
ENTSO-E Harmonised Allocation Rules

Date: 18 November 2014

Time: 11h00 – 16h00

Place: ENTSO-G premises, Brussels

Stakeholder Advisory Group meeting minutes

Participants:

Chair	Kaja Hollstein	ENTSO-E
DT Moderator	David Myska	CAO
Member	Marco Foresti	ENTSO-E
Member	Márk Csete	ENTSO-E
Member	Markela Stamati	ENTSO-E
Observer	Marie Montigny	CEER/CRE
Observer	Christophe Cesson	ACER
Observer	Rodrigo Escobar	CEER/CNMC
Observer	Michael Puelke	CEER/BNA
Observer	Matti Supponen	EC
Member	Petter Longva	IFIEC
Member	Javier Alonso Perez	EURELECTRIC
Member	Charlotte Renaud	EURELECTRIC
Member	Arben Kllokoqi	EFET
Member	Markus Geisler	EFET

Welcome and Introduction

Kaja Hollstein gives a welcome speech and thanks the Stakeholder Advisory Group members for their interest in this important project of the drafting of the Harmonised Allocation Rules (HAR). She highlights the importance of the early feedback from the stakeholders' associations in order to possibly solve any potential issues as soon as possible. She recalls the success of the way of engaging with stakeholders during the drafting of the different network codes which led ENTSO-E to the conclusion to organise the stakeholder involvement for the early implementation projects in a similar way.

Overview of the Harmonised Allocation Rules development process

ENTSO-E presents (see slides) the detailed roadmap of the project, the main challenges and the composition/objectives of the stakeholder advisory group. It is highlighted that the critical challenge to timely deliver the HAR is that key TSO experts need to dedicate a huge time to the project on top of the already started projects both at international and national levels. Also, the highest possible level of coordination with external bodies is extremely important to get feedback from both NRAs/ACER and also from the stakeholders; this stakeholder engagement allows to overcome possible barriers in a timely manner. In order to tackle these challenges each involved party needs to respect the tight deadlines. Last but not least, the HAR is not an off-the-shelf solution as the most common principles are not always the most suitable for all EU borders and interconnectors. To facilitate discussions, the Harmonised Allocation Rules Stakeholder Advisory Group (HAR SAG) is established which will meet regularly during the drafting of the HAR to create awareness, to provide information and feedback and also to receive assistance from stakeholders. EFET asks whether HAR SAG members will get a first draft HAR - that is confirmed by ENTSO-E while ESTELA questions whether the SAG is the appropriate forum to discuss the allocation of multi-yearly (up to 10 years) capacity rights. ENTSO-E explains that this project is an early implementation project of the NC FCA which is also open to discuss the length of long term transmission rights (LTRs). As the FCA NC does not prescribe a precise duration of LTRs, this will be based on TSOs proposal and NRAs approval. In principle, the rules are designed in such a way that they could also apply to longer term rights. CNMC asks what is the difference between full members and observers; ENTSO-E answers that there is no practical consequence, but since NRAs and EC are constantly consulted anyway, the HAR SAG aims primarily at gathering market participants views.

Presentation of the recommendations on the 8 principle papers

ENTSO-E explains how the work has been structured and the fact that first recommendations were made on the 8 main principles of the HAR. These recommendations are presented to the HAR SAG (see slides) that has been done to the AESAG members during this year already. IFIEC raises the question whether the HAR is influenced by the financial legislation (i.e. MIFID II). ENTSO-E answers that there is no secondary market organised by the allocation platforms under the HAR, only a Bulletin/Notice Board is available where market participants can post their interest and find each other. Nevertheless, no secondary market deal is concluded on the allocation platforms. About the general application of the new financial legislation on capacity products, ENTSO-E is assessing any potential implications for capacity products. EURELECTRIC asks whether both bank guarantee and deposit would be accepted credit cover instruments under HAR. This was confirmed by ENTSO-E and clarified that market participants will be free to use one of the two mentioned credit cover instruments or their combination. EFET proposes to analyse possible tax issues which might come up due to the netting of the invoiced amounts. ENTSO-E thanks for the comment and confirms that the HAR drafting team is aware of this and financial experts are looking into the potential issue. ENTSO-E also presents the structure of the HAR and explains the different levels (chapters, article, etc) in addition to the existence of the border specific annexes which further specify some solutions which will apply only to limited number of borders where they relate to.

