

ENTSO-E Harmonised Allocation Rules

Date: 28 May 2015

Time: 11h00 – 16h00

Place: ENTSO-E premises, Brussels

Stakeholder Advisory Group meeting minutes

Participants:

Chair	Kaja Hollstein	ENTSO-E
Member	Mark Lane	ENTSO-E
Member	Markela Stamati	ENTSO-E
Member	Márk Csete	ENTSO-E
Observer	Christophe Cesson	ACER
Member	Jérôme Le Page	EFET
Member	Charlotte Renaud	EURELECTRIC
Member	Julian BOUCHARD	EURELECTRIC
Member	Olivier Van den Kerckhove	EURELECTRIC
Observer	Escobar Rodriguez, Rodrigo	CEER

Welcome and Introduction

Kaja Hollstein gives a welcome speech and thanks the Stakeholder Advisory Group members for the participation and for the comments they submitted on the draft HAR that ENTSO-E informally shared with the members of the group after the public consultation.

Mark Csete briefly presents the project plan and the next steps. The final approval of the HAR is planned for end June after which the HAR will be submitted by the relevant TSOs to their NRAs for approval or notification. He highlights the main concerns raised during the public consultation, which are the firmness and compensation regime, the periodic review of the HAR/annexes and curtailment of nominated and non-nominated LTRs, the bank rating and the remuneration in case of no allocation in DA market via implicit or explicit allocation. A summary of the assessment of the comments will be prepared and published by ENTSO-E. The comments of stakeholders will be attached to this document to be published in June.

Comments to the annexes are assessed by individual TSOs and the assessment will be prepared by them. Stakeholders will be able to receive this assessment by the TSOs directly in case of interest. He also reports on the status of the annexes, explaining that they will be finalised when the HAR is finalised and stable later in June.

Stakeholders' general comments and outstanding issues

Each association is asked to present their outstanding issues on the HAR.

ACER: (see slides) progress is made since the first draft of the HAR and it is clear that TSOs have worked to meet concerns. ACER presents their main concerns which are the missing elements in the main body of the HAR which may jeopardise the NRA approval: emergency situation to be dealt with separately from force majeure. No discrimination of nominated vs non-nominated and the link to curtailment, credit rating issue still to be discussed also between the NRAs.

Some issues regarding the compliance with CACM still to be clarified; also compensation when daily allocation does not take place (market spread); all these elements are necessary for approval by NRAs.

In addition, NRAs need an explanation on the document and also some of them need access to the consultation documents. ACER requests ENTSO-E to publish them as soon as possible.

As far as the DAFD is concerned, ACER needs to understand why setting of DAFD is possible today for some TSOs and why not for some others.

Annexes and short term (day-ahead, intraday, nomination rules etc.) and access rules: ACER thanks ENTSO-E for information given to stakeholders on these items and work done by TSOs; request to continue informing them via the AESAG or via the internet site.

ENTSO-E explains that for the comments of stakeholders they can be published immediately but the document will need internal approval. ACER agrees to do it in two steps or together.

EURELECTRIC: (see slides) the association is pleased with early implementation work and the involvement of stakeholders in this project. Trading takes place in forward market thus, hedging is essential for cross zonal competition. It is very positive that the main points are discussed like bank rating but they question whether we can solve them all now or if we keep them for solving during the FCA comitology. Whatever the way forward, TSOs need to show with the HAR the main approach and what they would like to achieve. The association is concerned that whatever is approved now by NRAs may be used to influence FCA.

As far as the main issues are concerned they are the following:

- Emergency and force majeure to be dealt with separately; border line between emergency situation and system security is thin and there may be overlaps;
- Notion of LTFD: criticizes the notion of separating the forward timeframe;
- Caps: yearly cap and income from all timeframes should be included;
- Credit rating: they appreciate that there is discussion; proposal of ACER to assess the situation should be taken into account;
- No longer discrimination between nominated and non-nominated LTRs: welcome but wording to be clarified;

ENTSO-E clarifies that the HAR should not predetermine the FCA text; this was never the intention of the TSOs or ENTSO-E as it was always stated that whatever the FCA outcome is, it will be reflected in the HAR after the entry into force of the HAR and the annexes.

Discussion takes place regarding the emergency situation as event for curtailment; stakeholders are highlighting that it is important to change the HAR reflecting the CACM text on firmness. ENTSO-E explains its position in FCA which needs to be respected in this project. Stakeholders are still not satisfied about the harmonisation in this issue especially looking into some developments on national level as the Italian consultation.

Spanish regulator (CNE/CEER) explains that CASC rules refer only to system security and Force Majeure issues thus, HAR adds emergency situation leading to less firmness. This may be an obstacle for some NRAs to approval as this is a step back. Change should be made either in the HAR or the annexes.

