

ENTSO-E FCA Network Code – Stakeholder Group

Kick-off Meeting – 1 October 2012

Participants

Name	Organization
Christian Dobelke (Chairman)	ENTSO-E
Mark Lane	ENTSO-E
Antonio Lopez-Nicolas	ENTSO-E
Marco Foresti	ENTSO-E
Mark Csete	ENTSO-E
Christophe Cesson	ACER
Charles Verhaege	CRE/CEER
Matti Supponen	European
Nicolas Barbannaud	EFET
Hakan Feuk	Eurelectric
Marcel Cailliau	Eurelectric
Olga Mikhailova	Eurelectric
Manuel Coxé	Europex
Petter Longva	IFIEC
Mukund Bhagwat	IFIEC

11:30 - Welcome & Introductions (ENTSO-E)

Christian Dobelke, chairman of the Stakeholder Advisory Group gives a welcome speech and informs the participants about the submission of the Capacity Allocation and Congestion Management (CACM) network code (NC) to ACER. The next challenging projects are the Forward Capacity Allocation (FCA) and Electricity Balancing network codes. ENTSO-E believes that the establishment of the Stakeholder Advisory Group is necessary because this is the forum where stakeholders have an opportunity to regularly input into the process and provide feedback to ENTSO-E, which helps to focus and resolve key issues. For that very reason stakeholders are kindly asked to be prepared for each meeting and actively participate. ENTSO-E welcomes comments and suggestions on the stakeholder engagement process.

11:40 - Overview of the Network Code Development process (ENTSO-E)

Antonio Lopez-Nicolas and Marco Foresti give an overview (see slides) about the development process of network codes explaining the set of rules defined by the Third IEM Package. They emphasize that the FCA should be seen and written as an integral part of the CACM, since they share the same Framework Guideline. For this reason both codes will be based on common definitions which will not have to be duplicated. The indicative timeline and high level project plan are also presented, highlighting the main milestones and indicative dates of the stakeholder advisory group meetings. The official public consultation should be launched in April 2013 but could potentially be announced a couple of weeks earlier if the drafting process (and related internal approvals) provides for it: this would allow more time for commenting and processing the comments. According to the project plan ENTSO-E plans to share the first draft version of the FCA NC before the 2nd Stakeholder meeting so that the key issues will be identified as early as practicable. The draft structure of the FCA NC is shared at this meeting ensuring early stakeholder engagement. Finally, the Terms of Reference (ToR) of the Stakeholder Advisory Group are presented. A slight modification is proposed by EFET and will be included. The new version of the ToR will be circulated after the meeting for approval.

Stakeholder reactions:

- Stakeholders point out that the ENTSO-E IT Tool for public consultation is time consuming making it difficult to submit general comments. ENTSO-E explains that the tool is needed to process the thousands of comments article by article allowing more time to update drafts. However, stakeholder's concerns are valid and the tool is already being improved to allow general comments on the NC.
- Stakeholders point out the need to have a balance between sharing concrete drafts of the NC early enough, and having discussions in the group on key topics without systematically entering into details. There should also be sufficient time after the public consultation to review the draft NC which is likely to be considerably different compared to the initial versions. ENTSO-E agrees, and highlights that general comments, preferably prioritising the most important issues, should be presented through the Stakeholder Advisory Group, Workshops and bilateral meetings, while detailed comments article by article should be reflected in the response to the public consultation.
- Some participants ask about the interaction with the recent ACER public consultation. ENTSO-E notes and ACER confirms that the ACER consultation is more relevant for their implementation work on the Cross-Regional roadmaps. However, ENTSO-E will certainly duly consider the stakeholder responses to the ACER consultation as soon as they are published. ACER could potentially present the outcome of the public consultation at the next stakeholder advisory meeting, if possible.

13:00 - Stakeholders expectations and priorities

ACER (see slides) summarizes the content of the Framework Guideline on Capacity Allocation and Congestion Management for Electricity (FWGL CACM) related to Forward Capacity Allocation. Moreover, ACER shows the key points and steps of the public consultation and expectations for the network code.

Stakeholder reactions:

- What does anonymous secondary trading mean exactly in FWGL CACM? ACER: It will revert later with an answer as it requires further discussion internally.
- IFIEC asks if there was any impact study on the various transmission rights products? EC/ACER: Yes, the FWGL CACM issued by ACER was accompanied by an initial impact assessment weighing pros and cons of the different solutions.