Stakeholder expectations and priorities

ACER: (see slides) summarises the Agency's position, welcomes the progress has been made so far and recommends to ENTSO-E to keep making every effort to meet the implementation target and involve stakeholders. ACER also explains its expectation that the HAR will cover all EU borders where long term transmission rights are currently allocated including physical transmission rights (PTR) and financial transmission rights. ENTSO-E mentions that the HAR foresees for the time being PTR with Use It Or Sell It (UIOSI), however, the inclusion of the FTR **Option** product will be assessed in the course of December and January based on a gap analysis carried out earlier. ACER confirms that NRAs would support the inclusion of

FTR Options and would be willing to leave aside **FTR Obligations** for the time being. ACER also explains that it should be clear in the HAR whether the review process of the HAR is done periodically (e.g. every year) or only when a party proposes any changes. ENTSO-E confirms its intention to make the review process clear in the HAR. Lastly, ACER recalls the most debated issue of the NC FCA development which has an explicit effect on the HAR which is the firmness regime. For this early implementation at this stage of the discussions most NRAs (discussion is still ongoing within ACER) request that the firmness regime included in the NC FCA resubmitted by ENTSO-E in April 2014 is introduced in all borders as a minimum, unless on those ones where it would imply – from a traders point of view - a step back from the current firmness regime on a specific border. Those borders where a more market friendly regime already applies should maintain their firmness rules and TSOs should propose them in border specific annexes attached to the HAR. ACER also notes that Emergency situation should not be dealt equally as the Force Majeure (Article 63 of the NC FCA).

In addition, ACER reminds ENTSO-E to the provision of the NC FCA which allows specific proposals “for Compensation Rules for outages which last for a long period of time and for outages which affect a Bidding Zone Border consisting of one single interconnector”. In case there is a specific compensation scheme, ACER and NRAs would like to receive them as soon as possible so that early feedback can be given. ENTSO-E confirms its intention to include such specific rules which will be drafted by relevant TSOs in close cooperation with relevant NRAs. Ideally, they will be ready in January 2015, when the HAR should be sent to ACER/NRAs together with HAR SAG members.

ACER also asks whether ENTSO-E/HAR DT works on any other border specific rules and how additional processes handled under the local allocation rules today would be affected by HAR introduction (e.g. day-ahead explicit auctions).

EC: welcomes the progress made so far not only on this early implementation project but also on other topics by ENTSO-E in terms of early implementation. The EC thinks that early implementation projects are key to deliver the IEM as early as possible.

EURELECTRIC: gives a presentation (see slides) in which they also welcome the early implementation project on the HAR and also the way of stakeholder involvement. The main priority of EURELECTRIC is the firmness regime on which they are in line with ACER’s position namely minimum the regime included in the resubmitted NC FCA by ENTSO-E but where already higher level of firmness established, there should not be a step back. TSOs should also consider deleting the maintenance period option and the usage of standard product is highly recommended. It is suggested to quickly implement the shadow auctions on all borders on the day ahead level.

EFET: orally shares its feedback. They would appreciate the highest level of firmness as possible, however, being realistic EFET also supports the proposal of ACER and EURELECTRIC (please see above). The association explains the possible introduction of buyback capacity auction organised by TSOs which would help to limit the risk associated with the full firmness regime. TSOs should avoid as much border specific solutions as possible especially for the collaterals. Allocation Platforms should inform their users in a most effective manner i.e. publishing on their website but also sending direct email to the users. ENTSO-E confirms that this way of communication already included in the draft HAR. EFET supports PTR with UIOSI or FTR Options products as long as they provide equivalent hedging opportunities.

IFIEC: presents its position (see slides) and summarises their concerns on the target model which does not benefit the end consumers. They urge the industry to rethink the long term market and try to get rid of the allocation of LTRs as soon as possible to allow hub to hub trades all over Europe. An intermediate product could be the FTR Obligation instead of Option which could provide better hedging opportunity. IFIEC also mentions the lack of coordination within ENTSO-E on the early implementation projects (Bidding Zone, NCEB projects) which should be improved.

ESTELA: orally shares their feedback and highlights that very long term LTR allocation would be needed regardless of the product as long as it is PTR with UIOSI or FTR Options.

ENTSO-E: hearing the feedback from each stakeholder, ENTSO-E explains that for border specific annexes and additional processes handled under the local allocation rules today (such as day-ahead explicit auctions) affected by HAR introduction NRAs should take a lead role and ask relevant TSOs locally to draft those border specific rules (in particular for the firmness regime). Nevertheless, ENTSO-E will inform its members about the views of the HAR SAG members and try to assist the work as much as possible. ENTSO-E also asks ACER to confirm its position on FTR Options rules in written form when they submit their feedback on the first draft HAR in early January 2015.

Next steps and Any Other Business

ENTSO-E recalls from the morning session that HAR SAG members will receive the first draft HAR for their informal feedback in very early December. This feedback should be given in a written form by early January after which the next HAR SAG meeting will be scheduled in the second week of January to discuss the HAR SAG members' comments and ENTSO-E will also report during the next HAR SAG meeting on the progress. The feedbacks should represent the association's position as appropriately as possible given the short time for assessment. All documents (agenda, presentations, minutes) will be circulated within the group and will be published on the ENTSO-E website. Kaja Hollstein thanks the members for the active participation and closes the meeting.