

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

Wednesday, 04 March 2019 from 10:30-16:00  
CEER, Cours Saint-Michel 30a, 1040 Brussels

### Draft Minutes

Participants		
Christophe	Gence-Creux	ACER/Chair
Pavel	Svoboda	ACER
Thomas	Querrioux	ACER
Maria-Eugenia	Leoz Martin Casallo	EC
Clemence	Bruttin	CRE
Lisa-Marie	Mohr	BNetzA
Sven	Kaiser	E-control
Mathieu	Fransen	ACM
Konrad	Purchala	ENTSO-E/PSE
Zoltan	Gyulay	ENTSO-E
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Paul	Giesbertz	EFET
Mike	Bostan	EFET
Johannes	Schulz	EFET
Rickard	Nilsson	Europex
Steve	Wilkin	Europex
Cosimo	Campidoglio	Europex / NEMO Committee
Michael	Van Bossuyt	IFIEC
Paul	De Wit	CEDEC
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Hélène	Robaye	Eurelectric
Ioannis	Retsoulis	Eurelectric
Juan	Marco	EDSO
Tim	Schittekatte	EUI-FSR
Valerie	Reif	EUI-FSR
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### 1. Opening

#### 1.1 Welcoming address, Approval of minutes, and Draft Agenda (Christophe Gence-Creux; ACER)

The chair opens the meeting and welcomes all the participants. The meeting minutes of the previous meeting and the draft agenda were approved. It was announced that the date of the next MESC meeting will be changed to the 2nd of July and will take place at the ENTSO-E premises.

#### 1.2 Update on recent developments and outstanding questions from stakeholders towards ENTSO-E, ACER and NEMOs (Christophe Gence-Creux; ACER)

The chair informs about the recent developments which include two significant decisions in the last two months. These issues are both for discussion in this meeting. The two discussion points are described as follows:

- Intraday cross zonal capacity pricing – ACER decision published on 25 January 2019
- Decision on the CCM in the CORE region, which was approved and published last week

In addition, the chair outlines the roadmap for upcoming decisions. These include:

- a decision due in March to amend definition of CCR and
- a decision on Coordinated Countertrading and Redispatch methodology in the SEE region. This decision will be due in August.

### **1.3 Update on the CEP and Articles 14-16 (former Art. 13-15) (Maria-Eugenia Leoz Martin Casallo; EC)**

EC (Maria-Eugenia Leoz Martin Casallo) gives a general overview about the Clean Energy Package. The presentation of the Clean Energy Package sheds light on the sustainability targets, the market design files, and overall objectives. The market design files aim to make renewables fit for markets and markets fit for renewables through a number of rules. The rules implicate alignments and new regulations for electricity trading closer to real time, remove price caps on wholesale markets (while still allowing for technical bidding limits e.g. in CACM), priority dispatch has been removed and balancing responsibilities introduced for renewables (with exemptions), rules on curtailment, with renewables to be curtailed last, and on curtailment compensation, rules on bidding zones and congestion, and cross-border capacity calculation and allocation, rules on regional cooperation, RCCs, rules on European wide resource adequacy assessment and capacity mechanisms.

Besides, the Clean Energy Package also indicates new empowerments on network codes and guidelines on cybersecurity as well as on demand response. Additionally, changes on rules for network tariffs and congestion revenues will represent a key issue due to the fact that at the moment no network codes are in place. It is expected that ACER announces its best-practice report soon after EIF focusing on imbalance settlement period that mirrors EBGL requirements and TSO-DSO ownership of ancillary services.

EC gives an update on Bidding zones and cross-border capacity allocation. The ACER/Stakeholder report indicates that interconnectors' capacities are not being sufficiently made available to the market. It was outlined that the logic of the EC proposals was that, despite the billions invested inter-alia through the CEF (Connecting Europe Facility) for interconnections, the available cross-border tradable capacities remain low, without making them available to the market at a sufficient level and thus ripping the full benefits of market integration at European level.

Previously, there has been the assumption that there is no internal congestion within bidding zones. In the new legislation, internal congestion within a bidding zone will be allowed as long as this doesn't affect neighbours.

If structural congestion is identified, member states have two options:

- Bidding zones reconfiguration to address congestion;
- Action plan with a series of measures to address congestion to 2025, with a linear trajectory, showing year by year how much additional capacity is being used in the interconnectors, from a given starting point.

In the case of a bidding zone review, the process is as per CACM. However, there is a difference with CACM, where there is no agreement between member states on a bidding zone reconfiguration, the Commission has to take a decision, with the opinion of ACER. This is not a new competence for the EC – it already exists under the competition law and it has already been exercised in the past – but in the Regulation update these competences are being streamlined and connected to the bidding zone review.

