsula and CWE. All NEMO representative (Yolanda Cuéllar) confirmed the move to model B in November and reminded that the market rules are the same for all market participants with no discrimination among all participants.

She also proposed to report about all local projects (local auctions/markets and XBID) in this sense. ACER asked to XBID and NEMO Committee chairman study this possibility.

→ ENTSO-E/NEMOs are asked to report the status of Iberian Peninsula model for the next meeting.

#### **PCR**

NEMO Committee Chair (Cosimo Campidoglio) updates on the PCR project and the inclusion of the DE/AT border. He highlights the important risk of having regulatory decisions not coordinated, not fully specified and not assessed technically in advance. The project will discuss the increase of the calculation time of the algorithm to 20minutes. Europex reminds that TSOs shall analyse the timing on the consecutive steps. NEMOs assume that market parties will not be affected.

#### **4 Transparency**

EFET argues for improving transparency, stating that there is not enough progress, with regard to the disclosure of data itself (e.g. CBCOs), but also with regard to the implementation of clear processes to disclose changes as soon as they are implemented by TSOs. CREG informs that they are preparing a new request to TSOs to deliver more transparency on critical branches in Flow Based Market Coupling. Eurelectric states that they explained in detail why they needed more data and they remind that a lot of material has been shared by market participants over the past months. They request to have binding obligations for transparency. EFET asks ACER and NRAs whether their request toward TSOs can be enforced. The Chair clarifies that the enforcement is a national issue.

→ NRAs are asked to investigate options for the next MESC meeting.

ENTSO-E (Jan Voet) ensures that transparency is important to them and they will present a transparency approach to NRAs in Q3 2018. Providing translation tables for the critical branches is challenging, but TSOs are committed to make them fully transparent.

ENTSO-E (Mathilde Lallemand) presents ENTSO-E recommendations to TSOs and CCRs on transparency for capacity calculation. The Chair asks about the link with the current MoU between ENTSO-E and ACER for collecting data from TSOs and making them accessible to ACER. ENTSO-E explains that the list of information used for these exchanges is a starting point for reflecting on further transparency, and for defining new possible indicators or data to make available. ENTSO-E recalls that these recommendations are made towards TSOs and CCRs but cannot be binding at this stage. CCRs are now analysing them and developing implementation plans.

ENTSO-E (Alexander Dusolt) updates on the additional details on NC deliverables contained on the NC websites and plans for releasing a network code app.

### **3.4 AoB**

Stakeholder mention that material from some meetings was missing. → ENTSO-E to check