All parties agree that the harmonisation has to be achieved in the HAR and not in the annexes.

EFET also highly appreciates the engagement of stakeholders. Main concerns of the associations are:

- Concept of LTFD: concern about the concept of firmness; cap is acceptable but there should be market spread after long term allocation until DAFD unless Force Majeure cases;
- Curtailment triggering events: confusion about the difference between system security and emergency situation;
- Firmness regime: market spread should be paid unless force majeure; cap should be not for the allocated period but for the whole year
- Large number of annexes are jeopardizing harmonisation. The objective should be that as many borders as possible apply the main firmness regime.
- Collaterals: open to have different solutions, high rating could be ok but lowering the rating would be a better solution.
- FTRs Options: if LTFD is kept, then FTRs should be 100% financially firm; compared to PTRs, FTRs lose its value with the current firmness regime. Changing the product in some borders should be at least consulted with stakeholders;

ENTSO-E explains that change of product is dealt with on national level and explanation will be given by the individual TSOs based on the feedback on the open question from the public consultation.

Discussion on individual HAR Articles considering written comments of stakeholders - Q&A - Open discussion and conclusions

ENTSO-E collected all the comments/proposals that were delivered by stakeholders after the public consultation and HAR SAG members discussed one by one in the article order of the HAR. A version of the draft HAR is projected on the screen presenting the comments and the replies so members can follow the provisions in question. ENTSO-E provides an overview where changes have been introduced based on the comments and where not and why. Main discussions are on:

- System security term and firmness regime;
- Required rating for bank guarantee; the challenge of harmonising the credit rating is explained and it is reported that involved TSOs try to find a compromise for the HAR; different bank rating might be included in the regional / border specific annexes; even though this is not the optimal solution, it might be the only realistic way forward; ACER notes that NRAs are discussing the issue as well aiming at finding a compromise; an assessment of the consequences should be done on whether a financial crisis and to what extent it could influence the financial risk of TSOs/NRAs; TSOs should present to ACER/NRAs in general terms what these consequences are; Stakeholders insist in having one harmonised bank rating in the HAR to avoid complicated solutions within the same allocation platform; the costs of market participants to acquire new guarantees in case of systemic lowering of the rating in one country was discussed;
- Opening of bidding time period: it is clarified that this information is given in the Auction Specification;
- Reduction period: keeping the reduction period in the HAR should be removed based on some stakeholders' view; however, at the moment is not accepted as TSOs can optimise their capacity based on the reduction period forecasts; views are exchanged on the way to standardise products in this regard; ENTSO-E explains this will be an issue to be assessed in the splitting methodology discussion once the FCA is implemented;
- Contestation of auction results: reduction of the time for final results was discussed; in order to allow all participants (small as well bigger ones) to check the results, it seems that 2 + 2 days is the best option for the HAR;
- Reserve of capacity for balancing services: the issue is discussed and it is explained that the reserve of balancing is foreseen in some countries and also in the balancing network code; therefore, the provision needs to be included in the HAR;
- Market spread in article 48(1)(a): extra explanation on calculation of market spread requested to be deleted; TSOs to look into it again; also in 48(1)(c) to explain what is meant with no existence of price in the daily allocation timeframe; to change "in the daily" into "for the daily";
- Article 48(3): stakeholders insist to delete this provision as for them all reasons for failure of daily auctions should constitute force majeure or emergency situation for the platform;
- Article 51: to reconsider the title (e.g. fallback procedures for auction) to avoid confusion with article 52;
- Firmness regime: triggering events for curtailments and other changes in the document was explained to stakeholders;
- Article 58: LTFD to define between 4 and 2 hours; still under discussion; also request to delete last part of 1(b) regarding determination of DAFD by TSOs as an early implementation project.
- Cap: EFET and Eurelectric: maximum cap should be yearly cap and no LTFD should exist;
- Periodic review of the HAR: right of participants to provide their view is provided in article 69(6);

Next steps and Any Other Business

ENTSO-E explains next steps: TSOs validation at MIWG level of the HAR is foreseen for 16 June. At the next AESAG meeting on 18 June, an update will be given about the stabilised version of the HAR. A question is raised how the coordination between NRAs can be done. ACER requests that ENTSO-E shares with ACER the updated HAR before all TSOs final approval so that they have sufficient time for their coordination within the NRAs. It is highlighted that ACER should play a coordinator role for NRAs so that all relevant NRAs approve the HAR and on time.

The final approval of the HAR is planned for end of June after which the HAR will be submitted by the relevant TSOs to their NRAs for approval or notification. ENTSO-E thanks everyone for the very valuable inputs once more and also for the discussion today which helped improve the HAR.