In the case of a cross-border capacity calculation and allocation, the main principles are the maximisation of trade across borders and the non-discrimination of cross-zonal vs. internal trades are maintained. These principles stem from the EU trade articles of the Lisbon Treaty. These are articulated through the min. 70% threshold of cross zonal capacity for trade. From ENTSO-E's perspective, this means that it will be easier to look at it the other way around: the remaining 30% will cover loop flows and reliability margins. Coordinated capacity calculation by RCCs will have to allow for 70% of cross-border trade, but there are allowed deductions from 70% for 1) transit flows and 2) n-1 reasons. In conclusion 70% might strictly speaking be a bit less depending on the n-1 and the transit flows.

The timeline for Regulation is calculated as follows. The EIF is expected in June/July 2019. The texts are currently going through lawyer linguist check and pending scrutiny checks with EP and Council, with EIF then 20 days after publication. The entry into final application will be the 1<sup>st</sup> January 2020.

- The timeline indicates for Art. 14-15, in particular that the requirements for BZ methodology submission to regulators triggered 3 months after EIF is dated roughly Sept/Oct. 2019. Following approval of the methodology there has to be a review of the bidding zones based on the methodology. It is acknowledged that the timing is tight.

In Reference to the timeline for Art 16: 70% thresholds will apply from Jan 2020. However, Art. 16 will apply from EIF “for the purposes of implementing Article 14”. In ENTSO-E's view this means in practice that TSOs would need to identify congestions

on the basis of Art 14.6 from EIF. This will give timing of 6 months to the member states where congestion is identified to decide whether they want to amend the bidding zone configuration or to implement the national action plans/ linear trajectory.

ENTSO-E concludes that, on the basis of their legal assessment, by Jan 2020: 70% has to apply for all TSOs, regardless flow based or NTC, unless:

- linear trajectory is applied based on national action plans
- or a derogation has been requested and approved at regional level by regulators on the basis of Art 16.

Eurelectric and EFET point out that the way the CEP and art.14 are defined/written, will yield low figures. They call for informal discussions between TSOs, NRAs, and stakeholders to this end, in order to establish common understanding, as opinions seem to diverge on the interpretation of the relevant articles. The EC says that the regulation addresses this aspect clearly and reminds that the level shall be 70% of the capacity respecting security limits. ACER re-iterates that what this means is clearly defined in their CORE CCM decision. In their view, this will/should yield much better figures than currently. Eurelectric states that indeed we need to have discussions with TSOs and stakeholders, and we need detailed technical discussions. Eurelectric further adds that an overall follow-up in MESC on matters of the different regions should occur. Regional forums do not exist apart from the CORE region. The EC suggests that the matter of regional forums can be addressed at the upcoming Florence Forum on 17, 18 June, along with the overall stakeholder involvement. They intend to make concrete proposals where feasible and expect concrete proposals to be made there from stakeholders as well.

Eurelectric asks once again about how the starting point for the linear trajectory of possible action plans is determined, in case TSOs do not reach the 70% threshold as of the entry into force of the Regulation. ACER says that as per their decision, the starting point should be the maximum between the maximum of 2019 and the average of the last three years. Eurelectric points out that hence this is not a choice, and it is clearly defined. EC says that national action plans should be in place so that by latest 2025 MSs reach the 70% target. In relation to derogation, they clarify that the TSOs trigger the request for derogation, and that when relevant NRAs of the region do not agree, then ACER makes the decision. ACER says they do not expect having to decide on this but add that if it comes to this their assessment will be based on the compliance against the linear trajectory, and if TSOs are not in line then they will need to intervene.

ENTSO-E explains their concerns on the content of article 14, but they take note on the TSOs obligation to implement it.

Regarding the text in the CEO related to the Bidding zones review (BZR), they stress the computational difficulties and complexities of this task. They ask whether the EC has a clear view on the "all relevant TSOs" clause included in the respective article for the BZR. EC confirms that for the BZR indeed the text is not clear, but if we want to honour the political agreement, all TSOs should be involved in the BZR, and in their view "all relevant TSOs", means effectively "all TSOs". EC adds that 3 months after EIF, the methodology should be prepared, but the technical report after 3 years. In this regard, the most time sensitive aspect is the preparation of the methodology. ENTSO-E clarifies that the deliverables 3 months after EIF, according to the CEP, also include the configurations and assumptions. To deliver model-based configurations the models shall be up and running and there is not a model for the entire Europe yet. All relevant TSOs shall deliver the bidding zone model. EC says this was not the EC's choice. The legislators require this, although it is very ambitious, and we need to honour it the best way possible. ENTSO-E voices that maybe we could have one common methodology for the entire Europe with common denominators, and then drill down to the different regions.

Eurelectric shares the concern of ENTSO-E that the 3 months after EIF is very ambitious.

EC replies that if the 70% is not met, reason being congestions issues, then it has to be addressed via the BZR. At the end, ACE says that these aspects should be addressed and discussed in the upcoming Florence Forum, and in the upcoming MESC meeting.