European Commission expects the FCA network code will be a short document having common articles with CACM on several topics. ENTSO-E is asked to refer to CACM NC in the FCA NC as if the CACM NC is approved in the current version because it allows focusing on the key elements during the drafting phase. EC believes that regardless of the NC the Single Auction Platform and Harmonized Auction Rules should ideally be established and introduced even before the entry into force of the FCA network code. It notes that the introduction of FTRs on the German-Danish border could be considered as a pilot project and take into account the results during the drafting of the FTR options/obligation part of the code. Nevertheless, if changing to FTR from PTR a step-wise approach should be described in the code. Generally, difficult issues concerning e.g. the single auction office should be tackled in the code, only what is written is binding and should not be put off for later.

EURELECTRIC has several expectations (see slides) but prefers to focus on the most important ones to save time for discussion later in the meeting. The maximum available capacity shall be given to the market having the maximum possible firmness level. A Stakeholder Committee is recommended to be established for the Single Auction Platform.

EUROPEX does not have any specific message to ENTSO-E for the time being, however, the forwards market has a huge impact on the products of Power Exchanges. The Association welcomes the draft documents in advance in order to be prepared for the meeting.

EFET (see slides) expresses its idea about the forward market which shall offer multi-year (1-3) products for market participants. PTRs with the Use It or Sell It principle should exist so that the financial option remains in

parallel with the financial option. The introduction of FTR obligations is not supported by the Association. Furthermore in EFET's opinion, since TSOs have nothing to do with CfDs, this product should be offered only by financial players and should not be part of the NC.

IFIEC (see slides) argues that the forward markets need a long term vision in order to deliver real benefits to end consumers. A stepwise approach may be useful but the ultimate goal should be to have a market with CfDs within each regional market, following the Nordic example. The FTR and PTR products may hamper the delivery of benefits to customers; they shall be introduced only between different regional markets.

15:40 - Draft Structure of the Forward Markets Network Code

Stakeholders receive a handout which is the current draft structure of the FCA NC with titles, chapters and article headings. Mark Lane as convenor of the drafting team in ENTSO-E gives a presentation about the structure explaining the main elements of this network code emphasizing possible references to the CACM NC, especially regarding capacity calculation. The draft structure will be sent out in electronic format for comments.

16:00 - Key NC Issues from ENTSO-E perspective

Christian Dobelke (see slides) explains the Key NC issues but because of time constraints he focuses mainly on the Firmness topic. A model with two firmness deadlines (long term and day-ahead) could be envisaged to allow for different firmness regimes before and after the deadlines. Participants mention that caps as part of the firmness regime before day-ahead deadline could be acceptable. However, the NC should allow for borders or regions to establish a more stringent firmness regime for TSOs (thus more favourable for players buying transmission rights).

Feedback on ENTSO-E presentation and open discussion

IFIEC states that TSOs should not bear full firmness risks if this will be ultimately shifted on customers via tariffs. EFET believes transmission rights should be fully firm and acknowledges that the firmness regime on the French-Spanish border with market spread and caps is the best solution currently in place and should be followed as an example. EURELECTRIC agrees but argues that it depends on the methodology and level of caps.

As a basis for a CfD-only LT market, the FWGL CACM contains a term *liquid financial markets* the meaning of which is not clear for some members. ENTSO-E in principle agrees but believes that a perfect definition cannot be found at this stage and that the degree of liquidity of a certain market would require a case by case assessment. Stakeholders are however encouraged to propose definitions of liquid financial markets if this can help the drafting of the code. Moreover, if the wording was supposed to refer to hedging Nordic markets, it should be pointed out that for current financial instruments in those markets hedging is not "cross-border" but against a "virtual" area price.

16:50 - Next steps and Any Other Business

All participants agree that all presentations can be published at ENTSO-E website. The next meeting is tentatively scheduled for 22 November 2012 [finally postponed to 26 November].

Actions

- ENTSO-E to review the terms of reference and send after the 1st meeting for approval.
- ENTSO-E to produce meeting minutes and circulate for comments and approval.
- ENTSO-E to publish information from the meeting on the ENTSO-E website.
- ENTSO-E to share the first draft FCA NC with stakeholders in the next meeting's session file.
- All parties to send written comments on the draft structure and ENTSO-E presentations on "initial thoughts"