## 2. Balancing (Matthieu Fransen; ACM)

ACM (Matthieu Fransen) presents the all-NRA approval processes. The ongoing development includes the six proposals that were approved within ENTSO-E in December, and then sent by each TSO to their respective NRA. The process indicates an effort to find agreement on these proposals. Currently these initiatives focus on the national level as well as on the consultations which are based on national-level decisions. The formal deadline is dependent on the last NRA to receive the proposals. This was on the 11<sup>th</sup> February. Therefore, NRAs have until 11<sup>th</sup> August to issue their decisions. In respect of each proposal the NRAs can approve it; or request its amendment; or they can refer the proposal to ACER for a decision. The final agreement on the way ahead is expected in June/July. The Balancing Stakeholder Group discussion is planned in June.

The EBGL Art. 18 requires TSOs to submit to their NRAs the national terms and conditions with regards to BSPs and BRPs. The deadline was June 2018. The provided overview showed the current status of reporting to ACER. Internally there was a question on the deadline for these decisions. Contrary to what is foreseen at European level, there is no deadline at national level.

Eurelectric asks for having a link to national NRAs' website and their decisions, on ENTSO-E's website. ACER voices that we can come back to this in the upcoming MESC meeting. The Chair of BSG mentions the recently held workshop on XB capacity reservation. He explains that there seems to be a different view on assessing the market value on XB capacity. Eurelectric points out that they need to ensure coherence on all decisions and discussions, and to that end it would be highly useful to have a link to all TSOs' proposals (including the updated ones) on ENTSO-E's website. ENTSO-E says that the most recent TSOs' proposals are on their website. Europex asks for having a frequent report on the implementation of the different platforms. They explain this would be useful to stakeholders, as ENTSO-E's website does not contain such information. ENTSO-E takes note of this proposal and will come back to stakeholders in the upcoming MESC in July.

- ➔ In this context, ENTSO-E to come back to stakeholders in the upcoming MESC meeting in July, on their request to have a link to all TSOs' proposals (including the updated ones) on ENTSO-E's website, as this is highly useful to ensure coherence on all decisions and discussions.

## 3. Market suspension (Paul Giesbertz - EFET)

### 3.1 TSOs' and NRAs' reactions to EFET's statement made at the last MESC meeting.

*Background: At the last MESC EFET produced a paper with relevant principles on market suspension which was after an update/feedback from TSOs and NRAs agreed. Market suspension is defined in Emergency and Restoration NC. The TSOs submitted the rules in December. At this stage the NRAs are in the approval process. In this sense ENTSO-E has to follow closely in order to produce a report on the level of harmonisation for ACER according to Article 36 of the NC.*

ENTSO-E provided a State of play: Each TSO is providing a proposal to its respective NRA on rules regarding market suspension and restoration, including communication procedures and proposal for rules on imbalance settlement and settlement for balancing energy and capacity. The next steps will be for the NRAs to review the proposal.

In addition, a Stakeholder Workshop should be organised on 7<sup>th</sup> May. Stakeholders would have the opportunity to provide input on any issues/ discrepancies between the proposals of each respective TSO and EFET's letter. The focus should be on having the procedures clear. It is necessary that all the appropriate conditions should be set out in the proposals. If this is not the case stakeholders could raise this with NRAs before they make their decision in summer. The proposals are out for market participants to look at, besides ENTSO-E has not yet reviewed the proposals but the principles set in EFET's letter are common sense and should be included. However, it's perhaps difficult to explain why the market is suspended when this is happening. It might be more suitable to have rather a clear set of rules about when this needs to be done - given that there isn't time to go and provide explanations during emergencies. According to ENTSO-E, the notion mentioned in the letter that market activities are always helpful can be true, but not always. ENTSO-E pointed to situations when there are markets with lots of redispatching, where some of the trades are infeasible, and it is not really helpful to just keep on trading in these situations and the market should actually be suspended.

EFET is happy that ENTSO-E says it supports the principles as proposed by EFET, but also feels that these principles are misunderstood. EFET clarified that it is not primarily asking for communication during emergencies. In their view, the market is helping to balance supply and demand and so it is helping security. If TSOs believe that there are cases where market suspension could be useful, such suspension should be ex-ante justified and it should be precisely defined which activities are to be suspended. It is hoped that NRAs understand this point. As an illustrative example EFET mentioned that on January 8<sup>th</sup> industrial load in France was disconnected, but the impact on the French imbalance price was not properly reflected, while you would expect some kind of scarcity pricing in such cases.

CRE answered to this that this case is being studied also with RTE. CRE outlined they used the interruptibility schemes first, which is why there wasn't a strong reaction on the balancing and market prices and thus it resulted in this kind of buffer in industry interruptibility. The outcome and procedure strongly depend on the tools used.

ENTSO-E points out possible confusion here. It is explained that the situation was not due to a shortage in France, the frequency drop and shortage occurred at European level, and French frequency controls reacted to an issue that maybe started somewhere else. Therefore, this has nothing to do with French imbalance pricing. EFET disagrees. If RTE intervenes in the market by reducing consumption, then one has to consider the impact of such intervention on the market price.

Eurelectric suggests the issue is about how to integrate such before last-resort measures into balancing grid services or congestion management. They add that it is critical to have transparency and make sure that all measures used (including the ones "before last resort") are translated correctly into the relevant price signals, and that the market should be informed about all needs. Eurelectric shares EFET's concerns.

Europex informed that in the Nordic market suspension is not done. It is seen as helpful that the market can aid planning, if there has been a blackout or outage the market can help, Nordic may be taken as an example perhaps for other regions. But in any case, such measures should primarily be technical.

ENTSO-E explained the situation where it was FCR reserves that reacted, priced on capacity, so something which is based on a frequency signal. So maybe there was a wrong measurement by a TSO, maybe an incident, or anything else that maybe caused the frequency to go under a certain technical level, triggers a reaction of the frequency controller, and this is priced through capacity. It's not that someone was imbalance or something like this. ENTSO-E understands the discussion and is open to discuss how to take these things into account, although it may be not related to the 10<sup>th</sup> January event.

EFET asks the regulators to have look at the proposals, again, and ask in case of any questions.

ACER clarifies that EFET raised two different points 1) market suspension; will raise the point with NRAs and 2) TSOs measures being reflected in prices.

IFIEC refers to a Belgian discussion on obligations at national level, but no formal European level harmonisation of market suspension rules has been foreseen; in worst case e.g. with a blackout across Europe; everyone could start doing market suspension in different ways. Thus, a discussion on this, in a proactive manner, is necessary.

EC outlines in the emergency and restoration network code there is a role for RCCs in the future to do a consistency assessment in the emergency and restoration plans.

ACER points out, there is also a role for ENTSO-E to look into ways to harmonise. This report should be provided by 18<sup>th</sup> December 2020.

#### **4. CWE NRAs' update on the repeated non-compliance of TSOs with regulatory decisions (Sven Kaiser; E-Control)**

E-control basically points out that currently they do not have more clarity on the issues at stake, and refer to a high-level meeting held on 5<sup>th</sup> March, between CWE TSOs, and NRAs. The NRAs made an assessment in November 2018 of the 15 points which were raised in the 2015 CWE FBMC approval package. They are looking at compliance and non-compliance issues with these requirements. It is outlined that some points were fulfilled, some on the edge, and some not fulfilled. Among the not fulfilled points are some of interest. For instance, GSK, FRM calculation, base case issues, ID, selection of internal CBCO/CNECs and Transparency points. On transparency we see some progress but understand this is still unsatisfactory for market participants. Thus, this is a key point for the discussions today but will have to wait for the meeting outcome to report in more detail.

Eurelectric, comprising Members that are involved and have informed them, points out that it is disappointing not to have a full discussion on this topic. On the positive side though, there is some progress made such as the receipt of a template containing the updated list of daily data that will be published on JAO, but this template does not contain any real data and thus cannot be used as a basis for further assessment. Eurelectric also says that there are still outages that are not properly reported. They are also informed of IT problems (in particular with the EIC coding) but highlight that, at the end TSOs have transparency obligations, as market participants have, and NRAs should ensure equal treatment. They furthermore added that the aforementioned call will only take place after relevant market parties having insisted to have such a call.

Eurelectric carries on saying that this could be a much more smooth and natural process. They report that for example the data used for the most recent "SPAIC" analysis cover the period before the split DE-AT, so they cannot be used. Eurelectric reports that apparently there is still data missing or not up to date and asks what the follow-up actions are on NRAs' side. E-Control, admits that all examples mentioned by Eurelectric are very useful for them, as they do not have the full picture, and take note of all these examples.

Eurelectric kindly asks about having this topic (i.e. what can NRAs do to enforce the implementation of transparency requirements) re-addressed and discussed in the upcoming MESC in July. ACER agrees, as in their view it is indeed needed. For them it is a matter of enforcement that NRAs should have on TSOs. CEP gives some more clarity and direction, they add.

→ CWE NRAs' to provide an update in the upcoming MESC meeting on 2 July.

## **5. Capacity Allocation and Congestion Management Guideline (3h)**

### **5.1 Update on the Core CCM Decision (Thomas Querrioux)**

The presentation provides an overview of the Agency Decision. First, the presentation outlines the main discussions with Regulatory Authorities during its drafting, and conclusions reached on the following topics: 1) TSO Inputs 2) Coordinated Capacity Calculation 3) Exemptions. Second, the presentation details benefits expected from the implementation of the Decision.

On inputs to capacity calculation, the Agency significantly increased transparency requirements on TSOs, in comparison with the TSO Amended Proposal, based on Stakeholder's request, in particular during the Public Consultation.

Regarding internal CNECs, the methodology now includes the requirement that internal constraints (CNECs) be considered or not in the capacity calculation subject to an efficiency assessment. In any event, current internal constraints are allowed for a transition phase of two years before an efficiency assessment is required; after this transition period, internal CNECs are allowed only if other alternatives are less efficient. Both the efficiency assessment and the transition period were suggestions from stakeholders.

On capacity calculation, for some topics (GSK, FRM, Allocation Constraints, CNECs) the Agency, following discussions with NRAs and TSOs, still lacked evidence to set the most appropriate level of harmonisation. For those topics, the Decision includes general principles to be applied at the entry into force. The Decision then requests a review of the methodology 18 months after the entry into force, ideally to specify those principles. Another debate related to means to guarantee the avoidance of undue discrimination. To that end, the Agency increased requirements on the minimum capacity level to be guaranteed for cross-border trade (minRAM), now set to 70% of the thermal capacity. The Agency underlines that the Decision it thereby is fully compliant with CEP. The Decision suggests default trajectories in case of derogations or action plans.

On exemptions and deviations to the general framework for capacity calculation, based on strong stakeholder request, the Agency Decision sets as a principle that deviations must be exceptional, temporary and associated with strict transparency requirements (over causes, frequency and resolution). On benefits expected from the Decisions for IEM: increased coordination, increased transparency and increased capacity, c. 400bn EUR/year. To illustrate increase in cross-zonal capacity, Graphical presentation of 70%minRAM calculation (see slides).

Next steps: Implementation of DA CCM 1<sup>ST</sup> December 2020; ID CCM 1<sup>st</sup> recalculation 1<sup>ST</sup> December 2021; ID CCM 2<sup>nd</sup> recalculation 1<sup>ST</sup> December 2022.

In continuation of the discussion on this topic, EFET feels that the 70% was chosen somehow arbitrary and asks about the BZ (re-)configuration when 70% cannot be achieved. They don't understand what it means if 70% cannot be achieved. ACER mentions that the 70% comes from the CEP and says if the 70% target cannot be reached then the EC will have the final word on the BZ (re-)configuration. They also add that the impact on forward market liquidity needs to be taken into account. Eurelectric asks about the derogation of including internal congestions (internal CNECs), and how would that change the 70% if it changes. ACER confirms it can be included only if proven more efficient, clarifying that in any case you cannot be below 70%.

ENTSO-E comments that the implementation of 70% requirement will lead to an increase on the re-dispatching. ENTSO-E explains that the implementation of the redispatching and cost sharing methodologies shall be considered when implementing the CCMs.

ACER says they are still waiting for the re-dispatching methodologies by the TSOs of the CCRs. They hope that re-dispatching methodologies should be received and finalised before the flow-based ones. They leave that with the EC to also judge the situation.

ACER points out that MSs should agree on an action plan, and that in their view this should include re-dispatching cost sharing by TSOs. The EC says that regional action plans should be coordinated, and this is to be discussed and further addressed. Apparently, they refer to article 13 (2). The costs of RA will be borne by the MS implementing the action plan, so it is quite clear for the EC. Eurelectric adds that clearly cost-sharing is a very important topic. There is no consultation on this, so we need to address it properly and ensure good stakeholder involvement. At last, the EC voices that in their view, the CCM should be adapted with the CEP requirements. They are thinking about an update of CACM to that end, but it is premature for the moment.

## **5.2 Update on the IDCZCP Decision (Pavel Svoboda, ACER)**

ACER (Pavel Svoboda) informs about the decision published in January 2019.

At first the result of the decision is presented. It is postulated that the pricing mechanism shall be based on intraday auctions, which shall be implemented on all bidding zone borders eligible for single intraday coupling (SIDC), regardless of whether they are participating in XBID or not. Three auctions are envisaged: 3pm D-1, 10pm D-1 and 10 am of the delivery day.

Secondly, ACER informs about the rationale: IDCZ capacity must be priced according to CACM Art. 55. Some challenges related to the decision e.g.: i) the legal text foresees "continuous process"; the decision interprets ID auctions as complementary to continuous trading; and ii) issue with the implementation and enforcement of this decision, given that this was an all-TSO proposal, obligations could not be placed on NEMOs who will maintain and operate the auctions.

The first ID auction at 15:00 D-1 opens the intraday market and prices the first time the ID capacity –according to ACER this should ensure welfare benefits through the use of shared order books in bidding zones with more than one NEMO, and the use of cross-border capacity remaining after DA coupling.

There was a general agreement on the organisation of the second ID auction at 22:00 D-1, as it is the IDA after the first ID capacity recalculation and should reflect the changes in the market fundamentals.

The third auction at 10:00 D is expected to take place after the (potential) second ID capacity recalculation.

The capacity pricing decision provided for a clear decision (mandatory) on the timing of the possible capacity recalculations, which are (to be) defined in the respective CCMs. As the CCMs are regional and this decision was all-NRA approved, the harmonisation of the auction times prevents the CCMs performing their recalculation at different times.

The third discussion point reflects the implementation. The aim is to provide maximum flexibility to NEMOs and TSOs. Therefore, the implementation timeline will be developed by all-NEMOs in coordination with TSOs in the framework of the amended algorithm methodology. Three months after IDCZCP adoption of the decision (24<sup>th</sup> Jan), all TSOs shall update the common set of requirements for efficient capacity allocation and provide it to all NEMOs. Implicitly, all NEMOs are expected to follow Article 37 of CACM, submitting the proposal for the amendment of the algorithm methodology to all NRAs/ACER for approval by 1<sup>st</sup> August 2019, together with the change control and algorithm monitoring methodologies (obligation from the Algorithm methodology decision) to prevent two parallel amendment processes.

Eurelectric asks to elaborate on the continuous market suspension. ACER responds that there is no clear view at the moment. Eurelectric asks if it could be a potential criteria to reconsider the establishment of the third auction, which is the one disturbing the most the continuous market. ACER explains that it was one of the reasons to provide some flexibility on the implementation timing to the NEMOs.

### **[Outside agenda]- Market Coupling in the 4MMC region (CZ, SK, HU, RO, PL + BNetzA and E-Control) (Sven Kaiser, E-Control)**

TSOs and NEMOs of respective countries were asked end 2018 to start the project on NTC based market coupling, on borders with no coupling to date. Deviation from initial plan for FB coupling in CORE. High level market design is elaborated, and the CORE flow-based timeline and implementation date are in place right now. The aim is to push forward further alignment. No-regret tasks that need to be done in NTC and FB cases in any case. The next step is to come back with a project plan. The interlinkages should then be clearer between NTC and FB processes, the latter shouldn't be jeopardised.

### **5.3 EFET considerations on ENTSO-E and ACER reports on bidding zones delineation (EFET; Paul Giesbertz)**

- 1) On ACER's second MMR October 2018: general praise for this report; cross-border capacity calculations appreciated.

However, any indicators of the level of competition (e.g. HHI or C3) are lacking. The same for level of liquidity, however the analysis was too superficial. For instance, there is a conclusion on DE-LU zone, where levels of liquidity are assessed positively – which ENTSO-E would agree with - but then there is no ACER recommendation on what can be done to increase liquidity in all other bidding zones.

ACER also makes the conclusion that there is no direct correlation between the size of a bidding zone and its liquidity or that this cannot be established, but this is very superficial. For example, liquidity in ES is compared with liquidity in NL, it is said that ES is a bigger zone/market than NL, but liquidity in NL is higher, so there can be no correlation. The conclusions are per se correct but they are too superficial and there is so much more to consider – in Spain, just as one example, there can be a cap on your offer price.

Also there is a recommendation made “with regard to forward markets, solutions that decouple liquidity from the size of the BZ [...] would enable the equal access of market participants to hedging opportunities irrespective of their geographical location.” For EFET this is incorrect – the more products you need the lower liquidity there will be, it does not result in equal access for everybody, there is no possibility to have a perfect hedge, the liquidity from these special products will be very low and thus remaining risks will be higher resulting in welfare losses.

- 2) On ENTSO-E technical report: Positives: High level of information collected and factual.

EFET claims a lack of detail– e.g. congestion income is shown per country, not per border., They also point out the lack of differentiation between congestion income from different origins –internal congestion, which would also be used for through FBMC for congestion income, or congestion at ICs. The size of these two shares is unknown. The cost of remedial actions is not split, e.g. internal vs. cross-border redispatch costs, is not seen. It is emphasized that the information is not precise enough for BZ review. Some ICs are missing, e.g. Britned. Britned also has firmness costs, so if they have an outage, they do countertrade and carry these costs. In Nordic countries there seems to be a lot missing, e.g. SvK. Even if there was data on the size of these costs, there is no assessment of the efficiency of these costs.

EFET concludes both ACER and ENTSO-E reports are inadequate for a bidding zone review. EFET clarified its view is not that bidding zones should always be larger to guarantee more liquidity. But the impact on competition and liquidity must be one of the elements in the assessment. EFET calls for a technical economic analysis of this not with political ones in the background. There is no discussion of merging of bidding zones, only splitting, e.g. for ES/PT where EFET say a merge would probably be good for liquidity.

### **Reply of ACER and discussion on MMR**

ACER explains the purpose of MMR is not to go into all the assessments such as liquidity impacts etc., but to assess whether a bidding zone review process should be triggered and for this MMR is a good basis. Two indicators are used

- 1) level of cross-border capacity made available to markets, and you can see that it's red almost everywhere and the
- 2) level of redispatch costs in the MS—also red in a few countries.

The conclusion of these two figures is according to ACER a good basis to trigger a bidding zone review process.

In reference to the liquidity aspects, in the bidding zone review process – not in the MMR or the technical report - ACERs view is that it is difficult to assess the impact of the bidding zone configuration on the basis of liquidity alone. They believe that liquidity is important, but it is difficult to assess it as an indicator. They state that the CEP assigns an obligation to ENTSO-E to start the BZR process.

Since ENTSO-E has the obligation to start and conduct the BZR, Eurelectric kindly asks them about their opinion of having liquidity included in the assessment criteria.

ENTSO-E answered that they are not ready yet but outlined this should be part of our methodology. In particular on the liquidity aspect, they add that CACM is not conclusive in this respect. Regarding ACER's report on FCA and CACM implementation the criteria for reviewing the bidding zone configuration should focus on the metrics which can be quantified in Euros, whereas non-quantified metrics should be considered as side conditions evaluated as satisfactory or non-satisfactory. If unanimity can't be reached within TSOs or NRAs, the methodology lands at the desk of ACER.

ACER outlines, in case they find a way to monetise liquidity, they will take it into account. If not, it may not be the main factor for a decision. ACER considers this to be for the European Commission ultimately to decide at the end of 2025.

Eurelectric voices that indeed the EC will make the final decision, on the basis of certain assessment criteria set out in corresponding reports, and if liquidity is not included, they will not take it into account at all. They explain thus that for this reason it is important to have it added in the assessment criteria from the very beginning.

ACER could address this liquidity issue with a market design revision, in particular in the context of the FCA, in order to mitigate this impact on the liquidity of the forward markets. This way this would be a much more constructive approach rather than saying we don't want the bidding zone review because it will impact.

#### **Reply of ENTSO-E and discussion on Technical Report**

ENTSO-E state that the majority of the things pointed out to be missing are actually in the report.

- Congestion rent is split per borders with lots of details in Annex 2, including internal bidding zones.
- Britned is there.
- Congestion is split into cross-border and internal,

On Svenska Kraftnet if there are countries with strict critical infrastructure requirements, it's beyond the powers of ENTSO-E to change the legal framework in particular countries.

EFET points out that also in Annex 2 does not contain the information that is necessary to start a bidding zone review process. And as far as SvK is concerned, EFET points out that SvK does publish precise information in the monitoring reports to DG Competition in the SvK-case, so such info can also be included in the Technical Report.

#### **5.4 Update on the forthcoming ACER decisions (CCR amendment, RDCT methodology in the SEE CCR) Forthcoming ACER decision on amendment of the definition of Capacity Calculation Regions (Christophe Gence-Creux, ACER)**

ACER reports that in the initial TSOs' proposal, Cobra cable (NL-DK1) was assigned to Hansa CCR. There were concerns over a high-level interaction between this cable (and the DE/LU-DK1 one also) with the CORE CCR through UAFs. These interactions could be possibly conflicting with the Electricity Regulation and CACM objectives. Consultation indicated preference to include these two cables in the CORE CCR, but concerns also on ongoing implementation projects, in particular the CORE flow-based methodology. This decision will also take into consideration the results from the Italian bidding zone review. In order to avoid interference with these CORE ongoing projects, it is likely that the Cobra Cable is kept in Hansa for now, additionally TSOs will be asked for an assessment of the optimal way to assign these borders to a region. By default, these borders will be in the CORE CCR unless TSOs can demonstrate another option will be more efficient.

The BoR meeting on 21st March will vote on this decision. The deadline for decision is expected by the 2nd April 2019.

ENTSO-E points out from the TSO side they already have a lot of requirements and implementation across a number of areas including CEP. ENTSO-E see that this would make sense but would have strong preference to have 12 months after implementation, not after the decision.

ACER informs that the same discussion is needed as to whether we should extend this approach to the Channel region, and all the other borders of the HANSA regions, and possible the Baltic etc. ACER suggested to find a solution pretty quickly.

#### **Forthcoming ACER decision on RDCT methodology in the SEE CCR (Tomas, ACER)**

This decision has been forwarded to ACER in February, meaning they have till August to decide. Public consultation is planned in April, however a degree of uncertainty still remains.

Firstly, one of the regulators indicated they wanted strong alignment with CORE approach to this topic, and while the CORE initial proposals are now available these methodologies are early drafts themselves, so ACER has to take this into account.

Secondly, the SEE regulatory authorities have only released the methodology on the coordination of RDCT, not the second part on cost sharing. They have until the 28th March to decide if they will forward the decision on cost sharing; the document is very rough to say the least. Ideally ACER would like to carry the two decisions at once.

ACER informs that no kick-off meeting has yet occurred with TSOs and NRAs in the region, so the document is at the moment very rough and lacking details. The scope will likely be aligned to anticipate SO GL discussions and then also take on board elements of CORE region decision.

CRE asks whether the text for consultation go into a high level of detail, e.g. on optimisation of these costs at the same time or separately, or just covers coordination with CACM.

ACER answered that they intend to have a text by the time we consult, but this would only be able to provide a similar level of detail as provided under CORE, and will deliver high-level solutions as well, the methodology would then be amended once the final version of the CORE proposal is taken. Also, because an important part of the debate is the simulation that ACER agreed on in CORE. The idea is to build on that in this context, but the constraint is that ACER has to reach a decision by August.

#### **5.5 General update on the implementation status of the CACM methodologies (Mark Lane, ENTSO-E)**

ACER suggests stakeholders refer to the first monitoring report on the implementation of FCA/CACM published in January.

ENTSO-E states of play provided for each region's methodologies' submissions and approvals for CACM capacity calculation, RDCT, RDCT cost sharing, and FCA capacity calculation and splitting. Considerable effort underway to meet CACM and FCA guidelines, with amendment requests delaying implementation is required.

Eurelectric thanks ENTSO-E for this presentation, as the table presented was rather clear and detailed with all methodologies per region.

Eurelectric refers to the CORE consultation on LT rights, with the question to switch to FTR in CWE borders. They wonder whether there will be similar questions in other regions as well. ACER responds they are not aware of this. ENTSO-E says we can expect this discussion to take place in CORE (in the non CWE borders as well).

ENTSO-E asks if stakeholders are in favour of FTRs. Eurelectric responds that in order to respond to this question, they need to see the global picture, and it is also important to discuss inter-alia the market design, firmness, and curtailment aspects. ENTSO-E asks if there is a preference between FTR obligations and FTR options. Eurelectric responds they favour options and not obligations, as already mentioned in previous documents on the topic.

### **5.6 Update on NEMOs' activities (Cosimo Campidoglio)**

NEMOs' cooperation continues with TSOs, NRAs, ACER, and EC across a number of fora. An agreed cost reporting methodology has been agreed upon by NEMOs, TSOs and NRAs, and the first CACM cost report for 2017 has been delivered. For 2018 it's in progress. Three agreements are up for signature by the end of March (ANCA, ANDOA and DAOA), meaning the contractual agreements between TSOs and NEMOs should be up and running.

NEMOs provided updates on Algorithm Change Control Methodology and the Algorithm Monitoring Methodologies to be sent jointly by TSOs and NEMOs by 1<sup>st</sup> August, on the Roadmap and related R&D programme, and Nasdaq's entry into the NEMO committee. NEMOs are working on joint governance with TSOs on SDAC, already implemented and SIDC, under implementation following EiF of the DAOA.

Eurelectric asks about the DA market coupling aligned with ISP, as per CEP. NEMOs say they are running behind a moving target, and that they indeed take these into account. Eurelectric consequently asks whether they plan to discuss this in MESC, or in another forum. NEMOs say they are in discussions with TSOs. They hope they will be ready to provide more concrete information in upcoming MESC meetings.

An engagement with the EC in discussions on MCO governance is ongoing. The preparations of the annual report with focus on algorithm methodology and cooperation with TSOs on IDCZCP is ongoing. Strong support already started on 4MMC MRC on NTC-based coupling.

ACER informs that the next update on the implementation of definition is expected at the next MESC.

### **5.7 Update on XBID (Jean Verseille, ENTSO-E)**

XBID live for 8 months so far, the total number of trades reaching 10 million. New releases are expected on 13<sup>th</sup> Feb, additionally the preparations for Release 2.0 is underway and expected to commence on the 1<sup>st</sup> Apr. The Enhanced Shipper functionality is required for the 2<sup>nd</sup> wave go-live and planned for Q4 2019. 3.0. These will also include losses on DC cables. The losses concept has been presented to NRA's and market parties at prior MESC meetings, however no objections raised so far. High level statistics of trades were presented in Oct 2018-Jan 2019 about block order and trades statistics. The report also focused on incidents, e.g. one in December and four in January but can often be dealt without impact on market. On Feb 14<sup>th</sup> and 15<sup>th</sup> however, a number of failures occurred, leading for the first time to market halting for a number of hours on both days. The cause was identified as a hosting issue by DBAG. Nevertheless, no links to the release of the previous day were observed. The objectives include a tentative timing of the involved parties of the 2<sup>nd</sup> wave presented.

Eurelectric points out to the relevant technical failure in XBID on the 17/18<sup>th</sup>. There are no really severe issues, but we should be careful with the fall-back measures and maybe be ready to revisit it if need be in the future. They are still concerned as there is no fall back still in place.

## **6. AOB**

Next meeting: 2<sup>nd</sup> July in ENTSO-E